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Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

MONDAY, 31 OCTOBER 2005

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Monday, 31 October 2005

Members: Senator Heffernan (*Chair*), Senator McEwen (*Deputy Chair*), Senators Ferris, McGauran, Milne and Sterle

Senators in attendance: Senators Adams, Joyce, Heffernan, Hogg, McEwen, McGauran, McLucas, Milne, O'Brien, Siewert, Sterle and Troeth

Committee met at 9.02 am

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

In Attendance

Senator Sandy Macdonald, Parliamentary Secretary to the Minister for Trade

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

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation

Transport and Regional Services

Departmental Executive

Mike Taylor, Secretary

Mike Mrdak, Deputy Secretary

Susan Page, Deputy Secretary

Corporate Services

Jeremy Chandler, Executive Director, Corporate Services

Simon Ash, Chief Financial Officer, Corporate Services

Sharon Field, General Manager, People and Planning

David Banham, Chief Information Officer

Roger Fisher, Executive Director, Strategic Projects

AusLink

Leslie Riggs, Executive Director, AusLink

John Elliott, General Manager, AusLink Planning

Robert Hogan, General Manager, AusLink Road Investment

Joan Armitage, General Manager, AusLink Systems and Regional Investment

Jim Wolfe, General Manager, AusLink Rail Investment

Maritime and Land Transport

Andrew Wilson, Executive Director, Maritime and Land Transport

Peter Robertson, General Manager, Vehicle Safety Standards

Michael Sutton, General Manager, Maritime

Anthony Ockwell, General Manager, Transport Integration and Reform

Office of Transport Security and Inspector of Transport Security

John Kilner Acting, Executive Director, Office of Transport Security

Andy Turner, General Manager, Aviation Security Task Force

Darren Crombie, Acting General Manager, Maritime Security

Robert Hoitink, Acting General Manager, Aviation Security

Vicki Dickman, General Manager, Regional and Freight Security

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

Mick Palmer, Inspector of Transport Security

Peter Pearsall, Section Head, Office of the Inspector of Transport Security

Civil Aviation Safety Authority

Bruce Byron, Chief Executive Officer

Bruce Gemmill, Deputy Chief Executive Officer and Chief Operating Officer

Rob Collins, Group General Manager, General Aviation Operations Group

Kim Jones, Acting Group General Manager, Air Transport Operations Group

Betty Edwards, Chief Financial Officer

Nicola Hinder, Acting General Manager, Corporate Relations

Christopher Farrelly, Chief Information Officer

Gary Harbor, Head of Human Resources

Neville Probert, General Manager, Maintenance, Certification and New Technologies Office

Peter Ilyk, General Counsel

Richard Macfarlane, Acting General Manager, Personnel Licensing Education and Training Group

Karen Nagle, Risk Manager, Risk Management and Internal Audit Branch

Australian Maritime Safety Authority

Clive Davidson, Chief Executive Officer

Dianne Rimington, General Manager, Corporate

Aviation and Airports

John Doherty, Executive Director, Aviation and Airports

Neil Williams, General Manager, Airport Planning and Regulation

Merrilyn Chilvers, General Manager, Aviation Operations

Nick Bogiatzis, General Manager, Aviation Markets

Chris Stamford, Acting General Manager Airspace Reform Project

Regional Services

Gary Dolman, Acting Executive Director, Regional Services

Daniel Owen, General Manager, Regional and Indigenous Policy

Leo Dobes, General Manager, Analysis and Performance

Steve Pantelidis, Acting General Manager, Regional Partnerships and Networks

Peter Elliott, Acting General Manager, Sustainable Regions and Operations

Territories and Local Government

Sema Varova, Executive Director, Territories and Local Government

Adrian Beresford-Wylie, General Manager, Local Government and Natural Disaster Relief

Richard Magor, Acting General Manager, Territories

National Capital Authority

Annabelle Pegrum, Chief Executive Officer
Lindsay Evans, Managing Director, Business
Graham Scott-Bohanna, Managing Director, Design
Todd Rohl, Managing Director, Planning and Urban Design
Alison Walker-Kaye, Director, Corporate
Emmy Jowitt, Assistant Chief Finance Officer
Phil Wales, Director, Executive Governance
George Lasek, Director, National Capital Estate
Andrew Smith, Director, National Capital Projects

CHAIR—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. Over the next two days, through supplementary budget estimates hearings, the committee will further examine the particulars of proposed expenditure in respect of the year ending 30 June 2006 for the portfolio areas of Agriculture, Fisheries and Forestry and Transport and Regional Services. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 16 December 2005, as agreed. I propose to call on the estimates according to the format adopted in the printed program. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome Senator Sandy Macdonald, who is accompanied by Mike Taylor, Secretary; Susan Page; Mike Mrdak; and officers from the Department of Transport and Regional Services and related agencies. Officers are reminded that the Senate has consistently decided, by way of continuing resolution:

... there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the Parliament or its committees unless the Parliament has expressly provided otherwise.

The Senate has also determined that a claim to withhold information on the basis that it is commercial-in-confidence will not be considered unless it is made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure. Officers are reminded that an officer of a department of the Commonwealth or a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute contempt of the Senate. Senator Sandy Macdonald or Mr Taylor, do you have any questions that need to be clarified?

Senator Sandy Macdonald—No, thank you.

CHAIR—Would you like to make an opening statement?

Mr Taylor—Chair, if you would agree, I would be pleased to do that.

CHAIR—God bless you.

Mr Taylor—I would like to give a brief overview of some important issues within the Department of Transport and Regional Services portfolio which I think will help senators in their deliberations today and tomorrow. Importantly, I want to reinforce the fact that we modified the outcome-output statements of the department, which we drew to the attention of the Senate estimates committee at our last meeting, and have incorporated that into our annual reporting and also the way in which it is planned to operate for the coming year, 2005-06.

We have also gone through some quite significant management changes which I want to bring to senators' attention. Those changes will be obvious as my colleagues appear before you over the next 24 hours. Our long-serving Deputy Secretary, Peter Yuile, left at the end of June to take up a role with the Australian Quarantine Inspection Service. I am very pleased that Susan Page has now joined us from the Department of Finance and Administration as a deputy secretary along with Mike Mrdak. In November my colleague Andrew Tongue will complete a secondment with the department of immigration and, on his return, he will become a deputy secretary with particular focus on the transport security role within our department, as well as a number of other issues. At the executive director level, John Doherty has now taken up responsibility for Aviation and Airports, Ms Lesley Riggs has now taken over responsibility for AusLink and its implementation and Mr Andrew Wilson has been appointed to head the Maritime and Land Transport Division. We still have two outstanding vacancies, one in transport security and the other in regional services, and both of those are in the process of being filled. I think we have now got a very strong executive leadership team assisting the department to deliver on the government's portfolio and policy requirements.

I would like to reflect on the important achievements of 2004-05 and, in doing so, reflect on the very important work we are doing in 2005-06, and to focus on some of the recent developments that are now challenging us. I would particularly like to begin with transport security and safety. Not surprisingly, it is a very dominant feature of much of our work. The recent terrorist attacks in London and Bali point out how critical is the need to remain vigilant and to further strengthen Australia's security systems with respect to its transport arm. The department, in line with the government's approach, has been working very closely with states and territories to implement a range of COAG policy decisions, and particularly the most recent ones that were made on 27 September. I will briefly outline some of those: the important expansion in the use of closed circuit television for mass passenger transport systems and particularly for train systems; we are also working closely with the states and territories on a national code of practice for the expanded use of CCTV, ensuring consistency wherever possible across the nation; and the cooperative arrangement that has been working between the Commonwealth government and state governments has seen the development and formalisation of an intergovernmental agreement on surface transport security. The other thing in this area to give emphasis to is the new regulatory regime that is being implemented for aviation and maritime security and to note the fact that the department is taking responsibility for the regulation of Australia's 56 offshore oil and gas platforms and is in the process of working with industry to implement that.

The recent review by the UK security expert, Sir John Wheeler, has brought forward a number of other issues. In noting the Wheeler report on 21 September, the Prime Minister announced a number of new security measures which directly involve the Department of

Transport and Regional Services. Those new measures include \$38 million to strengthen air cargo security arrangements, \$23-plus million for improved security and crime information and exchange of information for aviation matters, and a review of the Aviation Transport Security Act and associated regulations. We are also in the process of tightening the checking and background processing of both aviation security identification cards—and of course that will flow consistently to our maritime situation—and undertaking a major training initiative.

Turning to the important issues in related areas, a new maritime salvage program has been put in place pending the long-term arrangements we are negotiating with states and industry. We have expanded the Australian Transport Safety Bureau's capabilities, and we have seen the ATSB perform its best turnaround times yet on both aviation and maritime investigations. We are in the process of working very closely with industry and with the major government partners, particularly Airservices Australia, the Civil Aviation Safety Authority and the Department of Defence, to bring new arrangements to airspace management and streamline the management of airspace.

I would now like to turn to infrastructure. The department is implementing the government's major initiative, AusLink, a revolutionary approach to the planning and funding of Australia's national roads and railways which has foreshadowed marked increases in expenditure. In the course of 2004-05, some \$2.2 billion has been expended on Australia's land transport infrastructure. Some of the major projects include the Westlink project in Sydney, which links the M5 and M2 and is expected to open just prior to Christmas, well ahead of schedule; Melbourne's Craigieburn Bypass on the Hume Highway; continued upgrades of the Pacific Highway; and many other projects, including some 375 black spot road safety initiatives and around 2,000 new projects registered under the Roads to Recovery program.

Importantly, we have now seen a series of legislative reforms which will apply for 2005-06 and beyond. Legislation has brought the six separate program streams, including Roads to Recovery, black spot and the former national highways program, into one single legislative framework. As well, the bilateral agreements between the states and territories and the Commonwealth for AusLink are making good progress. Many of those have been signed. My colleagues will reflect on those later today.

Work has now begun on the planning agenda foreshadowed in AusLink and, importantly, underpinned as a result of the discussions by COAG on 3 June to facilitate four pilot corridor studies, which we believe will be a major forerunner of some 24 overall studies to help streamline the movement of freight and facilitate efficient transport within Australia.

The meeting of COAG on 3 June has major implications for this department because it has given rise to a decision to hasten the long-term planning being undertaken by AusLink, extend the AusLink planning and coordination to ports and associated shipping channels, and establish one-stop shops in each state and territory for project facilitations and approvals. The decision by the Prime Minister and premiers means that AusLink will clearly be a major body of work for the department for many years to come. Further work, as far as the decision of COAG is concerned, is expected to be developed in the course of the next few months through the leadership of our state and federal leaders.

International aviation represents some very important opportunities for Australia. I refer not only to international markets, which we work very closely with. Australia is also taking the lead in working very closely with the European Commission to seek a mandate from all the member states to negotiate a single, liberalised agreement for Australia-Europe services. We have also recently signed a bilateral aviation safety agreement with the United States, which importantly paves the way for better access of Australian manufacturers of leading edge technology to the US market.

Regional services are a key part of the portfolio. Importantly, community partnerships have been developed—particularly through the Sustainable Regions and Regional Partnerships programs—that have had a major impact on Australia's communities and regions. Extra funding of some \$31 million was provided to the Sustainable Regions Program to support two new regions, the Northern Rivers and North Coast and the Darling Matilda Way in western Queensland and New South Wales. Some 438 new projects were implemented as part of the Regional Partnerships program.

Good progress has been made by the department in implementing the Rural Medical Infrastructure Fund, helping smaller communities to set up medical centres by providing up to \$200,000 towards the cost of each centre, and the Bank@Post services, extending banking services to more than 200 regional communities.

Of course we note the Senate inquiry into the administration of these regional programs that was concluded just recently, and the department will be assisting the government to prepare and implement a formal response to the inquiry's report in due course. The department is also working to implement the government's response to the Hawker report on local government. But in the meantime, in respect of local government, 703 of those bodies have received collectively more than \$1.55 million during 2004-05. Our South Australian council received extra funding, some \$4.25 million, the first of three planned instalments to address particular local road needs.

A draft intergovernmental agreement is being considered by local government and planning ministers in March 2006 on an important initiative the government has been taking. The department is also in the process of implementing the government's response to the COAG report on bushfire mitigation and management. A total of over \$32.3 million was spent in 2004-05 on natural disaster research and mitigation, including bushfire trails and aerial firefighting.

The department has a small but significant role in respect of Indigenous matters. One of my personal responsibilities as secretary is to sponsor the COAG East Kimberley trial. It has been a privilege to work in partnership with the Indigenous groups in those communities as they attempt to build self-reliant communities. This year, the COAG trial partnership is focused on community activities and on increasing the use of local resources to meet priorities.

A series of community safety grog workshops was facilitated by the community and supported by our department and by the government's overall program. As a result of these workshops, the community has put in place plans to deal with what are very challenging issues for them. As well, the community has driven some 11 shared responsibility agreements that have been created to address youth and women's issues, improve environmental health

and provide community infrastructure such as airstrip lights and community sport and recreational facilities. It is also important to note that the department has quite consciously put in place strategies to increase its own representation of Indigenous communities within its staff, and my colleagues in the corporate area would be pleased to outline some of the initiatives taken in that area.

In closing, I have two other areas I would like to canvass. One is the issue of Uhrig and the arrangements that have been put in place in respect of the implementation of the Uhrig report. It is a high priority for quite a number of agencies within our department, and we have now completed many of the procedures and processes in respect of the National Capital Authority. The reviews with respect to Airservices Australia, the Civil Aviation Safety Authority, the Australian Maritime Safety Authority, the Australian Maritime College, the National Transport Commission and the Maritime Industry Finance Company are in progress. The only significant ones of those, however, related to Airservices Australia, CASA and AMSA. They have taken a little longer than might have been thought necessary, but given the very important safety matters that these bodies deal with—as well as their financial matters—it has been very important that as well as dealing with the underlying Uhrig principles we also deal fully with all the issues relating to safety and its delivery.

Finally, I come to the department's finances. I am pleased to report that the performance of our finances, particularly with respect to administrative programs, has reached a very high level, some 99.7 per cent. Our net asset position has also improved as of 30 June, and we will want to maintain an ongoing and effective management of our financial situation. Our cost recovery arrangements have been reviewed in line with the DOFA administration guidelines, and we certainly look to a reduction in the fees paid by the mainstream vehicle industry which was announced earlier. We also look forward to further management of that cost recovery activity.

The way we would intend to proceed, with the Senate's agreement, is that following my opening comments my colleagues representing each of the key divisions would assist the senators in their deliberations. The suggestion was that the first area would be corporate. I thank the Senate for their time.

Senator O'BRIEN—Thank you for that outline. Is that in documentary form? It is of assistance to have that, as some of those areas cut across areas about which we might ask questions. Could we get that?

Mr Taylor—If you would not mind, I will tidy up my annotations. I would appreciate that.

Senator O'BRIEN—If it is not convenient—

Mr Taylor—It will not take long. I would be delighted.

Senator O'BRIEN—Unfortunately, I am going to start on a point that rankles a bit. I note your department made available a copy of the annual report to my office at precisely 5 pm on Friday. That is the time on the email in which the PDF form of the annual report was transmitted. I know it is a large task to get the annual report ready, but this does not give us a chance to have more than a perfunctory look at the document, which is supposed to be able to be properly examined in this committee process. Last year it was delayed because of the election; that is not the case this year. When did the work begin on this year's annual report?

Mr Taylor—The work began more than early enough to have the report completed a little earlier. We had some difficulties and editorial issues as we worked through the report, which caused the delay. I am sorry that the late tabling of that has been of an inconvenience to the deliberation of this committee, but it only happened because we were making sure that we had fully completed the report, that there were no errors that we could identify in it and that it was in an appropriate condition to be tabled before the parliament. I apologise if any delay has caused any difficulty.

Senator O'BRIEN—When did you receive the final proof?

Mr Taylor—I received the final copy late last week too, but I had been part of the team that had worked on the document earlier.

Senator O'BRIEN—Does the minister approve or have sight of the annual report formally or informally prior to tabling?

Mr Taylor—The minister has sight of the annual report, but the delays are all the responsibility of the department and me.

Senator O'BRIEN—What do you propose to do to ensure this committee will have adequate time to review future annual reports before the eve of the supplementary estimates hearings?

Mr Taylor—I think there are difficulties that arise. As I understand it, the obligation of the department is to table the report by 31 October. As I understand it, we complied with that. I understand also the desirability of it being earlier, but I do not think we have done other than meet what was at least incumbent upon us. The fact that this Senate estimates committee was at some stage scheduled at a time that was very much close to that, if you like, approved latter tabling date is unfortunate. We have confluence of two difficult events: the Senate estimates being convened at this time and the very short time between when our report was tabled and now, but our report was still tabled in time. I would prefer it to be tabled earlier; I am being quite frank about that. My colleagues know I wish it was tabled earlier, not just because of Senate estimates but it would be more convenient. I cannot turn the clock back.

Senator O'BRIEN—We did not spring the date of the estimates upon you; they were known at the beginning of the year.

Mr Taylor—I have indicated my less than happiness with the date that we got it to you. I have indicated the reason why, and that is that we had a number of matters that needed correction within the report, and that of course delayed it. I take responsibility for that delay. I have drawn attention to the fact that it has been tabled within, as I understand it, the appropriate time, but I know it is inconvenient for the deliberations of this committee. It was certainly not purposeful and we would certainly much prefer it to be completed earlier.

Senator O'BRIEN—I take it that the department's new structure announced earlier this year is now fully implemented, subject to filling those vacancies.

Mr Taylor—Subject to filling those vacancies and also subject to—as a senior executive—always keeping structures under review. Structures are a means to an end. They are there to facilitate the work that is foreshadowed by legislation, regulation and government policy.

There is always a level of flexibility in response to the circumstances around, so I never see them as fixed.

Senator O'BRIEN—For this iteration of the structure, then, if I can put it that way, do you have any figures to show the total costs of moving staff; reprinting stationery and business cards; relocating IT equipment, communication materials and activities; and any specialist advice to get the structure right?

Mr Taylor—I am sure that my colleagues in Corporate Services can give you an indication, but I think perhaps my colleagues would tell you that it was done in a remarkably seamless way. It also reflected the fact, as you would be aware, that a number of the changes occurred not because we made choices but because people left for positions elsewhere. In fact, the structural change reflects the fact that the former secretary, Mr Ken Matthews, moved from this position, and I took it over just over 12 months and a week ago. Importantly, Lynelle Briggs took up a job as the head of the Australian Public Service Commission, Peter Yuile was recruited to the Australian Quarantine and Inspection Service and a number of other colleagues took senior jobs, and we relocated people from one area to another as we saw best to fit.

All of those changes certainly involved costs, but they are costs that occur in the normal running of an organisation on a day-to-day basis. People do take up other senior positions. People do move to different organisations. One continues that recruiting process. So, in that sense, I do not think we have incurred any additional costs over and above the norm. To the extent that we made any structural changes, my guess is that the costs would have been far offset by any savings that we have in a more focused structure that is very much aligned with our outputs. I am happy for my colleagues to reflect on those in some detail with you; I cannot give them to you personally.

Senator O'BRIEN—Perhaps we can get that now, Mr Chandler.

Mr Chandler—We have not specifically tracked the individual costs associated with the changed structure. You referred to business cards and publications. Those have simply been replaced progressively as stocks have run down. Most of the change to structure did not require much in the way of change to documents. Many of our documents these days are on electronic templates, so it is just a question of changing those templates on the system, so there are no redundant stocks. Business cards certainly are hard copy and, as I said, we changed those progressively. Other costs associated with changes to staffing et cetera would have been really part of normal business costs. As the structure changed and there were staff moves, there were some vacancies, and they have been created through the normal business process. There have not been specific costs identifiable to the restructure as such.

Senator O'BRIEN—So there have been no identifiable costs—no identifiable relocation of office, IT or other infrastructure in your buildings?

Mr Chandler—There are changes. A reconfiguration of our office accommodation is happening at the present time, and we referred to that in the last hearings. As I indicated at the time, the driver for that reconfiguration was primarily around the increase in staffing numbers within the department over time, over the last year and a half or so. Most of that has been associated with the growth of the transport security function, so that is the primary driver. As I

think I indicated last time, we have also moved on reconfiguring accommodation in one of our buildings—this is 4 Mort Street, Canberra—because it was originally taken as staging space. With the growth of numbers it has become apparent that we need to make that a part of our ongoing accommodation solution, so we have had to refit to meet our certified agreement standards and OH&S arrangements as permanent accommodation.

Senator O'BRIEN—So you have Mort Street and Alinga Street at the moment. Are there any other buildings?

Mr Chandler—In Canberra we have 111 Alinga Street, which is the primary office accommodation. We have space in 4 Mort Street, space in 15 Mort Street, which is predominantly the Australian Transport Safety Bureau, and we have some temporary staging space to enable reconfiguration in NRMA House on Northbourne Avenue and on a floor in Canberra House on Marcus Clark Street.

Senator O'BRIEN—What is the staffing level of the department now?

Mr Chandler—At 30 June last, it was 1,129 FTEs—full-time equivalents. A point to note is that that is slightly different from the figure that appears in the annual report, which is a head count. The numbers I am referring to are full-time equivalents.

Senator O'BRIEN—What is the head count?

Mr Chandler—At that time the head count time was 1,154, so it equates to 1,129 people. For the entire department, excluding the Indian Ocean territories, there were 1,161 FTEs as at 30 September.

Senator O'BRIEN—All positions are not filled, obviously, but is that the current—

Mr Chandler—At any time there would be roles that are vacant.

Senator O'BRIEN—You have a couple that have been at a fairly senior level.

Mr Chandler—There would be roles that are vacant at any time, simply because of staff turnover, at, I guess, all levels and across all areas of business.

Senator O'BRIEN—If all those positions were filled, how many FTE positions would you have?

Mr Chandler—I am afraid I do not have that figure with me, and I would not want to guess it. Certainly our accommodation plans take account of the full level of projected staffing, but I cannot tell you that figure offhand.

Senator O'BRIEN—If you could get it for us on notice, I would appreciate it. Is the growth of 32 FTEs to 30 September a trend that continues?

Mr Chandler—I would like to take on notice what the growth projection is.

Senator O'BRIEN—Do you recall what the 30 June 2004 FTE position was?

Mr Chandler—I can provide you with that. The FTE figure at 30 June was 879.8, a nice degree of accuracy.

Senator O'BRIEN—Was that considerable growth—a growth to 250, I think; no, more than that—down to the Office of Transport Security alone?

Mr Chandler—It is primarily the Office of Transport Security. There has been some increase in numbers in other areas of the department. There has been, for example, an increase in staff within the corporate function, as over the past year we have filled positions as ongoing positions that at a previous time—during 2004—were filled by people on contract type arrangements. We have been through a period where staffing was lower. It reflects some of that adjustment.

Senator O'BRIEN—How many FTEs are taken up by the Office of Transport Security?

Ms Field—In relation to the Office of Transport Security, there has been an increase of staff from 123 to 253. That is full-time equivalent staff.

Senator O'BRIEN—When did the 123 occur?

Ms Field—That was at 30 June 2004.

Senator O'BRIEN—So 130 of the 250 positions are accounted for in the Office of Transport Security. That leaves 120 new positions.

Ms Field—There have been other increases in the regional programs area and also in the aviation and airports program.

Senator O'BRIEN—How many FTE additional did the regionals get?

Ms Field—In the regional services programs there has been an increase from around 179 staff to 212 staff.

Senator O'BRIEN—Is that FTE?

Ms Field—That is FTE. That is from 30 June 2004 to 30 June 2005. And in the aviation and airports area there has been an increase from 79 through to 107 in that same period.

Senator O'BRIEN—There are still about 70 positions unaccounted for.

Ms Field—We can work through all of the divisions if you like. They are the divisions with most growth.

Senator O'BRIEN—So every division has seen an increase in staffing?

Ms Field—There have been positive changes in all divisions, yes. Some of these have only been small changes.

Senator O'BRIEN—How many staff in the department are currently on AWAs?

Mr Chandler—All of the SES are on AWAs—and 100 non-SES staff.

Senator O'BRIEN—How many SES staff are there?

Mr Chandler—I think it is 35 at the present time.

Senator O'BRIEN—With a couple of positions, at least, to be filled?

Mr Chandler—Thirty-five is the actual number.

Senator O'BRIEN—Of positions?

Mr Chandler—Of people—SES staff with AWAs. There would be a couple of positions to be filled which would be on top of that, I think.

Senator O'BRIEN—How do the salaries and conditions of those on AWAs compare to those employed under the certified agreement?

Mr Chandler—As I say, all SES are on AWAs, and they are fairly comparable. For non-SES staff, the purpose of the AWA is typically to recognise particular circumstances and skill sets, so you would expect that they would provide some advantage or different remuneration arrangements. Those are structured in a range of different ways.

Senator O'BRIEN—When you say 'different', do you mean something to reflect different hours? I am not sure what you mean.

Mr Chandler—What I mean by 'different' is that the conditions contained under them will be different. They may include performance bonus arrangements; they may provide some level of additional remuneration; they may provide other types of benefits. As I say, there can be a number of reasons for putting those arrangements in place. At times those AWA arrangements recognise additional hours of work, yes.

Senator O'BRIEN—Does the department intend to use the practice promoted in other agencies and make employment conditional on new starters signing AWAs?

Mr Chandler—We do not have a policy to that effect at the present time.

Senator O'BRIEN—Have the additional staff—the additional 32 FTE staff since 30 June—gone into a particular area or have they been spread across a number of areas, since there is a particular trend in a particular division?

Mr Chandler—They appear to be spread across a number of areas. The biggest increase would again be the Office of Transport Security, with about 16.

Senator O'BRIEN—That is about half of them.

Mr Chandler—About half of them.

Senator O'BRIEN—Do you know how many more positions remain to be filled in OTS or how many additional positions are contemplated to be—

Mr Taylor—Perhaps I could make a brief comment there. You will be aware that the Prime Minister and premiers met at COAG on 27 September. In the lead-up to that, the Prime Minister took a number of initiatives, which I outlined in my opening statement. There are further considerations going on in transport security. So I do not think we can be definitive about those commitments to security. I think it is fair to say that state and territory governments and the Australian government have all considered security matters very highly. They have involved working very closely with industry; they have also involved some major innovations at the technical end; and they are involving increased staffing. I would not want to be definitive about an ultimate outcome on that.

Senator O'BRIEN—It is building up to about a quarter of the staffing, from the numbers that we have.

Mr Taylor—I think that would be absolutely true. It reflects both the government's priority on security and clearly the COAG priority on security and transport matters.

Senator O'BRIEN—Is it taking a quarter of your budget?

Mr Taylor—Importantly, the budget has been expanded, so it is not taking a quarter. These have been additional expenditures which the Australian government has made.

Senator O'BRIEN—My question is: does it take up 25 per cent of the funds that you have to spend?

Mr Taylor—As you increase the overall budget of OTS and the department's budget, so you increase its proportional share. You are quite right, and I have said that. It does take a quarter. I would expect it will take over a quarter.

Senator O'BRIEN—We can explore that further with OTS. In terms of departmental travel, the department implemented a travel card a few years ago as part of its certified agreement negotiations as a savings measure. Has any assessment been undertaken as to the level of savings this measure delivered?

Mr Chandler—There has not been an assessment in recent times. An assessment was made about 12 months after the introduction of the card. As I recall, I reported to the committee at that time that the saving was of the order of \$400,000 per annum. As I say, we have not tested those figures further. Nothing would have changed in the arrangements to diminish that saving over time.

Senator O'BRIEN—So there are no special audit arrangements in place to ensure the system is being managed effectively?

Mr Chandler—We have very rigorous arrangements in place to monitor the allocation and use of cards; it is just that we have not calculated again the projected saving.

Senator O'BRIEN—Is it still a Visa card?

Mr Chandler—It is.

Senator O'BRIEN—Have there been any incidents of travel cards being mismanaged?

Mr Chandler—We have an ongoing scrutiny of the cards, including through our internal audit provider, to ensure that cards are not mismanaged. There would have been three or four instances where we have had to take some action in relation to cards.

Senator O'BRIEN—What sorts of instances?

Mr Chandler—They would have been some degree of inappropriate use of the card.

Senator O'BRIEN—Not for approved expenditure, not on travel? What is 'inappropriate'?

Mr Chandler—Not for approved expenditures; issues where we have had to examine the use of the card.

Senator O'BRIEN—What are the approved expenditures? Presumably it is food and accommodation, and perhaps some travel.

Mr Chandler—Many officers have a card which is designated for travel purposes only. The purposes are set out in our chief executive's instructions and they relate, yes, to travel expenses. There are also a number of cards in the department for purchasing type purposes. We have deliberately moved to use credit card as an efficient means of low-value purchasing.

Senator O'BRIEN—Were the instances of mismanagement with travel cards or purchase cards?

Mr Chandler—They would probably have been both. I could not be sure at the moment.

Senator O'BRIEN—Can you tell us what sort of mismanagement has been involved? What sorts of inappropriate expenditures have been involved?

Mr Chandler—It has gone to a simply inappropriate use of card or difficulty in verifying transactions. The amounts concerned have been typically small and I think I am correct in saying in all but one case all moneys were recovered and have been finally accounted for.

Senator O'BRIEN—In one case you have not been able to recover the moneys that had been—

Mr Chandler—I think there was a small amount outstanding.

Senator O'BRIEN—Did the person leave the staff?

Mr Chandler—I do not recall.

Senator O'BRIEN—Can you provide us on notice the details of the inappropriate use.

Mr Chandler—Yes.

Senator O'BRIEN—Conversely, are there checks in place to ensure that staff are not out of pocket? I assume they can claim back small incidentals purchased in cash?

Mr Chandler—That is correct.

Senator O'BRIEN—So staff are not being left out of pocket as a result of these arrangements?

Mr Chandler—No. The system has been designed to avoid that possibility. I am certainly not aware of any complaints from staff that they have been disadvantaged.

Senator O'BRIEN—Is there some way you can quantify the amount of travel being undertaken on behalf of the department? Do you have a figure available for how many staff travel days there are?

Mr Chandler—We certainly have numbers of airline flights. I would need to check whether we can determine readily the number of days. I can check that and take that on notice.

Senator O'BRIEN—Perhaps you can give that on notice. Do you have the number of flights taken?

Mr Chandler—Yes.

Senator O'BRIEN—Do you have that now?

Mr Chandler—I think I have it for the last few months.

Senator O'BRIEN—If you can give us a more fulsome document on notice, I would appreciate that.

Mr Chandler—I will provide that on notice.

Senator O'BRIEN—Does the department have a 'best fare of the day' policy?

Mr Chandler—We do.

Senator O'BRIEN—Can you give us a breakdown of the travel with regard to the different airlines?

Mr Chandler—We can.

Senator O'BRIEN—Some will obviously be on the regional routes and some will be on the main routes.

Mr Chandler—Yes, we can provide that information.

Senator O'BRIEN—Can you tell us how much of DOTARS corporate travel is being distributed to smaller airlines—that is, non-Qantas travel?

Mr Chandler—DOTARS corporate travel—that is, for the department? I am just questioning the word 'corporate'. Is it business travel for the department?

Senator O'BRIEN—Yes, business travel for the department, and perhaps you can break it down to SES travel as well. While talking about travel, I want to ask some questions about whether any senior officials within the department live in other cities and commute on a regular basis to Canberra. Mr Taylor, I understand that when you were the Secretary of the Department of Agriculture, Fisheries and Forestry you lived in Melbourne and commuted to Canberra each week. Is that still the case now that you have moved across?

Mr Taylor—It is still the case. I think I explained—and I am happy to do it again—that it is part of the condition of my employment. There is an annual sum that I will get Mr Chandler to reflect on. I think the amount that is allowed is \$6,000 a year—or \$6,600.

Mr Chandler—It is of that order.

Mr Taylor—It is certainly supervised by our Corporate Services group, and I am happy to get any details you wish to have provided in respect of it.

Senator O'BRIEN—It is just a pure travel cost? There are no accommodation costs involved?

Mr Taylor—No, when I am in Melbourne I stay at home.

Senator O'BRIEN—I assumed that. When you are in Canberra there are no accommodation costs?

Mr Taylor—There is an accommodation allowance. We happily tabled it last time. I am happy to get it tabled again this time. I do not think we completed our answer, Senator. You asked us whether we had others—

Senator O'BRIEN—Any others, yes.

Mr Taylor—My understanding is that the answer to that is no.

Senator O'BRIEN—Earlier, we touched upon the refurbishment of the Alinga Street accommodation. It seems from what was said earlier—and correct me if I am wrong—that a lot of the rationale for this is to do with the Office of Transport Security being accommodated.

Mr Chandler—That is correct—growth in numbers generally, and the primary area has been the Office of Transport Security. As I mentioned before, it is also associated with the fact that we leased accommodation at 4 Mort Street on a temporary basis. That was before the numbers started to increase, associated with the Office of Transport Security and others. That

accommodation was fitted out on a temporary basis, and it has not been of a standard that we would want to provide under our certified agreement. Some issues have become apparent over time regarding our need to make better use of that space. It is primarily driven by those two factors.

Senator O'BRIEN—What is the refurbishment going to cost?

Mr Chandler—I do not have final figures. We are still in the process of finalising tenders for the bulk of the work in the two buildings. Some work has commenced under separate contracts, but the main contract is still to be finalised. I estimate that total costs would be of the order of \$11 million across the two projects.

Senator O'BRIEN—When will you know the precise contract figure?

Mr Chandler—I would hope to have that within two or three weeks. We are finalising the tender evaluation at the present time.

Senator O'BRIEN—Would you be able to provide that information to us on notice?

Mr Chandler—Yes.

Senator O'BRIEN—What about the refurbishment? How long will that take?

Mr Chandler—Our current plan is that the refurbishment of 4 Mort Street will be complete by the middle of 2006. The refurbishment of 111 Alinga Street will be complete towards the end of 2006.

Senator O'BRIEN—How is it intended that the project be staged? Presumably while you are doing Alinga Street and Mort Street you are going to be occupying them.

Mr Chandler—In response to your earlier question on accommodation, I referred to the fact that we have taken staging space at NRMA House on Northbourne Avenue. We have two floors at NRMA House and also one floor at Canberra House on Marcus Clarke Street. That enables us to move and work on about two floors at a time.

Senator O'BRIEN—That sounds a little disruptive of your staffing arrangements. How is it being managed?

Mr Chandler—There has been a high level of consultation with staff through the process to date, and we would expect to continue that. Obviously we are working to minimise disruption. There will be some, but we are working to minimise it. Certainly the first stages of moving staff have gone very well.

Senator O'BRIEN—When was Alinga Street last refurbished?

Mr Chandler—It would have been about six years ago, when the department took the building over from the Department of Administrative Services. I think it was six years ago.

Senator O'BRIEN—Has the department been allocated additional funds for this refurbishment or do you expect that to be the subject of an additional appropriation?

Mr Chandler—Additional resourcing associated with the Office of Transport Security function and the increased staff there has been provided to the department. So some funding has come from that source, but for the most part it will be provided by the department from funds it has intentionally set aside for that purpose. Under accrual budgeting arrangements,

each department is provided each year with funding for replacement of assets, including refurbishment of its accommodation. We have been setting those funds aside for this purpose.

Senator O'BRIEN—How much have you got set aside for that purpose?

Mr Chandler—We have adequate funds set aside for the cost of the project.

Senator O'BRIEN—My question was: how much have you got set aside for these accumulating purposes, whether for this or other projects?

Mr Chandler—I would need to take that question on notice.

Senator O'BRIEN—If you could, I would appreciate an answer to that. In the process, will any staff facilities be lost in order to maximise space?

Mr Chandler—No. The intention is to provide an equivalent or improved level of staff facility.

Senator O'BRIEN—When did the minister sign off on the refurbishment project? Or is that not required?

Mr Chandler—That is not required.

Senator O'BRIEN—So Mr Taylor signed off. When did you sign off, Mr Taylor?

Mr Taylor—Again, that was part of the initiative in the early part of 2005. We had an executive meeting at which we considered the matter, and we signed off on that. We have also agreed that we will keep the cost of the thing under constant monitoring, as Mr Chandler has outlined.

Senator O'BRIEN—Are there any other refurbishment plans for DOTARS offices interstate?

Mr Chandler—As part of the growth of the OTS function, we have needed to keep our accommodation arrangements in the states under ongoing review. There have been works at a number of regional office locations and there will be some further works over the next few months.

Senator O'BRIEN—Perhaps you can give us a bit of an outline of those works, on notice.

Mr Chandler—I can indicate to you which the locations are now, if that helps. We have taken some additional space and done some refurbishment work in Melbourne. We are in the process of taking some additional space and doing refurbishment work in Sydney.

Senator O'BRIEN—These are single premises in each case, or multiple premises?

Mr Chandler—Yes. In Melbourne the premises are Casselden Place, the Commonwealth government centre. In Sydney, we are taking space in the AQIS building and simply moving from one location to another, larger space. In Brisbane, it is in the building we are in at the present time. That is 340 Adelaide Street. In Darwin, we are establishing a small office to accommodate the OTS function and to accommodate the regional staff we already have in shared premises there. There would be minor works at some of the other locations.

Senator O'BRIEN—Thank you for that. Mr Taylor, regarding the Uhrig recommendations, I was not sure from your earlier statements when you expect the final positions to be taken. There were some that were outstanding.

Mr Taylor—At least from a departmental point of view, the majority will I think be completed by the end of the year. I would have thought we would address the CASA/Airservices issues early in 2006. They are still within part of the overall framework of Uhrig considerations by government. As I indicated, we are working through them in a comprehensive way and looking both at what the Uhrig issues were and at a broader range of issues.

Senator O'BRIEN—So at the additional estimates we should be able to get an answer that all the decisions have been taken and—

Mr Taylor—No, I think it might be in the first half of 2006. These are major bodies. Any decisions we make, we would want to make in close consultation with those bodies and relevant parties.

Senator O'BRIEN—Who is managing this assessment process?

Mr Taylor—My colleagues within the respective parts of the business divisions have been undertaking the detailed work within the organisation, but I take overall responsibility for the Uhrig, aviation and AMSA issues. They are very important bodies, they address major safety issues for Australia and I think any changes need to be handled very carefully.

Senator O'BRIEN—So the buck stops with you?

Mr Taylor—It certainly does.

Senator O'BRIEN—You did touch upon the COAG Indigenous trials, and I was not sure whether you told us that you did visit the East Kimberley COAG Indigenous trial site in mid-June. In May you told us that you were expecting to.

Mr Taylor—I have been there twice this year. I think probably when we last spoke I said I intended to visit sometime in the middle of the year, which I did—in July. I did have a visit scheduled in October—this month—which the community, for reasons of bereavement within their community, asked to be postponed, and we acceded to those wishes. We expect that visit—the third visit this year—will take place either later this year or early next year. But clearly that will be something the community will have a strong influence over. We are very respectful of their views.

Senator O'BRIEN—You have made a few visits now; what have you learnt?

Mr Taylor—It is worth describing the East Kimberley-Tjurabalan trial. These are very small communities—probably fewer than 2,000 people all up. They are significantly remote from Halls Creek, and quite remote from each other. They are very much surrounded by desert. Most of the infrastructure is provided by the state government. We work closely with my counterpart there. The conditions have been reflected upon in reports. The thing that we are encouraged by is the improvements that have been made there over the last couple of years. There have been quite significant improvements in the amenities and education, but there remain major challenges. Very importantly, they are challenges you have to work through with the community. My role to do with sponsorship means working with that community, with Western Australian colleagues and with colleagues at the federal level who are responsible for Indigenous matters.

Senator O'BRIEN—Which particular developments would this department take responsibility for achieving?

Mr Taylor—The sponsorship nature goes particularly with the secretary rather than the department. It is quite clear that the department underpins it. It was a conscious decision that was made of the COAG trial to have a number of department secretaries without direct responsibility for Indigenous matters within the Australian government take up a sponsorship role. We have not shifted the program to the department. The programs of health and community services continue to be provided by those departments. Our program is one of sponsorship and, if nothing else, being able to relate very rapidly to my senior state colleagues and with the community about trying to assist them in addressing their priority issues.

Senator O'BRIEN—In March this year the minister advised me that, despite an active workplace diversity program, your department had engaged only 2.45 full-time equivalent Indigenous employees. In May you told the committee that you intended to address the issue of Indigenous employment more proactively. How have you gone about doing that?

Mr Taylor—Chair, if you agree, it would be appropriate to have Sharon Field respond, given that we have taken a very strong approach on that and Sharon has taken, for me, the leadership role in delivering it.

Ms Field—Since that time, we have actively pursued the development of an Indigenous employment strategy. The numbers of Indigenous staff have increased to six at the current time. The focus of this strategy, however, is not just about increasing numbers; it is about providing good employment opportunities for Indigenous staff within the department. To do that, we have engaged with the Australian Public Service Commission; and, through the commission's graduate program, we are looking to employ two Indigenous graduates within the department. One of those young people has already commenced with the department. The second person is due to commence in February. In addition to that, we are working with the Department of Employment and Workplace Relations to employ some young people through the National Indigenous Cadetship Program. We are working with DEWR as well in the area of Indigenous trainees.

To support all of these activities within the department, we are looking to establish an Indigenous support group. We are working with our current Indigenous staff within the department to do that. We hope that by providing such a network we will have an infrastructure in place to support the continued employment of Indigenous staff within the department.

Senator O'BRIEN—The minister told me that there was an intention to commence placements under the National Indigenous Cadetship Program in the middle of this year; that still has not happened?

Ms Field—The cadetship program provides work experience for young Indigenous cadets, and that will occur through their vacation program placements within the department. These are young people who are currently studying within an accredited institution, and they work with departments in their vacation period to gain further work experience.

Senator O'BRIEN—That is obviously different from the graduate program. Is it intended to link into the graduate program?

Ms Field—The graduate program takes young people who have already graduated from university. The cadetship program provides opportunities for those people while they are still studying. A number of the people will come out of the cadetship program with degrees and diplomas, but there is no reason why the two could not link.

Senator O'BRIEN—Does participation in the cadetship program ultimately translate into employment, subject to satisfactory performance?

Ms Field—Yes, that is the intent of the program.

Senator O'BRIEN—Would they then need to be engaged in another graduate program?

Ms Field—If they are formally graduates with a tertiary degree, there is no reason why they could not roll into the graduate program.

Senator O'BRIEN—You gave a number of six. Is that figure full-time equivalents or just a head count?

Ms Field—At this stage I understand it is both, but I can do a check on that.

Senator O'BRIEN—Perhaps you can provide on notice a gender breakdown of employment in the department by employment classification and by division.

Ms Field—We can provide that.

Senator O'BRIEN—I would be interested in a similar breakdown of employment for other equal opportunity groups—people with disabilities, and from non-English-speaking backgrounds.

Ms Field—We should be able to do that.

Senator O'BRIEN—For the annual report? If only we had had it sooner.

Ms Field—We will get that information back to you very quickly. I do not have my hand on it at the moment.

Senator O'BRIEN—Mr Taylor, the department's organisational chart shows that Mr Roger Fisher is the head of strategic projects. Is that still an SES band 2 position?

Mr Taylor—It is.

Senator O'BRIEN—Last round we were told he reported to Mr Mrdak. Is that still the case?

Mr Taylor—In terms of practical day-to-day things, yes.

Senator O'BRIEN—Is there an internal budget allocation for the strategic policy and projects groups?

Mr Taylor—Yes, we do have an internal budget allocation.

Senator O'BRIEN—What is it?

Mr Taylor—I will get my colleagues to answer.

Mr Ash—I will have to get that specific number for you, and I will come back in a few minutes.

Senator O'BRIEN—Can you get us the number for 2004-05 for comparison purposes?

Mr Ash—Yes.

Senator O'BRIEN—How many staff are in this group?

Mr Mrdak—Current staffing is five.

Senator O'BRIEN—Has that grown, or is it static?

Mr Mrdak—It is static.

Senator O'BRIEN—Mr Taylor, at the last estimates round you said that Mr Fisher was working on 'cross-cutting policy issues'.

Mr Taylor—That is quite right.

Senator O'BRIEN—What work has he been doing since we last met?

Mr Taylor—He has been working on similar issues.

Senator O'BRIEN—Can you give us an example of 'cross-cutting policy issues'?

Mr Taylor—The major issue is quite clearly about giving policy advice, both to the Deputy Prime Minister and now the Minister for Transport and Regional Services. There have been issues associated with high-level policy advice in respect of Telstra, and that has been a very significant piece of work.

Senator O'BRIEN—Does Mr Fisher work from the department's head office in Sydney?

Mr Taylor—Yes, he does.

Senator O'BRIEN—Does he do any paid work from home?

Mr Taylor—Unfortunately, SES officers have the difficulty when they work for me that they are on call 24 hours a day. I actually do work from home.

Senator O'BRIEN—Everyone does. I meant on a more regular basis.

Mr Taylor—In that practical sense, I am saying that Roger Fisher certainly fits into the category of a person I call on, whether he is at home or at work.

CHAIR—Would that be fortunately or unfortunately?

Mr Taylor—I think that my colleagues would think it is unfortunate, but they regard the national interest more highly and therefore are always very responsive.

Senator O'BRIEN—I have got some questions about the infrastructure task force report to the Council of Australian Governments. Is that a Corporate Services or AusLink section?

Mr Taylor—It is probably best taken by AusLink, but Mr Mrdak will happily handle it.

Senator O'BRIEN—That is all I have for Corporate Services, unless there are some other questions.

CHAIR—As there are no further questions for Corporate Services, we move on to AusLink.

[10.17 am]

AusLink

CHAIR—Thank you very much, everybody. I hope you have a wonderful time. If you need to make an opening statement or outburst at the beginning, you may do so now, and then we will go to questions.

Mr Mrdak—We are right to go.

Senator O'BRIEN—Speaking at a COAG press conference following the COAG meeting on 3 June, the Prime Minister said:

... in relation to the proposal for what is in effect a consistent system of national regulation ... we are going to ask the group that is going to review National Competition Policy to report that proposition by December of this year. We have asked a group to be chaired by my Department to look at, and to be represented by, at the Head of Government level, by the States and Territories to look at the national competition principles and what might be the new national competition agenda.

This was in relation to infrastructure and the regulation of ports and export related infrastructure. I want to find out how the department was involved in these reviews.

Mr Mrdak—Perhaps I could give you an outline. I represent the department in that process at the senior level. The process is chaired by a deputy secretary from the Department of the Prime Minister and Cabinet and contains senior representatives of that level from premiers' departments and state treasuries. There is a specific working group, which is due to report to COAG through senior officers in December on essentially two streams of work. The first stream of work is around the implementation of the decisions taken on 3 June by COAG in relation to its consideration of infrastructure and, more specifically, the Prime Minister's export task force report. That includes a number of decisions taken by COAG, some of which Mr Taylor outlined this morning, around the accelerated planning process, the five-year audits and the like coming out of the report.

The second stream of work is in relation to examining a potential future agenda for a new national competition policy reform agenda. As you know, the 10-year national competition policy agreement is due to be reviewed, and that is what this task force is doing initially. Essentially the work done by that task force is looking at four streams of work for the future agenda: firstly, energy reform; secondly, transport reform; thirdly, red tape regulation, in relation to which the PM has recently announced some additional work from the Commonwealth, through a regulatory task force; and, finally, infrastructure regulation. That picks up the point you asked about, Senator, again coming out of the export task force—and also broader concerns in relation to how infrastructure has been regulated in the country and its impact on investment.

That task force has been deliberating. A draft report is being worked through with the states. As I say, the intention is to take a report to COAG out of session in December. The first COAG meeting in 2006—and I understand tentative dates have been looked at in February—will consider that report and make some decisions: firstly, in relation to the implementation matters arising from the 3 June decisions and, secondly and most importantly, in relation to whether there will be a new national competition policy agenda and what those elements will contain.

Senator O'BRIEN—Apart from you, who from the department is involved in the process?

Mr Mrdak—There is a series of people drawn from across the divisions of the department who do most of the work, if not all of it. People drawn from the AusLink division include Mr Wolfe, who is sitting on my right. He handles our rail area and has been involved quite heavily. In this work there is a large focus in relation to rail infrastructure and rail regulation. People are also drawn from our strategic adviser area, from our Maritime and Land Transport Division and from our Aviation Division. That group is drawn from right across the various work areas of the department and reports to me inside the department.

Senator O'BRIEN—So there have been a range of consultations between the Commonwealth and the states since the COAG meeting in June; and you are expecting an out-of-session document to be close to a final draft in December.

Mr Mrdak—There will be a report from officials to COAG in December, which would be essentially their agenda item for a discussion when next they meet formally.

Senator O'BRIEN—How has this consultation process taken place? Has there been a series of officials meetings?

Mr Mrdak—There have. Formally, the steering group chaired by the Prime Minister's department meets pretty much every fortnight. The meetings vary in length. Some are full-day meetings and others have been two-day meetings which have ranged across the four areas I outlined earlier. There has been quite an intensive piece of work, where papers have been drafted by the Commonwealth, initially, dealing with some proposals across those areas; and papers have been submitted by the states.

Separate from those four areas, another process led by Victoria in relation to human services reform is also taking place. There has been quite an intensive period of work, where proposals have been drafted, submitted and debated at some length by officials.

Senator O'BRIEN—So quite a number of papers have been circulated in an official sense?

Mr Mrdak—That is correct.

Senator O'BRIEN—Apart from the Department of the Prime Minister and Cabinet, what other Commonwealth departments are involved in these working groups?

Mr Mrdak—We have been quite heavily involved. The principal departments involved with those four agenda items are the Department of Industry, Tourism and Resources, through the energy sector—and other areas have also been involved—Treasury and Finance and the central agencies across all of the states and territories.

Senator O'BRIEN—Are all the agencies involved in every meeting?

Mr Mrdak—Not in every meeting. It depends on the agenda of items to be covered. For instance, I attend the meetings where transport and infrastructure regulation are listed for debate and discussion. The department of industry, for instance, would attend the meetings where energy is being discussed.

Senator O'BRIEN—Apart from the Productivity Commission, who did this department consult with?

Mr Mrdak—In terms of the transport papers?

Senator O'BRIEN—Yes.

Mr Mrdak—We have principally been discussing them with our equivalent state agencies and the National Transport Commission. There are a number of matters in relation to

regulatory reform which we would see as things that COAG may wish to consider and give some drive and impetus to. We have been working quite closely with our state transport department colleagues in formulating a number of these areas and certainly establishing state positions in relation to a number of matters.

We have also had discussions, but as part of ongoing consultation, with a number of industry groups where the proposals may impact upon them. For instance, I have had discussions with the Australian Trucking Association and the like in relation to it, because one of things that they have been pursuing quite heavily is a need for a renewed productivity agenda for National Transport Commission reform on heavy vehicles. For instance, Mr Wolfe and I have had discussions with the Australasian Railway Association in relation to what they would see as rail issues that should be in a national competition agenda. In our normal discussions with those agencies we have also been canvassing the issues as to what may be the elements of a reform agenda that COAG may wish to consider.

Senator O'BRIEN—Presumably the department has conducted an evaluation or review of the provisions mentioned in the COAG communique. Can you tell us in general what shortcomings have been identified?

Mr Mrdak—Do you mean in terms of the 3 June decisions?

Senator O'BRIEN—Yes.

Mr Mrdak—When COAG considered the export task force report to the Prime Minister, it certainly adopted the idea of a need for more strategic planning. In a very positive support for our initiative, it identified AusLink as the vehicle to drive future strategic transport planning reform and major transport corridors. We think in essence COAG has endorsed the direction that AusLink has been setting in picking up some of the deficiencies that are now in place in national transport planning. The work of the corridor strategy that Ms Riggs and her team are driving is the outcome of that, providing 20-year planning horizons around national corridors and looking at other things. One of the initiatives they picked up was a regular report to COAG on the condition of assets. Essentially there was a five-year infrastructure audit by each jurisdiction. All of those things were always areas that we saw as part of the reform—generating infrastructure funding and provision.

Senator O'BRIEN—Does the department have a view on the frequency with which each jurisdiction should make a report on infrastructure matters? Is five years soon enough?

Mr Mrdak—Five years was what COAG settled on. We would say there is a need for more regular reporting, but we recognise that with the lead times and the planning time frames around infrastructure five years may well be appropriate. In essence we are working from the COAG decision of 3 June that it be five years.

Senator O'BRIEN—For this work, does the department receive supplementary funding?

Mr Mrdak—No.

Senator O'BRIEN—The work is ongoing. You would expect it to be somewhat close to completion by the end of January?

Mr Mrdak—In many ways, it will depend on a decision by COAG in the new year as to what the national competition reform agenda may include. If it does include the transport

areas which are currently being discussed, it would be the start of an ongoing period of reform.

Senator O'BRIEN—That is a different process, isn't it, once you have that?

Mr Mrdak—There is quite a lot of work coming out of that. But essentially our work on this initial preparation for COAG will be complete by the end of this year.

Senator O'BRIEN—Has a deadline been set for the practical implementation of the provisions set out in the COAG communique?

Mr Mrdak—It has for a number of items. For instance, it is proposed—as I say, these are proposals that will go to COAG—that the 24 corridor strategies identified in the AusLink white paper are completed by the middle of 2007. In relation to the other matters, there are proposals for further harmonisation of road and rail regulatory reforms. Time frames for that have yet to be settled. That will be one of the things that will be discussed by Australian Transport Council ministers at their meeting in November.

Senator O'BRIEN—You would expect that this department will be involved in the implementation of the recommendations arising from this process?

Mr Mrdak—Very heavily, yes.

Senator O'BRIEN—In its review of national competition policy reforms finalised in February this year, the Productivity Commission made two recommendations in relation to transport—8.8 and 8.9. Recommendation 8 refers to an 'efficient and sustainable national freight transport system'. It says:

Taking account of reforms to date by the Australian Transport Council and individual jurisdictions, this review should map out what is required to:

- achieve competitive neutrality across all transport modes;
- address barriers to competition and efficiency in individual modes ...

Recommendation 8.9 refers to commissioning an independent national review of the passenger transport sector. Do I correctly understand it that those recommendations were referred to cabinet in June this year and that the COAG recommendation we have just been talking about reflects at least in part COAG's consideration of these recommendations?

Mr Mrdak—In part. Essentially, the four areas I have outlined are areas which officials believe should be explored as part of the national competition reform agenda. In relation to the recommendations of the Productivity Commission report, they are being picked up in this report to COAG for December, including that issue of how best we progress a national agenda on the matters you raised about efficiency, competitive neutrality and the like.

Senator O'BRIEN—Including the passenger transport recommendation?

Mr Mrdak—That will be covered off in terms of the work that has been proposed back to COAG. As I say, officials have reached views in relation to how best the future transport reform agenda may be formed. Those are the sorts of things that COAG will look at.

Senator O'BRIEN—So the task force that is operating in relation to the other COAG matter is considering all of these matters?

Mr Mrdak—It is considering its report to COAG in the light of the PC report.

Senator O'BRIEN—Is it considering the issue of modal neutrality and issues of road and rail pricing?

Mr Mrdak—It has been one of the areas we have been looking at quite strongly, yes. What competitive neutrality between road and rail is is a much debated issue. It is one of the areas that the COAG working group has been looking at in terms of a future reform agenda, yes.

Senator O'BRIEN—Is the task force considering the role of coastal shipping in the land transport network?

Mr Mrdak—Not specifically, no.

Senator O'BRIEN—Is the task force looking at social and road issues as well as the pure economics?

Mr Mrdak—In looking at issues around future efficiency of transport and pricing, clearly people have drawn on a lot of work that has been done to date on externalities of transport, including safety and the environment and how you best factor that in. In particular, if you are looking at an alternative pricing approach and the like, yes, that has been an area of consideration.

CHAIR—Thank you very much. We will break for morning tea.

Proceedings suspended from 10.33 am to 10.47 am

Senator MILNE—I want to start by asking some questions around the strategic planning issues for AusLink, particularly the basis on which the projections are being made with regard to oil—in particular, oil availability, oil supply over the next 15 to 30 years. What is the basis of the work you are doing on the projections on peak oil?

Mr Elliott—One of the things we are doing is to go through a number of what we call corridor strategies under the AusLink initiative. What that is fundamentally built around is trying to make transport logistics more efficient in the long run. In a sense, our main aim is to try to make our transport system more efficient and, in part, to improve the conditions that will allow rail to take a greater share of the overall transport burden. We predicted in the AusLink white paper that there would be a doubling of freight transport over 20 years. That still holds true. If you take a 20-year period forward, it is a fairly linear type increase, and we know that freight transport increases at a faster rate than GDP growth, for example. Our process is fundamentally about trying to improve our transport system and the corridors that make up the backbone of the transport system and take a long-term approach to their development and the blockages or impediments that might exist. As part of that, we are looking at how rail could perform a greater role. In fact, under the AusLink investment program quite a bit of money is going to improve the rail part of the transport system.

Senator MILNE—Looking at the figures in your white paper, at the moment the money overwhelmingly is going into roads.

Mr Elliott—Yes, the majority of the funds do go into roads, but then there has been a significant ongoing commitment to the roads system. The roads carry not only freight but also passenger traffic. Currently, the majority of what you might call the contestable task of freight

transport is carried by road. Rail tends to carry heavy freight—for example, coal and things of that ilk—but most of the smaller container type traffic is carried by road, so the bulk of our funding does go into road. As I said before, we are trying to create the conditions—without, dare I say, going to the point where you try to mandate something—for rail to improve its share of the transport task.

Senator MILNE—Given that you are trying to create the long-term capacity to shift freight back on to rail, what is your projection regarding oil prices in terms of this changeover? Over the last decade, we have seen increasing volumes of freight go off rail and on to roads.

Mr Elliott—That is a very difficult question to answer, because it is relatively speculative. Road and rail both compete for freight, but rail tends to take its price from road. If you are looking at the amount of freight that might transfer, a number of other issues come into the picture. For example, if you convey your freight by truck, generally speaking, you can expect something like next-day delivery or whatever. Because of a truck's inherent flexibility with door-to-door transport, it has the advantage of being able to pick up whatever a consignor wants to send and provide it to the customer fairly quickly and fairly readily. If you consign freight by rail, the process often involves a transfer of freight. So, by its nature, rail freight becomes more competitive over greater distances. For example, one of the things that we can say is that about 80 per cent of the road and rail combined freight is carried by rail east-west, from Perth to the eastern states. However, when we look north-south, those proportions are almost reversed and it is about 20 per cent on rail.

We think there is a lot of scope to improve that, but the conditions for rail to improve its game need to be improved quite considerably. Part of that is that, in a sense, Sydney is a blockage to the passage of rail freight. It is difficult to get into Sydney sometimes because of the preference given to passenger trains over freight trains. Providing the capacity for rail to get more freight in and out of Sydney and on to Brisbane will give us a better opportunity. In fact, you might have heard that David Marchant announced the letting of some tenders on that section of rail—just last week, I think. As I say, our overall approach is designed to get more out of rail over the long run. My colleague down the way here is looking after a study into the generation of a north-south rail link and the possibilities for that, which could ultimately improve the transport of freight by rail roughly between Brisbane and Melbourne.

Senator MILNE—What about passenger transport? Is that a focus? Again, the spending seems to reflect a focus on roads rather than public transport infrastructure. With increasing prices of oil, why isn't there a higher focus on extending public transport capacity, rather than closing some of the country links?

Mr Mrdak—The Australian government's position has been consistently that urban public transport systems are the responsibility of state governments. The Commonwealth has for some time been adopting the position that it funds infrastructure—which will support and assist public transport, particularly through some of the road investment that is taking place under AusLink. Some of the major projects in this five-year program are particularly in the outer urban areas of our major cities, which will obviously have a benefit for mass public transport. But the Australian government has made it clear that it is not proposing or prepared

to fund public transport systems or the operation of such systems. Those are matters for state responsibility.

Senator MILNE—So, in the talks between the federal and state governments, have there been discussions about strategic planning in relation to increased oil prices and lack of capacity for consumers to use roads and therefore the need for greater investment in public transport infrastructure, particularly rail?

Mr Mrdak—I think it is one of those situations where we are not sure what the medium-term picture for oil prices will be, or where the prices will sit. In terms of specific discussions, there aren't any that our portfolio has been involved in, no. We have been very focused on the infrastructure program under AusLink as such. Through the work I was discussing with Senator O'Brien earlier, we have been discussing a future reform agenda around transport, but not to my knowledge has that factored in what the medium- or long-term fuel price may look like and what implications that may have.

Senator MILNE—Since you are the strategic planning unit for transport in Australia, is it not a shortcoming not to take into account the global positioning of oil, the oil price and the supply of oil?

Mr Mrdak—As Mr Elliott has indicated, our corridor planning for each of those 24 AusLink corridors will certainly look at demand projections, but I am not aware at this stage that demand projections have been revised in the light of the current oil price projections. I think it is a little early to say what the medium-term picture will be. If you look at some of the forecasts by the International Energy Agency and the industry department, you will see that they are still projecting a fall in the medium-term picture for oil prices, back to a figure of around \$40 a barrel. My understanding is that that still remains the figure for where the medium-term projection is.

It is difficult for us at this stage to be changing to strategic projections. We are certainly aware of the issue. Our Bureau of Transport and Regional Economics does do a lot of work. It has recently done an academic critique of the picture of the long-term supply position in the oil industry, but we have not at this stage revised our strategic forecasts.

Senator MILNE—In relation to that, the ABARE report is saying that the increase in the import of liquid fuels is projected to go from 22 per cent to 51 per cent by 2030. In terms of the breakdown of this, what I am really interested in is how that is going to pan out in terms of petrol, diesel and LPG. Can anyone help me in relation to that?

Mr Mrdak—Not specifically, but I am happy to take any questions on notice. I will ask our BTRE to have a look at that work and come back to you, if we can—if there is any more breakdown along those lines.

Senator MILNE—You say that ABARE is looking at this issue of the long-term outlook for Australian energy consumption and production and what that will mean in terms of transport planning. If the \$40 medium-term projection is wrong and it escalates significantly—given the fact that we are going to be importing a lot more oil, because of our domestic supplies running down in the next 20 years—shouldn't this take a much higher focus in planning for AusLink?

Mr Mrdak—As I say, the Bureau of Transport and Regional Economics has been looking more at the end point: the supply picture of oil in terms of what may come onto the market. As you know, there has been a debate about whether the supply situation has peaked. That is really where our portfolio has been focused. Agencies such as ABARE or the industry department are looking at other issues. If we are to see advice that suggests that the long-term price will change and that then has an impact on transport demand—and we have not seen that as yet—we would obviously have to revise our forecast. The corridor strategies that Mr Elliott is working on have a 20-year horizon. So we are going to look into the long-term picture but I do not think there is material available now that would require us to robustly revise our traffic forecasts at this stage. We are not seeing the impact on demand at this point.

Senator MILNE—I would like to now take this to how it is playing out in the regions. Although you talk about your corridor strategies and about the long-term commitment to rail, and at least planning for the feasible changeover to increased use of rail, the Tasmanian experience does not suggest that. I would like an update from someone on your strategic planning for rail for Tasmania. In particular, there has been a focus on road funding. One of your strategic directions or goals is to support regional and local economic growth. The fact is that in north-west Tasmania there is no public transport net infrastructure and there is no public rail infrastructure, so road is the only option in an electorate where 30 per cent of people are on welfare. That figure will increase with the Welfare to Work program, and we will have more people without the capacity to move to take up work. With this corridor strategy, what is AusLink doing in relation to strategic planning for specific regions of Australia, for example the north-west of Tasmania?

Mr Mrdak—I will begin, and my colleagues may give you some more detail. As you are aware, we have identified that one of our corridor strategies will be based on Hobart-Devonport and its linkage to the mainland. That is one of the corridor strategies that we would hope to get under way in the near future with the Tasmanian government. We are yet to finalise with the Tasmanian government a bilateral agreement which will form the framework firstly for the investment program in Tasmania and then the planning into the future.

I will come back to my earlier answer. You are quite right: much of the focus of our investment program in these five years in Tasmania is on the roads system. We have identified a range of projects which the Commonwealth government is prepared to fund in this first five-year period. In relation to public transport operations, the Australian government has consciously taken a position not to fund the operation of public transport, although it does fund infrastructure which may support it. In respect of the rail system, I will ask Mr Wolfe to give you an update on the recent announcement by Pacific National of their intention to withdraw from the container services in Tasmania and where that joint work with the Tasmanian government is now up to.

Mr Wolfe—The Australian and Tasmanian governments have announced that there will be an independent assessment of the Tasmanian rail system. There are two components to that study. One is in relation to the commercial and financial viability of the Tasmanian rail service, in particular the intermodal service which Pacific National has indicated they will withdraw from. The second part is the impact of rail on the Tasmanian economy, and that is

being done by the Tasmanian government. The reports to ministers are scheduled to be completed by 30 November 2005.

Senator MILNE—Just to return to this bilateral agreement that is being negotiated with Tasmania, how long has that negotiation been going on?

Mr Elliott—For the best part of 12 months.

Senator MILNE—What are the impediments to having it finalised?

Mr Elliott—At the moment there is a disagreement over the Bridgewater Bridge project. It was originally nominated by Tasmania as a priority. In the latter part of the negotiations, the Tasmania government indicated that it was no longer their priority and they wanted to change it. The Australian government had already agreed that it would invest in the Bridgewater Bridge.

Senator O'BRIEN—It was listed as a heritage bridge during the process.

Mr Mrdak—That is correct. There are heritage issues.

Senator MILNE—Returning to your discussion with the Tasmanian government about priorities in the Hobart to Devonport rail corridor, can you explain to me what the vision for that is?

Mr Elliott—We need to start by saying we have not actually begun a corridor study for that particular corridor just yet. We have four pilots under way that are nearing completion, but as yet we have not begun some of the others. That is one of the things that we will be turning our attention to when we get the next tranche of corridor studies under way.

Senator MILNE—Notwithstanding the fact that you are saying that public transport is a state government responsibility and that the federal government's responsibility is for infrastructure support and development, the two are interrelated in terms of delivery of Commonwealth government programs, particularly in relation to social and economic outcomes. So what discussion is there about mechanisms to achieve cost efficiencies in outcomes other than just the pure economic viability of rail?

I put this to you in relation to what I was saying about Braddon. People in Braddon cannot access employment in other towns in Braddon as close as 15 minutes away by road because they do not have cars or, if they do have cars, they cannot afford to put petrol in them. Whilst you may argue that, for example, it is not viable to fund a light rail service along the north-west coast in pure economic terms, if you then look at the costs of welfare and all the associated social costs and other program costs to government, where is the whole-of-government approach? Are you talking to the welfare sector, for example, and to family and community services and so on to look at what becomes viable and what does not in terms of whole of Commonwealth government spending in a region?

Mr Mrdak—The corridor strategies are one of the key reform initiatives under AusLink. We are trying to achieve much of what you are setting out, which in the case of Tasmania would be a strategic agreement by the Tasmanian state government and the Commonwealth in relation to the corridor—in this case, from Hobart to Burnie. We are looking at the sorts of things that corridor strategies will do. We are asking about the current condition of the main corridor infrastructure, which the Commonwealth have indicated is part of the national

network and are prepared to fund, and determining the demand forecast for a whole range of movements of goods and people in that corridor. We are then starting to see whether we can get shared objectives with the Tasmanian government—for instance, around the safety outcome and the movement outcome for freight and people in that corridor.

We would see such an agreement as a key strategic document, which would then enable other Commonwealth programs and also state programs to look at what strategic transport demand is and what the drivers are and therefore how to link them together. As Mr Elliott has indicated, we are at the start of a process which is something the Commonwealth have not previously been involved in—that is, the strategic development of these corridors. These are known processes within many state and territory jurisdictions, where they are well understood and well developed, but this is not an area which the Commonwealth were involved in previously when we were solely linked into the national highway program. So in many ways it is a learning exercise for us, the Commonwealth. That is why we are doing the four pilots which are currently under way. We will then progress those into the remainder of the 24 corridor strategies. We are trying to form a strategic judgment, but we are just starting that process.

Senator O'BRIEN—On the question of the AusLink bilaterals, which states are yet to sign? You have just mentioned Tasmania. Is there anyone else? What about Western Australia?

Mr Mrdak—Western Australia and Tasmania. My understanding is that Queensland is concluding its signatory process and the ACT signed at the end of last week. We have agreed with Queensland and it is just completing the process. Tasmania and WA remain outstanding.

Senator O'BRIEN—What level of detail do the agreements go into? Are each of the projects to be funded identified?

Mr Mrdak—They are. There is a schedule to the agreements which sets out the project, the funding contribution by each party and, where relevant, the time frame for completion of those projects.

Senator O'BRIEN—Do the agreements specify a funding level? Is it fixed or proportionate?

Mr Mrdak—That is correct. It varies across the projects. On some projects the Commonwealth continues to accept 100 per cent funding responsibility. On other projects it provides for a state contribution of various amounts. That may be a 20 per cent state contribution on some projects and 50 per cent on others, depending on the nature of the project. The funding agreement sets out the funding shares to be provided by each jurisdiction.

Senator O'BRIEN—Is it in percentages or dollars?

Mr Mrdak—It varies.

Mr Hogan—In some cases, a capped dollar amount is provided by the Australian government. In other instances, there are percentage amounts, such as 80 per cent.

Senator O'BRIEN—So there is an appendix to each of the agreements that have been made which sets out the projects to be funded and the dollar or proportionate contribution.

Mr Hogan—That is right.

Senator O'BRIEN—Can the committee be supplied with copies of those appendices?

Mr Mrdak—I will take that on notice, if I can. We would need to check with the other jurisdiction in those cases. I think the answer is yes, but I will take that on notice and check with the minister, if I could.

Senator O'BRIEN—What is the requirement placed on the states in relation to publicity for projects?

Mr Mrdak—The agreements set out a framework for recognition, announcements and signage across the network. They essentially set out arrangements based on the proportion of funding share provided by each party. Where there is joint funding, there would be joint recognition and arrangements for announcements and launches and the like.

Senator O'BRIEN—So there is a standard provision about that?

Mr Mrdak—There is a standard provision in each of the agreements, including provision for standard signage across the national network.

Senator O'BRIEN—Can the committee see a copy of the standard provision?

Mr Mrdak—I will also take that on notice. It forms part of a bilateral agreement. I would need to come back to you on that, if I can.

Senator O'BRIEN—If it is the same in all of them, there is a standard provision—

Mr Mrdak—There is a standard.

Senator O'BRIEN—that the Commonwealth puts forward, obviously, the Commonwealth being the standard party in each of those agreements.

Mr Mrdak—That is correct.

Senator O'BRIEN—Without doing anything to identify differences between the agreements, you could supply that. Is it the intention that the bilaterals, having been signed, will be made public?

Ms Riggs—As Mr Mrdak has indicated, we would want to check that with the minister. My expectation would be that there should not be an impediment.

Senator O'BRIEN—For the sake of completion, I ask that the committee see a copy of the full bilaterals as signed.

Mr Mrdak—I will take that on notice and come back to you. As I say, we still have a couple of negotiations under way, but I will come back to you in relation to the question.

Senator O'BRIEN—At estimates in May we had some discussion about the funding base for improvements to rail on the eastern seaboard. At the time we had been discussing money that might be forthcoming from Pacific National. I think Chris Corrigan had indicated that there may be some \$500 million available from that company in addition to the outstanding amount of \$50 million, which was a commitment that was made as part of the National Rail purchase. At the time of the hearings in May, Mr Wolfe, you indicated that negotiations in relation to this money were tied up with the ARTC lease negotiations. I am not sure what has happened about the money. Could you update us as to how these negotiations played out?

Mr Wolfe—Yes. We recently had a discussion with Pacific National at which they put forward a couple of possible proposals. Also, with the ARTC we have put forward a proposal for consideration. We have now asked the ARTC to go away and basically examine the proposals that have been put forward by Pacific National, as well as the one we put forward. We will pursue that with Pacific National to see whether we can reach an agreement.

Senator O'BRIEN—How much is outstanding, as a result of the National Rail sale, from Pacific National?

Mr Wolfe—The agreement says up to \$50 million. That is the level of Pacific National's contribution.

Senator O'BRIEN—Somewhere from zero dollars to \$50 million.

Mr Wolfe—That is one way of looking at it, yes.

Senator O'BRIEN—That is a very tightly worded agreement. While we are on the subject of Pacific National, what is the current state of play in relation to the independent assessment of rail service requirements in Tasmania, as announced by Minister Truss and Tasmania's Minister Green on 5 October?

Mr Wolfe—Consultants have been put in place by both us and the Tasmanian department to commence the independent assessment. As I have indicated, we look to get a final report to ministers by 30 November.

Senator O'BRIEN—What are the terms of reference?

Mr Wolfe—I am happy to provide those to the committee.

Senator O'BRIEN—Thank you. Is there any reason to expect that you will not have the report by the expected date?

Mr Wolfe—No.

Senator O'BRIEN—What is the process for consultation with interest groups, the unions, residents et cetera in Tasmania?

Mr Wolfe—We have asked the consultants to undertake consultation with the appropriate parties. In fact, I think they are visiting Tasmania this week. The Tasmanian government, as we understand it, also has a consultation process involved. In essence, we want to give them a very tight time frame. We want to try and get as much information as we can—particularly, obviously, the information from Pacific National, which is critical for the assessment to be done.

Senator O'BRIEN—Has the management structure problem in Pacific National had any effect on your ability to have meaningful discussions with Pacific National?

Mr Wolfe—No.

Senator O'BRIEN—So there is no problem there?

Mr Wolfe—No, we have had a good, positive response to our request.

Senator O'BRIEN—In relation to the ARTC infrastructure program as contained in AusLink, which is funded by the \$872 million announced at the time of the New South Wales

lease agreement and an additional \$550 million contained in AusLink, are there any funding amounts for the construction of ARTC infrastructure, rather than maintenance of it?

Mr Wolfe—Absolutely, yes. A main part of that program is for construction, track upgrading and passing loops.

Senator O'BRIEN—Are you able to break that down?

Mr Wolfe—Could I take that on notice?

Senator O'BRIEN—Sure.

Mr Wolfe—I think the large portion would be for construction, but we will find out that figure for you.

Senator O'BRIEN—The original \$872 million included provision for borrowing by the ARTC but underwritten by the Australian government. What is the status of that borrowing?

Mr Wolfe—I will get an update for you from the ARTC. As you may have seen, they just announced a contract for \$560 million. I presume that would be partly underwritten by borrowings, but I will find that figure out for you.

Senator O'BRIEN—I understand there is \$60 million of rail money in AusLink, but it is not allocated to a particular project.

Mr Wolfe—That is correct—\$61.4 million.

Senator O'BRIEN—Is that still unallocated?

Mr Wolfe—That is right. We are in the process of assessing bids at the moment.

Senator O'BRIEN—When would you expect that the process of assessment would be completed?

Mr Wolfe—By the end of the year.

Senator O'BRIEN—Does that then go to the minister for approval?

Mr Wolfe—That is right.

Senator O'BRIEN—Beyond the ARTC interstate main line track and the one-stop shop, is there any work under way to develop common access arrangements for intrastate rail?

Mr Mrdak—This is one of the agenda items being looked at. The whole issue of rail access regimes is being looked at as part of the COAG work we discussed earlier in relation to a national reform agenda. As you know, rail access across the country is currently governed by a multitude of regimes, principally state based. One of the areas we are exploring with the states is whether we can move to a national access regime, at least for the main line interstate track and also, where appropriate, the intrastate track. That is subject to discussion now with the states.

Senator O'BRIEN—Is the NTC working on this at the moment?

Mr Mrdak—Not on the access issue. Their brief does not cover such issues, which are essentially economic regulatory ones; their work program is focused on rail safety regulation, particularly the development for the first time of national model rail safety legislation, the policy principles of which the transport ministers council agreed to in June. The draft

legislation is due to go to ministers at the end of this year for a formal vote, which will actually put in place model legislation across all jurisdictions for rail safety. That is where the NTC's focus has been.

Senator O'BRIEN—Will there be Commonwealth legislation as well or just in the states?

Mr Wolfe—This is actually model national legislation to be adopted by the states.

Senator O'BRIEN—I took that to be what was meant, but will there be a federal bill as well?

Mr Wolfe—No.

Mr Mrdak—No.

Senator O'BRIEN—Given that there are some 14 access regimes operating in rail across Australia, is it fair to say that this is causing an impediment to the development of rail as a transport mode?

Mr Wolfe—Certainly in your best-case regulatory scenario it is not the ideal model, but it would most affect those rail operators that operate interstate, of which there are only a few. Nevertheless, it would certainly be preferable if we could reach a landing on an agreed set of access arrangements.

Senator O'BRIEN—Do you think that is contributing to a shift in freight from rail to road?

Mr Mrdak—Not of itself, I think. It is no doubt leading to some additional operational costs for some companies, as they would see it. Certainly there are some operators who have said that the way in which access regimes have operated in some states had been an impediment to them entering markets, which may be an issue. But I think the issue, as Mr Elliott outlined earlier, is that the shift from rail to road as the volume of freight has grown has been driven by a range of factors—predominantly, as we would see it, the infrastructure condition and the capacity of the rail system to actually deliver the freight on time to its customers. It has really been an issue of the capacity of the rail system to meet the market demand through that. Rail access may be an issue in some circumstances to get competition into those markets, but it is not one of the fundamental issues in the growth of road over the last couple of decades.

Senator O'BRIEN—Is there any work being undertaken to address the skills crisis in rail by the department or the NTC?

Mr Wolfe—The industry is certainly undertaking some work on the skills issue for the rail industry and they have certainly engaged us in that process, but it is generally and it should be industry driven.

Senator O'BRIEN—I am advised that the skills deficit is leading to potential safety risks—people operating equipment without having the requisite skills. Has that concern been raised with the department?

Mr Wolfe—No. I suspect that it would be raised with state regulators first.

Senator O'BRIEN—What other rail reform work is on the department's agenda at present?

Mr Wolfe—Obviously the main reform agenda item is putting in place the national rail infrastructure program with the ARTC. The other area which Mr Mrdak has mentioned is the question of ongoing rail reform as part of the COAG agenda.

Senator O'BRIEN—Is any work being done on the issues surrounding relative road-rail pricing?

Mr Wolfe—That is certainly part of that agenda.

Senator O'BRIEN—I note that the NTC has recently begun scoping a model for its future heavy vehicle pricing determinations. Will the department play a role in this process, and do you expect that it will begin to look at the road-rail pricing issue?

Mr Mrdak—Certainly the department have played a role. We were consulted by and worked with the NTC in their work leading up to the draft regulatory impact statement which was released earlier this month. The proposal will be considered by the Australian Transport Council ministers when they meet on 18 November.

In relation to road-rail pricing, no; this determination uses the same methodology that was used in the first two determinations for heavy vehicle charging. It essentially looks to recover the costs from the heavy vehicle sector of their impact on pavements. It is not looking at that relative to any other modes pricing; it is simply a calculation of the cost attribution to heavy vehicles of the current expenditure by governments.

There is a consensus growing among the jurisdictions that we need to look at different charging methodologies for heavy vehicles, because a lot of parties, as you would have seen in the media, are commenting on the adequacy of the current methodology. The fourth determination is due in another five years. There was a decision reached by the Australian Transport Council ministers some time ago that it would start to look at issues such as how best to deal with externalities, but it has not thus far looked at issues of modal shift. We would see any future methodology—coming back to what we are doing through the COAG process—looking at whether there are better methodologies for recovering heavy vehicle costs and at how we price rail.

Senator MILNE—In relation to what you were saying about looking at the adequacy of the current methodology for calculating road-rail pricing, how is the environmental cost of the road-rail equation currently embedded? If it is not, how are you modelling for greenhouse gas ramifications, particularly in relation to your road-rail pricing?

Mr Mrdak—At present the heavy vehicle pricing regime, which is applied by all jurisdictions, is essentially based on a formula of cost attribution to individual classes of heavy vehicles, based on their average usage of the road and calculated on the base of investment by governments in that road surface. It is a direct cost recovery for investment required for heavy vehicles. It does not pick up externality costs in that sense. It is simply the direct cost recovery of providing infrastructure. As I said to Senator O'Brien a little earlier, in the future governments have agreed to look at whether there are alternative methodologies which may also be able to pick up externalities, but at this point the current methodology does not.

Senator MILNE—Currently greenhouse gas emissions are not part of the calculation of the road-rail pricing scenario?

Mr Mrdak—They are not part of the direct charges to heavy vehicles, no.

Senator O'BRIEN—In relation to the third heavy vehicle charge determination, which is currently out for public comment, Minister Truss issued a statement on 17 October urging the states to carefully weigh their attitudes when voting on the NTC package. It did not mention how he intended to vote. Has he since stated what his intention is?

Mr Mrdak—No, not as yet. The public comment period on the regulatory impact statement closes on 14 November. The minister will then consider the Australian government's position once he has seen what comments come in and any alterations to the proposal that the National Transport Commission wants to make in light of those comments.

Senator O'BRIEN—As I understand it, the states will be receiving the revenue to pay for the impact on the road system of the heavy vehicles.

Mr Mrdak—No, under the current system heavy vehicle charges are levied in two forms: firstly, by state governments through vehicle registration and, secondly, by the Commonwealth through the fuel excise.

Senator O'BRIEN—And the proposal is for 2.1c or 2.2c?

Mr Mrdak—The NTC proposal is that the fuel excise be increased by 2.1c per litre, or around that order, to around 22.1c per litre, which is the net excise with the rebate that takes place through the excise credits regime; and that state registration charges be increased by varying levels across different classes of vehicle depending on their costs.

Senator O'BRIEN—And I take it the Commonwealth gets the excise.

Mr Mrdak—That is correct.

Senator O'BRIEN—What is the estimate of the value to the Commonwealth of that additional excise?

Mr Mrdak—I do not have that. Perhaps I can take that on notice.

Senator O'BRIEN—Yes; thank you. On 24 October the minister issued a press release in relation to ports and AusLink entitled *Connecting ports to the national transport network*. In relation to AusLink—which already includes port links, road and rail—is it the government's intention to make money available to the states to assist in port redevelopments, channel deepening, infrastructure upgrades et cetera?

Mr Mrdak—The AusLink legislation provides for funding of road and rail and also intermodal facilities. This current program does not provide any funding for intermodal facilities per se on ports, but it does provide much needed upgrades to some road and rail links to a number of ports. No, there is no proposal by the Commonwealth to provide for—and nor does the legislation provide for—any funding of marine infrastructure such as port dredging or port facilities per se. Most of them are operated by state government business enterprises. I am not aware of any proposals for the Commonwealth to fund those and, as I said, the legislation does not provide for that.

Senator O'BRIEN—Does the federal government intend in some way to take over planning control of ports?

Mr Mrdak—No. The decision coming out of the 3 June COAG meeting is essentially that we ensure that the AusLink corridor strategies adequately pick up port planning, particularly demand and capacity issues. As was made clear by the Deputy Prime Minister at the time, the Commonwealth is not seeking to take over port planning powers from states.

Senator O'BRIEN—In relation to intermodal facilities under AusLink, has the government allocated any money to redevelop or expand existing facilities or to develop new greenfield sites for intermodal hubs?

Mr Mrdak—Not in this current program, no. Certainly, there is work under way in relation to intermodal terminals. One of the things we are funding, under our corridor study work, is a study of intermodal terminals in Australia. As part of a number of other corridor strategies, particularly the north-south rail study, we will be looking pretty closely at intermodal issues. But we are not funding any intermodal terminals at this stage that I am aware of, although we are funding some road and rail links that will enhance some existing terminal facilities, such as in Melbourne, and the like.

Senator O'BRIEN—So there is some planning work under way to identify the strategic locations of intermodal hubs?

Mr Mrdak—There is a major study under way, which the government is funding under AusLink, looking at intermodal terminals. Mr Wolfe might want to give you an update in relation to that study.

Mr Wolfe—That study is scheduled to be concluded at the end of November.

Senator O'BRIEN—Who is doing that?

Mr Wolfe—We have the consultants Merrick and Associates doing it.

Senator O'BRIEN—And the Commonwealth is funding that consultancy out of the AusLink fund?

Mr Wolfe—That is correct.

Senator O'BRIEN—Can you tell us how much that consultancy is costing?

Mr Wolfe—I will take that on notice and get a figure for you.

Senator O'BRIEN—Thank you. Does the government intend to provide funds to private operators for the development of intermodal hubs, or is it envisaged that new facilities will be developed by government?

Mr Mrdak—I am not aware of any proposal at this stage. You would be aware that at the moment we, along with a number of other government agencies, are doing a study in relation to a potential site at Moorebank for a multimodal hub in Sydney. That involves the relocation of an existing Defence facility. That work is currently being finalised for government consideration. No decisions have been taken on the development of that facility, so it is a bit early to say whether government in the future may wish to take a decision to make that facility available as a freight facility.

Senator O'BRIEN—How much money is allocated under AusLink to the planning and development of intermodal hubs?

Ms Riggs—At this stage I think it is fair to say none.

Senator O'BRIEN—Thank you. I want to talk about some specific road projects—firstly, the Peel deviation project in Western Australia. When was the Commonwealth first approached to provide funding for the Peel deviation and how much was sought?

Mr Mrdak—Can we come back to you on that during the course of this morning? We will get you some definitive timing on that.

Senator O'BRIEN—Okay. I want the proposed start and end dates for the project at the time of the initial approach.

Mr Mrdak—I will check that and come back to you, if I may.

Senator O'BRIEN—Okay. Also, I want some detail about the initial approach, the Commonwealth's response and subsequent approaches.

Mr Mrdak—Again, if I can, I will try and come back to you through the course of today with the information on that.

Senator O'BRIEN—When was the Commonwealth's commitment to the Peel deviation announced?

Mr Mrdak—The contribution was announced in the AusLink white paper as an AusLink project. Subsequently—and Mr Elliott may wish to correct me on this—the government made an additional funding offer in the lead-up to the federal election in October last year.

Mr Elliott—One hundred and fifty million dollars was committed in the AusLink white paper, and an additional \$20 million in the lead-up to the federal election, making \$170 million all up.

Senator O'BRIEN—In the white paper what were the proposed start and end dates for the project at the time of the original announcement? Were there any?

Mr Elliott—I do not think there were proposed start and end dates in the AusLink white paper. The additional \$20 million that was committed during the federal election was on condition that the project began in 2006.

Senator O'BRIEN—I understand that due to the escalating cost of this project the Western Australian government have suggested that it now be undertaken in two stages, with stage 1 to commence late in 2006 and be completed in 2009 and stage 2 to commence in 2010 and be completed by 2011-12. But I understand that the Howard government has refused to provide the previously promised \$170 million in funding for the staged approach to the project unless the whole project is completed by 2009. Is that correct?

Mr Elliott—I think that is the government's position, yes.

Senator O'BRIEN—Why is the 2009 date so important?

Mr Elliott—I think basically to get the project completed.

Senator O'BRIEN—What does the cost escalation involve? This is not a percentage commitment; it is a dollar commitment.

Ms Riggs—That is right. At the moment the \$170 million is a capped dollar commitment to the project.

Senator O'BRIEN—What was the original total cost of the project estimated to be?

Mr Elliott—Three hundred and forty million dollars.

Senator O'BRIEN—So it was 50-50. What is it estimated to be now?

Ms Riggs—The most recent advice that we have from Western Australia is that the total price has increased to some \$450 million.

Senator O'BRIEN—The original amount offered was \$150 million, and the additional \$20 million was announced during the election campaign. What negotiations took place about the Commonwealth's contribution?

Mr Elliott—There were some negotiations in the lead-up to the preparation of the white paper, which revolved around the Commonwealth contributing 50 per cent to the then announced project cost of \$340 million, as we said before. That proposal was considered by the government and announced in the white paper.

Senator O'BRIEN—And the additional \$20 million?

Mr Elliott—I think the original cost estimate might have been around \$300 million. It has moved a number of times. Sorry, I think I might have misled you there.

Senator O'BRIEN—The earlier questions which have not been answered were probably going to elicit that sort of information.

Mr Elliott—Essentially, we were looking at a 50 per cent contribution from the Commonwealth. I might stand corrected, but I think the advice of the total of \$340 million came shortly after the white paper was published. The government, in the run-up to the election, announced a further \$20 million to make up the 50 per cent.

Senator O'BRIEN—So the \$20 million was to keep the shares at 50-50?

Mr Elliott—I think that is correct.

Senator O'BRIEN—Correct me if I am wrong, but is it the current position that the Commonwealth remains committed only to \$170 million, not to \$225 million?

Mr Elliott—That is correct.

Senator O'BRIEN—On current estimates, \$225 million would be required to maintain the Commonwealth's contribution at 50 per cent?

Mr Elliott—Yes.

Mr Hogan—I think it is important to stress that this is one of the capped dollar amount projects whereby funding is being provided for 50 per cent up to the level of \$170 million.

Senator O'BRIEN—It ceases to be 50 per cent once you put in a capped amount, doesn't it?

Mr Hogan—If it goes over the capped amount, sure, but that is similar to arrangements applying to a number of projects in a number of other states.

Senator O'BRIEN—I have no doubt that the Commonwealth has capped amounts elsewhere, but I am interested in the context that the figures that were put forward were about a 50 per cent contribution. I simply make the point that it is no longer a 50 per cent contribution when you cap it and the costs continue to rise.

Mr Hogan—That is right.

Senator O'BRIEN—Has the minister made clear why the parameters on the Peel deviation election commitment are so rock solid when other commitments have been able to be varied by the government?

Mr Mrdak—I am not aware of too many situations where commitments have been varied thus far. On a small number of occasions we have had escalations in costs on some projects in the program and adjustments have been made, but predominantly they have been projects where the Commonwealth has continued its commitment to fully fund the project. For instance, to take the case of the Albury bypass, where the cost has increased, that was a former national highway project to which the Commonwealth had committed 100 per cent funding, so it will meet the cost escalation of the current contract. But certainly I am not aware of any other changes where the Commonwealth has made percentage share commitments or capped amounts at this stage.

Senator O'BRIEN—What is the nature of the factors leading to cost escalation?

Mr Mrdak—I think we are seeing a general increase in costs in the construction sector, driven by a number of factors. First, all jurisdictions are lifting infrastructure spending—not just the Commonwealth—so we have a number of competing projects coming on stream. Obviously, that is adding to the order book for companies. We also have the general increase in the prices of oil, steel and so on—some of the factor prices—as well as the fact that skilled labour costs in the sector are increasing owing to the number of projects under way. There is a shortage of skilled plant operators and some of the engineering staff. We have seen those sorts of pressures coming through in terms of construction firms.

Senator O'BRIEN—Are they the factors that apply to this particular project?

Ms Riggs—We would not necessarily be across the detail of that. This is being managed by the Western Australian government. We would need to seek specific detail. There are pressures in the road construction industry.

Senator O'BRIEN—Sure. I am trying to find out if there are any special factors that the department is aware of that would lead to a cost blow-out that might militate against the Commonwealth making a contribution.

Mr Elliott—It is probably worth saying that when we first began negotiating the so-called Peel deviation, the cost estimates would have been a lot lower than subsequently came to light.

Senator O'BRIEN—It sounds like every road project that we discuss.

Mr Elliott—That is right. One of the issues that we have tried to address a bit under AusLink, particularly through a process of sitting more tightly with the states through the corridor planning process, is to get a better handle on what road projects are going to cost us at the end of the day. In a sense, we are, rightly or wrongly, continually at the mercy of other

organisations that undertake an initial desktop estimate of a particular project and then leave it at that—they do not go on and do the detailed study. So one of the things that we are trying to push to do in the AusLink program is to get better estimates over time. We recognise that, when you first make an estimate, it is going to be a bit ballpark, but we want to have a better process for updating the estimates.

Senator O'BRIEN—I think the Western Australian government claims that the 340 million figure was the preliminary estimate only.

Mr Elliott—There were preliminary estimates before the 340 that were a lot less than 340.

Senator O'BRIEN—There was obviously an estimate of 300, which went to 340 between the AusLink white paper and the election.

Mr Elliott—That is right. That was at the time of the AusLink white paper. If we went back before that, I think we would find that the estimate for the Peel deviation was somewhat less again.

Ms Riggs—We have taken that on notice. We will come back to you on that.

Senator O'BRIEN—Is a standard process undertaken with all projects to determine the quantum and time frame of funding?

Mr Elliott—As a general rule, that would vary by project, depending on its complexity. For example, there may be planning issues that cut across environmental concerns. There might be hydrological issues that need to be dealt with. There might be detailed issues in regard to bridging and viaducts. All of those factors need to be taken into account. I think the answer is: how long is a piece of string?

Senator O'BRIEN—There is a process, but there are many variations in it? Is that how I should understand your answer?

Mr Elliott—Yes. There are a number of variations that can come into the process. At the beginning we try to get as good an estimate as we can. The preliminary estimate is always going to be a bit suspicious, if I can put it that way, because you need to do more detailed work. As the detailed work is undertaken, as I was saying before, we want to get better particulars of the cost of projects—as, for example, the engineers go out and do the hydrological tests and look at the land they are going to build across, they say, 'This is going to cost more than I thought' or 'This is going to cost less than I thought.'

Senator O'BRIEN—It is like every construction process: until you do some of the work you are not going to know what the real costs are.

Mr Elliott—Up to a point. To begin with, the estimate might be desktop based—for example, based on information that is known to those that are doing the estimate. Then they would do some initial testing—of, for example, soil, and whether there was rock present and that kind of thing. Having done that initial testing process, our general expectation would be that the road authorities would be able to give us a pretty decent estimate of what a project is going to cost.

Senator O'BRIEN—When was the preliminary design work done for the Peel deviation?

Mr Elliott—I think that is part of the question that we are taking on notice.

Senator O'BRIEN—I am given to understand that the \$450 million price tag was arrived at only after the preliminary design work had been done.

Mr Elliott—Certainly in the initial negotiations on that particular project we were given to understand that the estimates would be updated in time for us to submit them for the white paper process. We pushed very hard—as officials, anyway—to get those estimates updated. We used the best estimates that were available to us at the time.

Senator O'BRIEN—But what I want to know is this: did you actually have road design work available in considering the state's costing?

Mr Elliott—Unless my colleagues know, I think that is something we should take on notice.

Mr Hogan—What is fair to say is that we first had a proposal from Western Australia in about late 2001. Their planning became gradually more refined. But, as yet, we have not seen a full design proposal.

Senator O'BRIEN—So the costing that you had was not based on any particular design and was therefore preliminary?

Mr Hogan—It was based on very preliminary work. In that situation, I suppose it is up to the road agency to allow for an appropriate contingency to cover for potential cost increases.

Senator O'BRIEN—I am not sure how you develop contingencies when you do not have design work for the road. It becomes a very esoteric exercise, doesn't it?

Mr Hogan—You are probably better off shooting for a high contingency than for a low contingency.

Senator O'BRIEN—I can almost hear the department saying that your claim is a bit ambit because you do not have the basis for justification. It seems like a catch-22, doesn't it? I understand in relation to the Western Australian AusLink agreement that the Western Australian government, Minister MacTiernan, has suggested that Western Australia will sign off the AusLink agreement on the basis that the disputed project of the Peel deviation be quarantined, much as the Scoresby Freeway project was quarantined in Victoria. What is the Commonwealth's position on that?

Mr Mrdak—That is still subject to negotiation. The Australian government has not agreed or not agreed as yet to that proposition; it is still considering its view and we will go back to the Western Australian government.

Senator O'BRIEN—So Mr Truss has never agreed in principle to such a thing?

Mr Mrdak—That is not my understanding. He has noted the WA view but the Commonwealth is yet to form its view on how to proceed with this. We believe the Western Australia bilateral will be the only one unsigned within a short period. Obviously, the application of the construction code and the like will now come into effect from tomorrow, so WA needs to form a quick view as to what its position will be. If that is WA's position then the Commonwealth will consider that.

Senator O'BRIEN—Has the department received representations from the member for Canning, Mr Randall, about this project?

Mr Mrdak—I do not think that the department has; not that I am aware of. We can check that. We will take that on notice, if we can, and check whether there has been any correspondence from the minister that the department has been copied into.

Senator O'BRIEN—Senator Macdonald, are you aware of any representations from Mr Randall regarding this project to Ministers Truss or Lloyd or the parliamentary secretary?

Senator Sandy Macdonald—I am not.

Senator O'BRIEN—I understand that Minister Lloyd held a meeting with the Peel Development Commission and stakeholders on 19 October this year. Who initiated this meeting?

Ms Riggs—We will have to ask the minister.

Senator O'BRIEN—Can we find out which members of the federal government attended.

Ms Riggs—We will ask.

Mr Mrdak—We will try and ascertain that.

Senator O'BRIEN—Do you know whether there was an outcome to the meeting?

Mr Mrdak—Again, if I could take that on notice. I do not think that any officers at the table are aware of that.

Senator O'BRIEN—On 8 October the Treasurer announced \$265 million for the Deer Park bypass. I suppose that, if the Treasurer has said you can have the money, you can have the money. Was this money that had been earmarked for the Scoresby Freeway?

Mr Hogan—Can I just clarify that. In fact, \$80 million of the funds was already in the program for Deer Park. Additional funding of \$185 million was provided from reallocation of Scoresby funds.

Senator O'BRIEN—How much Scoresby money, if I can put it that way, remains unallocated?

Mr Mrdak—It is \$357.5 million.

Senator O'BRIEN—Is consideration being given to using that money towards duplicating the Calder Highway to Bendigo?

Mr Mrdak—All I can say is that there is consideration within government of the options for applying that money.

Senator O'BRIEN—What options is the department working on?

Mr Mrdak—I think that is a matter of advice to the government.

Senator O'BRIEN—I am not asking what you are advising the government; I am asking what options the department is working on.

Ms Riggs—I think they form part of the deliberative process of formulating our advice to the government and, consistent with the usual protocols, we will not be discussing them here.

Senator O'BRIEN—If you are working on a range of things, be it Scoresby or Deer Park or the Peel deviation, does that ultimately always constitute advice to government?

Ms Riggs—Since it is the minister on behalf of the government or some combination of ministers who make a decision about the nature of the roads funding program, yes, I think that is right.

Senator O'BRIEN—That is an interesting principle. Do you know whether consideration is being given to redirecting Scoresby money to the Goulburn Valley Highway or the Western Highway between Melbourne and Bacchus Marsh?

Ms Riggs—There are many options that the government could be considering about how it might choose to reallocate the money that had previously been potentially made available for Scoresby.

Senator O'BRIEN—How many officers are working on the redeployment of these funds?

Mr Hogan—There would be one officer principally involved.

Senator O'BRIEN—Who would that be?

Mr Hogan—Me.

Senator O'BRIEN—Do you have other officers assisting you?

Mr Hogan—I am assisted by other officers on an as needs basis. I might also say that of course my advice is considered as it progresses up the line within the department by more senior officers.

Senator O'BRIEN—Has any decision been taken about the allocation of the \$357.5 million to Victorian projects?

Mr Hogan—No decision has been taken.

Senator O'BRIEN—In terms of Tasmanian commitments, I wanted to look briefly at the Howard government's election commitment of \$1.5 million for the Tasman Highway between Nunamara and Targa. According to an answer to a question I placed on notice, this funding was announced by the then Liberal candidate, Mr Ferguson, on 28 September 2004. Does the department have a copy of that statement?

Ms Armitage—We can provide it. I have not got it here with me. I will need to check whether the department has it.

Senator O'BRIEN—Do you know if the department wrote the announcement?

Ms Armitage—I am not aware of that. As I said, I need to check that. I would be surprised.

Ms Riggs—It would be very unusual for departmental officials to be involved in the preparation of announcements made in the course of election campaigns.

Senator O'BRIEN—So you can tell us whether or not that was the case.

Ms Riggs—I would be quite confident that it was not. I will correct the record if I am wrong.

Senator O'BRIEN—Thank you. What consultations occurred between the Commonwealth and the state government prior to this announcement being made to understand the priority given to this project by the state and the amount of funding the state could provide?

Ms Armitage—Can I just check the detail of that to make sure that I am giving you the correct answer? Can we come back to you in a minute on that, please?

Senator O'BRIEN—Okay. When was the department first asked to do work on this commitment?

Ms Armitage—Work commenced once the government was returned. The ministers wrote to state ministers about these proposals on 11 April 2005. We had a response from the Tasmanian government that indicated that they were not prepared at that point in time to provide the matching funding.

Senator O'BRIEN—Did the request to this department come from your minister's or from the Prime Minister's office?

Ms Armitage—With the confirmation of the election commitments, the department commenced work after having initial discussions with the then Deputy Prime Minister's office.

Senator O'BRIEN—Can you tell us who within the government took the decision to make this funding available and when?

Ms Riggs—It was announced as a commitment during the election campaign. When it was returned to government the government considered how it would give effect to a number of decisions it made across a whole number of portfolios, and this was one of those that fell to this portfolio and therefore to this department to take forward. It would therefore have been settled by cabinet at the time that it considered how it was resourcing the commitments it had made during the campaign.

Senator O'BRIEN—Do you know when the cabinet made that decision?

Ms Riggs—My recollection is that a number of election commitments were settled during a cabinet process in the early part of 2005.

Mr Mrdak—It would have been settled as part of the development of the budget which was announced in May this year.

Senator O'BRIEN—In the document entitled 'Strengthening Tasmania's Economy and Building a Better Community'—which, oddly, appears on the National Party's web site—I noted the commitment is to:

... contribute \$1.5 million for improvements to the Tasman Highway between Nunamara and Targa;

In that document this commitment is sandwiched between commitments for the Bridport to Scottsdale road and the Port Sorrell main road from Wrights Lane to Wesley Vale township. In each case these commitments carry the specific rider:

The Tasmanian government must meet the remaining cost of this important project.

At the time this document was published did this rider apply to the Tasman Highway between Nunamara and Targa? Because those words do not appear on that web site in relation to that project.

Ms Armitage—I will double-check that. I have just been informed that it was silent in the Tasmanian document but the subsequent correspondence with the Tasmanian minister was that there would be a requirement for matching funding for Tasman.

Senator O'BRIEN—So it was not part of the original election promise; it was added on.

Ms Armitage—It was silent. As it was a coalition document, I cannot make a comment on that. But, as I said, the subsequent correspondence with the Tasmanian minister was that a contribution would be required.

Senator O'BRIEN—When you say it was silent: the words did not appear in relation to that commitment.

Ms Armitage—I agree. But, as I said, that was a coalition document, not a departmental document.

Senator O'BRIEN—Can you confirm that the original commitment to the people of Bass did not say that the project was contingent on the Tasmanian government meeting the remaining costs?

Ms Riggs—I think that you have read out the words that exist in the election campaign document and we cannot go any further than say to you that that was the commitment that was made. It is expressed in those terms. You cannot ask us to speculate about what was in the mind of the government or in the minds of individual members of the government at the time.

Senator O'BRIEN—No, I am not asking what was in their minds. It was the commitment that was made. They may have had that in their mind but I was asking about a document.

Ms Riggs—We have to say to you that it was made in the terms that are in the document.

Senator O'BRIEN—I am just inquiring whether the department is aware of any other form of words that were used. Perhaps that is another way of putting my question.

Ms Riggs—I do not believe so.

Senator O'BRIEN—Where will the committee be able to find a list of election road funding commitments by electorate and the amount pledged?

Mr Mrdak—We would be able to supply you with a list of strategic Roads to Recovery projects that were announced during the campaign. I think they were provided to the Senate committee that looked at the AusLink legislation, but we would be happy to provide you with an updated list if that would be of value.

Senator O'BRIEN—It may not be necessary unless it is necessary to update it, if we already have that.

Mr Mrdak—I think we supplied that listing in evidence to the committee hearing on the AusLink bills. We can certainly get you the list; that will not be a problem.

Senator O'BRIEN—There is no need to supply it if you have already supplied it. I will not ask the department to do what we can do: to look it up. We are still waiting for some information about the Peel deviation.

Mr Mrdak—We have officers trying to track that down. I will come back to you as soon as I can in relation to that. We are having a search done of files to give you correct dates, and the like, of first approaches. As Mr Hogan indicated, some of this may go back three or four years. It may not be possible to get it today but we will get it to you as soon as we can.

Ms Riggs—If I may take you back to the matter in Tasmania, I have in front of me a copy of a release from Michael Ferguson entitled ‘Ferguson’s \$5 million plan for north east Tasmania’. This is, I believe, dated 28 September 2004, so it is in the election context. On page 2 of that—and I am reading from a part that is with another matter—is a paragraph that begins:

Funding under the Ferguson plan and approved by Prime Minister Howard includes—
and the second dot point in that list of inclusions says:

\$1.5 million to upgrade the Tasman Highway between Nunamara and Targa. The Tasmanian State Government must meet the remaining costs of this important project.

Senator O’BRIEN—I take it from earlier answers that the department is not aware of any discussions with the Tasmanian state government about funding this project prior to the announcement.

Ms Riggs—That seems to be the case.

Senator O’BRIEN—That sounds like the release you were going to supply to us if you could find it. Thank you for that.

Senator JOYCE—First of all, I commend the work that John Anderson did in this portfolio. It is obviously a legacy to his efforts in that area, which is great. Did the decision-making process take on board the economic and social functions of the transport requirements rather than just purely population requirements? Are social and economic functions taken on as an element of the decision and also the potential economic development and the drive to decentralise? Is that part of the decision-making process?

Ms Riggs—It is fair to say that in the past a lot of the judgments the Commonwealth made about funding for the national highway, which was our particular concern, were at least based as much on advice from state governments as on views the Commonwealth had developed in its own right. One of the really key objectives of AusLink is to put both state and federal governments in a position of a shared appreciation of the future task on particular parts of the land transport network. With our corridor strategies, which are a fundamental planning tool of AusLink, in looking at what the future volumes and demands on a particular corridor will be, those corridor strategies will look at all the drivers of demand. Certainly there will be a large economic chunk of freight and people movement. But, having done that, we will, through consultative mechanisms, including with other Commonwealth agencies, through state government whole-of-government arrangements and through the community through stakeholder groups, be consulting on what those other drivers of transport demand might be.

Senator JOYCE—Would it be fair to say that, in working with state governments, in some instances some of the state governments might not have much of a concern for the development of inland areas and may not take into account the potential economic development and social requirements of inland areas that possibly the Commonwealth government might do? When prioritising where they want the money to be spent, it is generally fairly specific to urbanised areas.

Ms Riggs—I think it would be really unfair for us to comment on the motives of state governments vis-a-vis those of the Commonwealth. What it is appropriate to recognise is that

AusLink entails a number of elements of commitment on the part of the Commonwealth government. One is to the major construction projects that are detailed in the AusLink bilateral agreements with the states. Those are predominantly on the national network, and the national network does not necessarily deal with the regional feeder routes to that network. In addition to that, the Commonwealth makes money available through the Roads to Recovery program and through the black spot program. Also, for many years now there has been an element of the financial assistance grants to local government that has had a particular roads focus. So the Commonwealth government does not leave out the areas outside of the key focus of those 24 major transport corridors.

Senator JOYCE—So basically the government tries to cover up some of the areas left behind with the Roads to Recovery program and the black spot program—areas that the state governments would probably leave off the agenda in some instances?

Mr Mrdak—Certainly Roads to Recovery was a conscious decision by the government to provide supplementary funding for local government, recognising that local councils were saying that, in relation to some of the major transport links from the regions, they were clearly underresourced in their capacity to maintain roads. As Ms Riggs has said, Roads to Recovery is designed specifically to meet that funding challenge, essentially recognising that we also have programs that link into the national network through R to R and strategic R to R.

Senator JOYCE—In my state of Queensland, what are the major projects that the state government have been pushing with you to develop regional or inland areas or regional transport corridors? Have they got any major programs that they lobby AusLink about and push onto the agenda as a sign of their wish to develop the economic and social factors of people living off the coast in Queensland?

Mr Elliott—I think it is fair to say that the state government is conscious of the economic and social factors involved. Historically the Commonwealth have funded the national highway system in Queensland, and we continue to have those links as part of the national network in Queensland. Generally speaking, the projects on those particular links are put forward by the Queensland Department of Main Roads. In the past they have been assessed by the Commonwealth for funding in accordance with the level of funds that the Commonwealth have available. This has included the long lengths of highway that include the Bruce, the Warrego and the Landsborough highways. In the future, as we have indicated here before, we are looking at doing more corridor studies to see what the priorities are and to get an idea of where the strategic merit lies, if I can put it that way, for future investment. We will probably continue to invest in projects that are in what might be described as the more rural and remote areas.

Senator JOYCE—Have the Queensland government done anything about the Carnarvon, Warrego, Bruce or Outback highways? Have the Queensland government ever lobbied you about moving those roads up as a priority? Or do they mainly concentrate on the south-east corner?

Mr Elliott—I do not know that I can answer that question offhand. I am happy to take it on notice.

Senator JOYCE—Have there been any alternatives looked at for the Cairns to Melbourne route? Are there ways to make that a quicker, more viable and more economical route for moving transport from one end of Australia down to the other end?

Mr Elliott—Our principal focus has been on the Bruce Highway and on the links that are made to that, either through Brisbane or via Toowoomba, to get down to Melbourne in due course via the Newell and so forth.

Mr Mrdak—There has been quite a lot of Roads to Recovery investment on other inland routes, which has certainly increased the capacity and the condition of those services. That program, as you know, is done through local government. I know personally that roads in inland Queensland have benefited from the R to R program money that has been invested on that route.

Senator JOYCE—When they were going to change the complexion of R to R around and that did not happen, that was very well received, because people thought it would become a mechanism for just getting the Roads to Recovery funding siphoned down to the south-east corner, where all the other funding is. What is your vision for rail transport, especially within regional Australia and connecting up our coal and agricultural sectors?

Mr Mrdak—Under AusLink, the principal focus of this five-year investment program is on the east coast, principally Brisbane, Sydney and Melbourne, improving those linkages through the Australian Rail Track Corporation. There is about a \$2 billion rail investment program between the government and the Australian Rail Track Corporation. Intrastate routes are not part of the national network, so intrastate rail networks remain the responsibility of state governments. Our funding and investment is really on the interstate corridor. Our vision—as we were outlining a little earlier—is really to make rail an effective competitor, to enable rail to take an increasing market share of interstate freight, particularly on the east coast, where rail's market share has been at best stable and largely falling over many years, particularly in container traffic as the task has grown. So we see rail as quite critical. Without an effective interstate rail network, Australia cannot meet its transport task. But at this stage the Commonwealth is very focused on the interstate, not the intrastate, network. That has been really a matter for state funding.

Senator O'Brien interjecting—

Mr Mrdak—The Eyre Peninsula has been a special assistance program put in place for the grain lines in that area, which are not on—

Senator O'BRIEN—So it is federal money going into a state—or is it a private—line?

Mr Mrdak—It is a line which is leased to a private operator, but in that situation it would be a mix of Commonwealth, state and private moneys going into the upgrade of the Eyre Peninsula grain lines. But that is not on the AusLink network per se.

Senator JOYCE—I think we have \$80 million, or something like that, targeted at the Tully flood diversion?

Mr Elliott—That is correct, yes.

Senator JOYCE—Are the state government now looking as if they will be able to get started with that, because we were held up there in Queensland for long while, weren't we, by the state government?

Mr Elliott—It has been a little bit of a lengthy process. It is a difficult project. I understand that in fact this week the Queensland Main Roads people are getting together in Townsville to have a detailed look at that project, and officers of this department will likely attend that meeting to go over some of the work that has been done on the Tully flood works, planning work, and to see if we can get the best results. So we are keen to press ahead with that and, to be fair, I think the Queensland Department of Main Roads is also.

Senator MILNE—I would like to ask about the strategic planning and, in particular, global warming, Australia's greenhouse commitments and likely greenhouse commitments into the future. You mentioned earlier that, in the road and rail pricing issues to date, the environment has been regarded as an externality. Can you tell me how AusLink is factoring greenhouse gases and the greenhouse ramifications of transport into its planning focus, given that it is trying to establish national land transport strategies and investment into the future? How are you factoring in greenhouse, given that it is an externality on pricing, at the moment?

Mr Mrdak—The government's position on greenhouse has been articulated in a number of forums. It is not something that this portfolio is directly involved in. I think it is fair to say that the government is handling its approach to greenhouse gases and the broader emissions issue through a number of mechanisms, one of which is in this portfolio through fuel standards and the like. But, apart from that, it is not being factored into strategic planning in terms of the AusLink corridors. It is being dealt with through other policy mechanisms.

Senator MILNE—So have there been any discussions between your department and your strategic planners with the Australian Greenhouse Office, with the CRCs on greenhouse or with any of the areas of expertise dealing with transport planning and greenhouse ramifications?

Mr Mrdak—No.

Senator MILNE—In terms of strategic planning, do you think it is a big opportunity cost to Australia in the long term not to deal with it in transport?

Mr Mrdak—As I said, the government has put in place and has mechanisms for dealing with its policy position on greenhouse, and that has been dealt with through various other mechanisms. It is not something that we in the transport portfolio per se are involved in on a day-to-day basis. We are across those issues. We have officers who work with the Department of the Environment and Heritage and the like in relation to specific issues where they may impact on transport, but they are not specifically being factored into our AusLink planning at this stage.

Senator MILNE—So you have not been modelling for a carbons emission trading system with, say, \$50 a tonne greenhouse or a carbon tax on vehicles and what the ramifications of that would be in terms of your network strategic planning?

Mr Mrdak—No. The government has considered those matters in the past and made a clear decision on them.

Senator O'BRIEN—I do not have any more questions on AusLink, although I did want the opportunity to consider the answers on the Peel deviation as some questions might arise from them. Perhaps we can get someone back to deal with that later on in the process today.

Mr Mrdak—We will try to expedite those answers as quickly as possible.

[12.21 pm]

ACTING CHAIR (Senator Troeth)—We will now move to agenda item No. 3, Maritime and Land Transport.

Senator O'BRIEN—There has been some discussion in recent weeks about a review of the ministerial guidelines for the issuance of single and continuing voyage permits. What is happening with that review?

Mr Sutton—We have held consultations with a range of industry stakeholders. We are in the process of finalising some draft changes to the guidelines, and we anticipate consulting with industry stakeholders in the very near future on those changes.

Senator O'BRIEN—What brought about the review?

Mr Sutton—There was no one factor. The current guidelines have been in place since the middle of last year. They vary significantly from the previous version, which came out in 1998. There are a number of issues and refinements, if I can put it that way, that we think, just from our own work, are worth exploring with stakeholders. Certainly, consultations we have had with people like the Australian Shipowners Association have indicated that they see room for refinement in the way the guidelines operate.

Senator O'BRIEN—So it was not a ministerial request; it was initiated by the department?

Mr Sutton—There is one particular matter we are looking at that the minister has asked us to look at. That relates to the current guideline relating to non-issue of a permit when a vessel has had an AMSA detention within the previous six months. The other things that we are looking at have all been initiated within the department or by stakeholders.

Senator O'BRIEN—So you have spoken to the Australian Shipowners Association about the terms of reference; have you spoken to anyone else?

Mr Sutton—We have also received some input from Shipping Australia Ltd and comments from the Maritime Union of Australia. I am trying to think if there is anybody else. They are probably the main groups we have heard from so far. We anticipate consulting with all of them when the draft changes are put out.

Senator O'BRIEN—Are the actual terms of reference for the review able to be supplied to the committee?

Mr Sutton—It is not a formal review process as such. We are doing an ongoing operation of looking at the way the guidelines operate and seeing whether there is scope for improvement.

Senator O'BRIEN—What involvement has the department had in the current impasse on the wharves regarding container movement?

Mr Sutton—This is the Customs problem?

Senator O'BRIEN—The Customs problem has initiated a logjam; there is no doubt about that. I just wonder what involvement, if any, the department has had.

Mr Wilson—To this stage, we have not had any involvement with it, as far as I am aware.

Senator O'BRIEN—This certainly has a significant impact on Australia's transport logistics network.

Mr Wilson—That is correct. But, from my understanding, it is an issue to be dealt with by Customs officials.

Senator O'BRIEN—What involvement did this department have with the promulgation of the Customs system as it affected the transport logistics network?

Mr Wilson—As you would be aware, I am fairly new to this area and the development of the system has taken place over a reasonably long period of time. I would have to take on notice what involvement we may have had in Customs' new system.

Senator O'BRIEN—Presumably, there was some consultation about implementing such a significant set of regulations on the transport network?

Mr Wilson—As I have said, I am unaware of our involvement—whether we have had it or not. I will take that question on notice and provide that to you later.

Mr Mrdak—This is one the areas where we interface with Customs more through our Office of Transport Security than through this division. Certainly, in the last week or so with these difficulties, one of the areas of concern has obviously been the ability to maintain security arrangements around cargo. That is something that the Office of Transport Security has been closely monitoring through its normal operations with Customs. We can cover that when we deal with OTS, if that would help.

Senator O'BRIEN—I am happy to deal with it anywhere you can.

Mr Mrdak—With the current difficulties that were experienced last week, the only area of contact that I am aware of has been around the issue of maintaining the security of the port operating environment.

Senator O'BRIEN—There is not automatic involvement of this department where these regulatory arrangements that affect the transport network are put in place by another agency?

Mr Mrdak—Not automatic. To my knowledge, I do not think anyone foresaw—

Senator O'BRIEN—I hope not.

Mr Mrdak—the events of last week. Our concern has been more through the regulatory interface between that process and security. With what happened last week, obviously we have been monitoring it—principally through the OTS, as I say—through contact with Customs but not directly through the logistics process here. Operators have been working directly to Customs rather than to us.

Senator O'BRIEN—In answer to question on notice 1103, the minister recently provided a list of all single and continuing voyage permits since 2000. Also included in that answer was

reference to there being over 1,000 high-consequence dangerous goods, but no list of these goods was provided. How are high-consequence dangerous goods defined?

Mr Sutton—I think that would be a question more for Office of Transport Security, which has responsibility for the department's activities in that area.

Senator O'BRIEN—The list goes back to 2000, so it predates the Office of Transport Security. Are you saying that prior to the Office of Transport Security existing there was no consideration of high-consequence dangerous goods?

Mr Sutton—I think OTS would be able to give a full answer to that question, certainly from 2000. I think your question was specifically in terms of ammonium nitrate from 2000. OTS would be able to give you a full picture of their activities with high-consequence dangerous goods.

Mr Mrdak—If I can explain, under the former structure that work was previously done in our regulatory group, much of which has now gone across to the OTS in terms of personnel. If it is okay with you, we can deal with those issues when we deal with transport security matters.

Senator O'BRIEN—What is the process for determining whether or not an Australian ship is available to carry goods for which a continuing or single voyage permit has been applied for?

Mr Sutton—I should preface my comments by explaining that my area, Maritime and Land Transport, handles the policy side of coastal shipping; since the middle of last year, the actual processing of the permits has been handled by the operations centre within the Office of Transport Security. I am happy to handle the question in a general sense, but if it gets more detailed it might be best to refer it to OTS. Generally speaking, the procedure is that when an application is received for a SVP or a CVP the operation centre will contact the Australian licensed vessel operators who have indicated an ability to carry the type of cargo that is the subject of the permit application. They are asked whether their vessel is available to carry that particular cargo. The processing of the permit by the operations centre depends on the responses they receive to those queries of the Australian licensed operators.

Senator O'BRIEN—If a licensed operator says, 'I've got a vessel available,' is there a time parameter?

Mr Sutton—There are certainly time frames that are available. Every query that the operations centre will send out will be of the form, 'Have you got a vessel that can carry X tonnes of cargo on such-and-such a date?' The response of the licensed operator will determine whether that vessel is deemed to be available or not.

Senator O'BRIEN—If a permit is issued, is it specific to the vessel being available on that date? In other words, if someone is 1,000 kilometres off the coast but heading in the general direction and someone wants to book a cargo for that vessel, do they have to pick it up on the date specified, or is there a leeway?

Mr Sutton—There is a three-day window specified in the guidelines. An applicant applies for a permit for loading on a particular date, the operations centre will inquire whether there is a vessel available, and they will generally allow a three-day window either side of the date so

that the licensed vessel, if it is available three days either side of the application date of the shipping date, would be considered to be available.

Senator O'BRIEN—Three days either side.

Mr Sutton—That is correct.

Senator O'BRIEN—So if there is a local licensed vessel available three days either side, the permit would not be issued?

Mr Sutton—Depending on the other factors that are relevant to the permit application, that is correct.

Senator O'BRIEN—Now that the legislation has gone through the parliament to allow for the shipping industry to be levied to cover the cost of a national emergency towage contract, could you give me an update on the status of the towage tender?

Mr Sutton—The final details of the overall national system are scheduled to be considered by the Australian Transport Council on 18 November. If the ATC gives the approval to go ahead with the system, AMSA will finalise the details of that tender arrangement. I understand that AMSA is aiming to complete the process by the end of 2005. The vessel would be in service from 1 July 2006.

Senator O'BRIEN—Have the strategic locations around the coastline been identified?

Mr Wilson—I think that is a question best answered by AMSA in respect of their arrangements in establishing the tender processes and selection of strategic locations.

Senator O'BRIEN—You are deferring a lot of my questions to you to others. I am not sure they will thank you for that.

Mr Wilson—I am fairly sure they will not thank me for that, but I am fairly certain they would prefer me to defer it to them than to answer incorrectly and then have to come back and correct the record later.

Senator O'BRIEN—I will take your word for that, and we will see later on. Has the department had any discussions with Pan Shipping in relation to its proposed container service between Melbourne and Fremantle?

Mr Sutton—We have had some preliminary discussions with Pan. We have offered to meet with Pan to talk about their proposal and to talk through what may be required—how the guidelines operate and what they may need to do to meet the requirements of the guidelines—and so they can get an understanding of how we issue permits. So basically we have offered to meet with them but they are yet to arrange for formal discussions with us.

Senator O'BRIEN—Does the department recognise the value of a regular container service between these two ports, given that shippers find the service offered by foreign ships operating under permit to be unreliable?

Mr Sutton—The permit system clearly has a preference for Australian licensed vessels. So, if Pan did come into service, we would only be issuing permits if an Australian licensed vessel, a Pan vessel, were not available or adequate for the task. Certainly with Pan or with any other actual or potential licensed shipper, we would administer the permit system in that way.

Senator O'BRIEN—If a company—let us say it is Pan—has a run between those two ports, there is steaming time there and back. You would not put two ships on the service, but the permit system would effectively mean that, once the ship had sailed, any cargo build-up would be available to ships under permit, thereby undermining the viability of the service. That is obviously a concern that some people are expressing in relation to a service such as this.

Mr Sutton—I mentioned the three-day sailing window. That means that, if a shipping line were able to offer a weekly service, we would take that into account when considering permit applications. If there were a weekly service, we would not issue permits up to the volume of the cargo that that ship could actually carry. Hypothetically, if a 900-TEU vessel were available on a weekly service—obviously a lot more containers go around the coast than 900-TEUs—then we would not issue permits for that quantity. My understanding of the Pan proposal is that it is not a weekly service—it is somewhat longer; 12 days sticks in my mind. But the guidelines are not inflexible and we would be more than happy to sit down with Pan or any other prospective licensed ship and talk about their requirements and their proposed business plan.

Senator O'BRIEN—Will the review that is being undertaken be looking at the flexibility needed to take into account the need for certainty for Australian shipping companies like Pan?

Mr Sutton—With the three-day window either side, in our view there is a significant degree of flexibility in the system. As I say, if any company, whether Pan or another, comes to us with a specific proposal then we are more than happy to sit down with them and work through just how it fits, or doesn't fit, with the requirements of the guidelines. Also, as I think you mentioned earlier, Senator, there are issues such as the reliability of the shipping service. We would also be looking at that and considerations such as the types of service that they could offer and whether the vessel had any restrictions on things like reefer cargoes. They would all be things that we would be taking into account.

Senator O'BRIEN—Obviously the 12-day span that Pan is talking about would be a bit of an impediment to getting any certainty out of the current system. How flexible is the weekly service?

Mr Sutton—It would certainly create some issues if it were a weekly service—I won't say it would be straightforward, but you could identify a ready way forward. If they are talking about a 12-day service then there are certainly some issues we would need to work through with them. I hesitate to say how difficult it would make it, because it would depend on a range of factors—the ports they were proposing to service, for example, and the types of cargoes. There could be a range of factors that could affect just how they would sit, or not sit, comfortably with the administration guidelines.

Senator O'BRIEN—In issuing a permit, you take into account not just the port of pickup but the port of delivery? If Pan says it is only going to do Fremantle-port of Melbourne, obviously the cargo going elsewhere is not included in the considerations.

Mr Sutton—That is correct. When we assess permits, we look at the availability of a licensed vessel to carry the cargo on the specific voyages being considered. For example, if

there were a foreign flag liner ship that was going between Adelaide and Fremantle, that would not be directly relevant to the voyage between Melbourne and Fremantle.

Senator O'BRIEN—In the document that has been supplied, the port of pickup is not specified. Is it possible to get details of permits for the port of Fremantle for that period?

Mr Sutton—Yes, we could certainly have a look at the database to see what could be provided. What page are you looking at, Senator?

Senator O'BRIEN—It is attachment A to an answer to question 1103. Attachment B has loading ports; attachment A has products and the flag state but not the loading port.

Mr Sutton—We will take that on notice and see what we are able to provide.

Senator O'BRIEN—Thank you.

Senator MILNE—I want to ask a question in relation to, firstly, Australia's international obligations to phase out category 1 and category 2 single-hull tankers by April this year and, secondly, our obligations with all remaining category 3s by 2010. I would like, first of all, clarification and confirmation that our obligations were upheld by April and, if not, what exceptions there might have been. I understand that, under our international obligations, whilst we have to get rid of category 3 by 2010 there is nothing to prevent us bringing forward and accelerating the date for removing those remaining category 3 tankers. Can you tell me what assessment or work has been done to look at accelerating the date and what the ramifications would be, in your view, if we did accelerate the date by which we removed the category 3s as well?

Mr Sutton—Firstly, in terms of compliance with the current regulations, I would suggest that the compliance issue is a matter for the Australian Maritime Safety Authority, who are scheduled for later in the hearings. AMSA would be able to help you with that question.

In respect of the phase-out dates for single-hull tankers, my understanding is that this is an issue the International Maritime Organisation has looked at—and Australia was a full participant in those negotiations. The phase-out date for category 2 and category 3 tankers has been brought forward to 2010. That phase-out date was arrived at after consideration of the environmental issues and economic implications of bringing forward phase-out dates any faster than that. There were concerns particularly as to whether there would be adequate tonnage available for oil tankers if the phase-out date were brought forward any further than 2010. The IMO decided on a 2010 date and Australia, as part of the IMO system, agreed with that date.

Senator MILNE—Am I right in saying there is nothing to preclude Australia from accelerating its compliance to before 2010 if it chooses to? Of course there is not.

Mr Sutton—I am not fully across that detail. That would be another question for AMSA. As I say, the Australian government's position has been that that 2010 date is appropriate.

Senator MILNE—So to date you have done nothing to model for an acceleration of that?

Mr Wilson—The work that the IMO undertook in analysing the situation with regard to the phase-out indicated that to phase out single hulls before 2010 would leave a shortage of carriage. That would have had a direct impact on the costs associated with the carriage of oil,

which would impact on the associated costs that would flow through to the economy. I cannot give you a straight economic answer in terms of the costs, but it would have had a direct impact on costs.

Senator MILNE—Where would I find that assessment report?

Mr Wilson—It is in the IMO report.

Senator MILNE—I am referring to Australia's response to the IMO report.

Mr Wilson—Australia's response has been to accept the report and accept that the 2010 phase-out is the most appropriate balance.

Proceedings suspended from 12.50 pm to 1.52 pm

Office of Transport Security

CHAIR—Has the department changed its mind about the fact that, if you have hijacked a plane or blown up a ship et cetera, you can still apply for a security pass?

Mr Kilner—Yes, we have. We have reviewed the list of offences that would relate to a person being disqualified from holding both an aviation security identity card and a maritime security identity card. Your question is in relation to a maritime security identity card?

CHAIR—Take it as relating to both.

Mr Kilner—Such an offence would mean that you would not be authorised to hold an identity card.

CHAIR—That is eminently sensible. What advice convinced you that the previous decision did not make a lot of sense and that you should change? Was it advice from the Attorney-General's Department?

Mr Kilner—No. We went back and looked through the list of crimes within the maritime security sector that were both disqualifying and exclusionary. Even though they fitted within the category of what we would call 'exclusionary', it was obvious that we would not want such persons employed in security sensitive zones; hence, the list was changed.

CHAIR—So I presume you will provide us with the updated criteria. I think persons still would not be disqualified if they had blown something up or had carried explosives and not let them off. As I understand it, you had to be found guilty of these issues and not fantasised about them. Have those issues been resolved? Do you recall what I am talking about?

Mr Kilner—No, I do not. But, in regard to both the maritime security identity card and the aviation security identity card, it requires a conviction. That obviously becomes the first criterion that needs to be satisfied.

CHAIR—But I seem to recall that you could apply after having been convicted of hijacking a plane, which seems amazing. Under the previous arrangement, that was the issue, wasn't it? You could have been convicted of hijacking a plane and still apply for a security pass.

Mr Kilner—That is right.

CHAIR—I think the least said about that the better, because it does not hold whoever came up with that brainwave in a good light, in my book. I think there were also some issues

surrounding carrying a bomb and letting it off or being caught with an explosive device. They have all been excluded too, as far as you know?

Mr Kilner—They have.

Senator O'BRIEN—What are high-consequence dangerous goods?

Mr Kilner—I will ask Ms Sue McIntosh to answer that question.

Ms McIntosh—High-consequence dangerous goods are a subset of dangerous goods, which are listed in this United Nations booklet; about 3,000 of those are listed as dangerous good. There is an indicative list of high-consequence dangerous goods on page 43 of this book. Do you want me to read the definition of 'high-consequence dangerous good'?

Senator O'BRIEN—Is it a long one or a short one?

Ms McIntosh—It is a short one.

Senator O'BRIEN—Okay.

Ms McIntosh—It states:

High consequence dangerous goods are those that have the potential for mis-use in a terrorist incident and which may, as a result, produce serious consequences such as mass casualties or mass destruction.

They then have given a list of the classes and divisions of those 3,000 dangerous goods. If you add up all of those that are listed here, you get to 1,000.

CHAIR—What input did Australia have into that generous United Nations document?

Ms McIntosh—The coverage of the transport of dangerous goods is looked after by the land and maritime transport division. Mike, I am not sure whether you can help with that one.

Mr Mrdak—We will take that on notice. I do not think we can answer that now. I will find out for you and come back.

CHAIR—There is a context in which that is going to be used in a question. Thank you.

Mr Mrdak—I will find out.

Senator O'BRIEN—Presumably, anything that can be a significant component of an explosive device is a high-consequence dangerous good.

Ms McIntosh—That is what it amounts to.

Senator O'BRIEN—What other sorts of things are there?

Ms McIntosh—Explosives is the obvious one; flammable gases in bulk; toxic gases, excluding aerosols; desensitised explosives; radioactive materials—those sorts of things.

Senator O'BRIEN—Would an acid tanker be a high-consequence dangerous good?

Ms McIntosh—The tanker itself?

Senator O'BRIEN—A tanker carrying acid. I suppose the acid is a high-consequence dangerous good.

Ms McIntosh—Depending on what the acid is, it may be considered to be a high-consequence dangerous good.

Senator O'BRIEN—Could we get a photocopy of the relevant pages of that book?

Ms McIntosh—Certainly. It would be easy to get you a photocopy of the one page. The pages with the list of 3,000 will be lengthy, but we can provide it. Perhaps it might be easier if we provide you with a copy of the whole book.

Mr Mrdak—We will get someone to do it now.

Senator O'BRIEN—Thank you.

CHAIR—Just to confirm: you will also supply us with how that document was constructed and what input we had into the construction, if any?

Mr Mrdak—Yes, I will come back to you.

Senator O'BRIEN—I am trying to get rid of this morning's referred questions. Are high-consequence dangerous goods treated differently when they are carried by sea under a continuing or single voyage permit?

Mr Kilner—Are they treated differently?

Senator O'BRIEN—Perhaps I am not asking whether they are treated differently, but is the application for a permit for a single or continuing voyage treated differently where these goods are concerned?

Mr Kilner—No, they are not.

Senator O'BRIEN—No special process is followed before issuing a permit for a foreign ship, with a foreign crew, to carry a high-consequence dangerous good?

Mr Kilner—No. In the assessment of the application, obviously we will look at the vessel, its flag, the nationality of its crew. We will look at the sail date and at the cargo that is being carried. But the guidelines do not go to the extent that we would look specifically at the issue of high-consequence dangerous good. We obviously track particular cargoes, like those of ammonium nitrate and of oil and gas.

Senator O'BRIEN—So there is nothing in the guidelines that suggests you should give any special consideration to who is carrying dangerous cargo when considering continuing or single voyage permits?

Mr Kilner—No, there is not. We look at all the issues that I have just mentioned to you when the vessel first arrives in Australia—those factors are part of the assessment process. We do not look at specific issues in regard to, for example, the 1,000 different types of dangerous goods, but we do look specifically at the particular types of goods. Generally, the guidelines look at the availability of an Australian flagged vessel to undertake that permit first.

Senator O'BRIEN—But, in considering an application, what you are saying is that there is no preliminary assessment as to whether any special consideration should be given to who carries the cargo because of its nature.

Mr Kilner—No, we look at all those factors in regard to the vessel—its flag, its crew, the safety considerations associated with the vessel, as laid out in the guidelines—but it is not subject to another significant level of screening simply because it wants to carry, say, ammonium nitrate from Newcastle to Gladstone.

Senator O'BRIEN—The answer to a question on notice provided to me—question No. 1103—listed hundreds of urgent single voyage permits. What is the basis for a shipper applying for an urgent permit?

Mr Sutton—Under the guidelines, we allow provision for a shipper or any applicant to lodge an application on an urgent basis in particular circumstances. It could be a fairly broad range of things. It could be that there has been an accident and there is an urgent need to resupply a facility; it could be an oil refinery topping out and needing to urgently export or move some of its product; or it could be as simple as a ship charter operation where an applicant needs to fix a charter in a very quick time period to secure that charter. We can consider an urgent application on those bases.

Senator O'BRIEN—Would that be something that was urgently needed and imminent?

Mr Sutton—Not necessarily. Certainly, they do cover imminent problems—for example, if, for an unexpected reason, there is a shortage of a particular product, and petroleum product is probably a good example. Another example could be the chartering one I gave where the product—whatever it is—might need to be shipped in a month's time but they need to fix the charter with the vessel three or four weeks beforehand. Three or four weeks would probably be the maximum that I am familiar with.

Senator O'BRIEN—So you would still go through the test to see that there were no Australian vessel able to pick that up?

Mr Sutton—Exactly. It is subject to the same checks but, with an urgent application, the applicant pays more, and we aim to respond to them within one business day.

Senator O'BRIEN—How do you check that the need is actually urgent?

Mr Sutton—They are required to provide a declaration of urgency. As with all provisions—I forget the precise provision of the Navigation Act—applicants commit an offence if they give incorrect information in their application. So we rely on the accuracy of the declaration that they make in their application.

Senator O'BRIEN—I am looking at the list of permits. There is at least one reference to an urgent single voyage permit being issued in June this year to the *Arafura Endeavour* with a sailing date of 26 June for a cargo of empty containers. It is unlikely that the vessel could not wait until an Australian vessel became available to carry empty containers.

Mr Sutton—Depending on the destination, there actually are no licensed container ships. That could well be it.

Senator O'BRIEN—There are no Australian vessels licensed to carry containers?

Mr Sutton—It depends on the route. If it were across Bass Strait, there are obviously licensed vessels there; but for most other places around Australia there are no licensed vessels to carry containers around the coastline.

Senator O'BRIEN—There are also numerous references to roll on, roll off—or RORO—as cargo. Presumably, you do not know what sort of cargo is involved if it is roll on, roll off.

Mr Sutton—Frequently roll on, roll off is cars, or mining equipment or the like that needs to be transported from a capital city to a mine site.

Senator O'BRIEN—I took your previous answer to mean the considerable part of Australia. I am a little bit staggered that there are no licensed Australian vessels able to carry containers. Is that what you were saying?

Mr Sutton—That is correct. For example, on the main routes—Fremantle, Melbourne, Sydney, Brisbane—there are no Australian licensed vessels carrying containers.

Senator O'BRIEN—Is that a product of the work going almost exclusively to foreign vessels?

Mr Sutton—That is correct. I think it is also a function of competition with road and rail for carriage of containers.

Senator O'BRIEN—Thanks for that. Perhaps Mr Wilson should not have been so keen to refer this matter.

Proceeding to other matters, Mr Kilner, I want to firstly talk about the structure of the Office of Transport Security. I note that the third deputy secretary position has been created with sole responsibility for transport security. We were told that Mr Andrew Tongue will take up the position shortly. What brought about the creation of this position?

Mr Mrdak—It was a decision by the secretary to create that position. It reflects the fact that the Office of Transport Security, as the secretary outlined this morning, is now such a significant part of the work of the department and of our resourcing. Also, given the range of issues involved in transport security it was felt that it needed an additional deputy secretary who would give that the appropriate strategic oversight and direction. Also, at that level they would be able to work across agencies at the Commonwealth level, with the states and territories and internationally at a senior level full time in relation to these matters. So it was a conscious decision by the secretary to create such a dedicated position, given the prominence of the role.

Senator O'BRIEN—It seems that this transport security area is almost becoming a stand-alone function that could be placed in any agency.

Mr Mrdak—It is certainly a large part of our organisation these days, which reflects the importance of it. As to placing it in another agency, I am not so sure, in the sense that much of the work done by the office is done with the transport industry and relies on—

Senator O'BRIEN—So is customs.

Mr Mrdak—Let us not go there. I think there is some benefit in having it located within the transport agency, because it can draw on people across the other line divisions. I think there are certain advantages in performing its function in the way that it does in being located within the transport agency.

CHAIR—I have a question about crossing over from aviation to maritime where a driver needs to get into both secure areas. As the report pointed out, there are some discrepancies between the qualifications for the two passes—aviation and maritime. Are you going to harmonise those?

Mr Mrdak—Yes, certainly. I think there is work under way—and Ms Dickman might wish to comment—to ensure consistency in how maritime passes are issued and controlled to make sure there is consistency between aviation and maritime set-ups.

Ms Dickman—In terms of the background checking regimes for both aviation and maritime, work is being done to make the regimes comparable. But, essentially, those regimes will still take account of the unique security environments within each of those locations. While the background-checking criteria might not be identical, they will be comparable in the level of security outcome.

CHAIR—If I am a trucker working for Toll or for someone who delivers to the wharf and also to some secure aviation site, is it possible for me to do both with the one pass? What is the score?

Ms Dickman—You would require two passes.

CHAIR—But if I can get one I should be able to get the other?

Ms Dickman—Yes, they will be comparable in that way.

Senator O'BRIEN—Again going to the structure of the office, the remaining senior executive positions within the Office of Transport Security raise a couple of issues. A new position has been created—that of General Manager, Aviation Security Task Force. Dr Turner has that position. What is the purpose of that position?

Mr Mrdak—That position is principally focused. Dr Turner, as you may be aware, was one of the members of our department who worked on the Wheeler review. He provided secretariat support to Sir John Wheeler. The position that Dr Turner is now occupying is essentially implementing the Wheeler recommendations as they apply to the department and the work tasks coming out of the government's response to Wheeler and the COAG decisions in September, and also, importantly, undertaking a review of the act and the regulations, one of the recommendations of Wheeler that is now under way. We have put a senior SES officer in that role specifically to take forward the Wheeler implementation.

Senator O'BRIEN—Is it an ongoing position, or does it have a finite life?

Mr Mrdak—It will depend on the time frame involved in implementing Wheeler. At this stage we would see it operating, certainly, through the balance of this financial year and, I think, into 2006-07.

Senator O'BRIEN—From what I have seen, three out of the four general manager positions are held on an acting basis. Is that still the case?

Mr Mrdak—That is correct. We currently have recruitment action being finalised across the department for a number of vacant SES band 1 positions, and that process is due to be completed within the next couple of weeks. That will enable the secretary to make senior staffing announcements, filling each of those positions.

Senator O'BRIEN—General Manager, Critical Infrastructure and Surface Transport Security has been filled on an acting basis for more than a year. Is that going to change in a couple of weeks?

Mr Mrdak—Yes, it will. The position will be fully filled, and that will become a permanent position within the Office of Transport Security.

Senator O'BRIEN—Can you tell me how long those three general manager positions have been held on an acting basis to date?

Mr Mrdak—I can come back to you on that; I do not have that information ready to hand.

Senator O'BRIEN—Okay. How many individuals have acted in the positions?

Mr Mrdak—I will come back to you on that.

Senator O'BRIEN—Why has it taken this period of time to get to the point of filling them on a permanent basis?

Mr Mrdak—There are a number of issues. We wanted to firstly fill the deputy secretary position. Once the secretary had decided to create a senior position, it would be important for that person to be involved in settling the structure and also in the selection of the SES who would be involved. So that process has been ongoing over the last couple of months during the selection of the deputy secretary. Since his appointment we have been working with him to ascertain a final structure. He is leading the selection process for the band 1s; he is the chair of the panel which is selecting the band 1 candidates for filling those permanent positions.

Senator O'BRIEN—When do the applications close for these positions?

Mr Mrdak—It was August, I am told. That selection process is also filling two other vacancies we have inside the department at SES band 1 level—one in the Territories and Local Government Division and one in the Bureau of Transport and Regional Economics.

Senator O'BRIEN—Have you got enough applicants?

Mr Mrdak—Yes, we had a very large field. We had of the order of 230 applicants for band 1 positions within the department.

Senator O'BRIEN—Has there been any significant turnover of staff within particular positions within the Office of Transport Security? I am hearing from people dealing with the office that they seem to encounter a new officer every time they meet with the department.

Mr Kilner—The turnover within the Office of Transport Security is broadly comparable to that within the whole department.

Senator O'BRIEN—But in particular positions rather than within the office. Are people moving between positions?

Mr Kilner—Yes, there have been moves within the Office of Transport Security. Some of that has been caused through the acting arrangements, so then we act people up behind those people. Some people in industry would have been dealing with a different person than the one they would have been used to dealing with. However, those people in general have been still within the office, so there has been that sort of continuity and support for the people who are acting in those jobs.

Mr Mrdak—I can appreciate those concerns by industry. We had a confluence of events in the middle of the year. Firstly, there was the need to resource the secretariat for the Wheeler review, and we made a decision to second Dr Turner from his standing position as the head of

the aviation area within the OTS to undertake that role. I think of the order of 10 additional staff supported the Wheeler review. On top of that we had the secondment of Mr Tongue to DIMIA, again necessitating a change in our senior structure, with Mr Kilner acting in the position and his position needing to be filled by two regional directors who came to Canberra for periods of acting in that position. So we have had some turnover at those levels necessitated by those actions. I can understand the industry is concerned to some degree in relation to senior staffing.

Senator O'BRIEN—Are we now at a position where that stability will continue for some time?

Mr Mrdak—We would hope so. I think the branch structure is starting to get some shape around the current priorities. We have the task force which Dr Turner is heading around the Wheeler implementation. We have got areas in maritime, aviation, critical infrastructure and land transport. We also have Ms Dickman's branch, which deals with regional, freight and other matters. Additionally, we are looking to settle the executive director position in the coming weeks. Once the band 1 announcements and then the executive director announcements are made, we would hope over the next month or two to be able to settle long-term staffing and the structure. But, as you will appreciate, in an area that has grown so rapidly to meet a host of changing agendas, somewhat of a disruption is inevitable, as you are constantly trying to implement a whole range of initiatives in this field.

Senator O'BRIEN—I want to go now to the issue of aviation security. The budget allocated \$35 million to increase security measures at regional airports. How much of the \$35 million has been committed to date?

Ms Dickman—As at 28 October there were 15 airports that have had funding announced out of that program. I do not have a total figure sitting in front of me, but I can get one for you in just a minute.

Senator O'BRIEN—Thank you. What type of security measures has the money been spent on or will it be spent on?

Ms Dickman—Broadly speaking, it is improved fencing and lighting, access control systems, back-to-base alarms and some video surveillance equipment.

Senator O'BRIEN—The Wheeler report noted:

Frustration ... on the part of regional airport management through a perceived failure by officials to consult sufficiently about regulations and their implementation, as well as insufficient Commonwealth support for security education, training and administration.

Have any other funds so far allocated been directed to these shortcomings?

Ms Dickman—Have any of the funds been directed to what?

Senator O'BRIEN—The shortcomings mentioned in the Wheeler report, which I outlined, about a failure by officials to consult sufficiently about regulations and their implementation, and insufficient Commonwealth support for security education, training and administration.

Ms Dickman—There actually was extensive consultation with the aviation industry in the lead-up to 10 March. Over 30 workshops were held specifically for regional aviation operators. That included airports, airlines and general aviation operators. There are a raft of

new measures that have been implemented around each of those operators in relation to transport security programs and the requirements of the new act and regulations. Those consultation arrangements have continued. We have more workshops rolling out from 2 November to do further work for a range of airports and airlines that were security regulated prior to 10 March. We have also established a more consolidated consultation mechanism across the industry through the aviation security advisory forum, and within that there are now a number of subcommittees that allow us to target consultation around specific areas of operational interest. That includes an aviation security identity working group and a regional aviation identity group, which has met on a number of occasions. So strengthening consultation mechanisms has been an ongoing process since the Enhanced Aviation Security Package was announced in December 2003.

In relation to training, specific training initiatives were announced in August last year, which are currently being worked through with airports. Over 30 airports and airlines have actually contributed training material to that package, which is being delivered through the Securing Our Regional Skies initiative. One of the things that we will be doing as a result of Wheeler is a training framework: the government announced a further \$3.8 million, which will be used to consolidate a national competency based training framework for aviation security.

Senator O'BRIEN—You must be disappointed with that passage in the Wheeler report, then?

Ms Dickman—I think there is always scope for improvement. As far as aviation security goes, we need to be constantly evolving and a couple of steps ahead of the way the threat is evolving. So for us it is an opportunity to continue to keep that need for consultation and training at the forefront.

Senator O'BRIEN—So the department does not think that there needs to be any special funding commitment to this area—it is already covered in the program of measures in that regard funded out of the budget?

Ms Dickman—There is already specific funding that has been announced for those measures. Clearly we are in a position, through mechanisms such as the Secretaries Committee on National Security, to go back should we require further funding or identify areas that need further work.

Senator O'BRIEN—But you have not identified any to date?

Ms Dickman—Essentially the funding that we have just got from the Wheeler review will allow us to develop a more comprehensive regime than we have had previously. That will allow skills to be transferred between operators across industry, which is an area we have been looking forward to being able to do further work on.

Senator O'BRIEN—Remind me which money you got from the Wheeler review.

Ms Dickman—Senator, \$3.8 million was announced on 21 September to develop a national training framework. That funding is spread over two financial years, so there is some money for 2005-06 and some for 2006-07.

Senator O'BRIEN—I suppose the answer to my original question—I apologise if it was not accurate—was the latter answer you gave me: \$3.8 million in funding has been allocated to addressing that noted frustration.

Ms Dickman—I am sorry?

Mr Mrdak—Yes, that is right. The government specifically responded to the Wheeler recommendation with that additional funding and some additional funding for intelligence information provision to the industry as well.

Senator O'BRIEN—Given that Sir John Wheeler said that airport fencing does little to protect the sensitive airport apron and airport terminal areas, and that you have said funding has been provided for fencing among other things, is that the best use of the funds?

Ms Dickman—The funding for each airport's security measures is actually based on the security risk assessment that each airport undertakes individually in the context of their local risk. They are provided with information on the current level of threat and the evolving threat, and they go through a process based on the Australian-New Zealand risk management standard 4360. Through that standard they come up with specifically targeted, local mitigating strategies for the identified needs. That takes into account incidents or events that might have occurred at the airport—they can be everything from trespassing to vandalism and those sorts of things. Based on their own security risk assessment, they have defined what it is that they need at the airport.

I can give you a bit of a summary across the airports in terms of what they are getting. Of the 146 airports that are accessing the funding, 115 are making improvements to fencing, 106 are doing work on access control measures, 33 are installing or improving alarm systems, 107 airports have upgraded their lighting, 63 will be improving surveillance equipment, 45 are making some form of capital works improvement so that it removes blind spots and those sorts of things around the airport, and 68 of them have increased signage around the airport as well.

Senator O'BRIEN—But more than two-thirds are spending on fencing?

Ms Dickman—Yes, but of those no airport has done 100 per cent perimeter fencing. What they have done is put in fencing where before they had gaps and they needed fencing increased, or they have done it so that they can corral the movement of people around the airport so they can be more readily observed.

Senator O'BRIEN—It just seems to fly in the face a bit of the report in that regard. How much was allocated towards the X-ray of luggage and the screening of passengers?

Ms Dickman—At regional airports?

Senator O'BRIEN—Yes.

Ms Dickman—Unless an airport has got RPT jet services, it is not required to have passenger or bag screening at this time, so there is no funding out of that \$35 million.

Senator O'BRIEN—Do you think about a third of the funds have been allocated to date?

Ms Dickman—Yes, Senator. So far to date about \$10.6 million has been allocated and announced.

Senator O'BRIEN—What time profile do you expect the rest of the funds to be allocated over?

Ms Dickman—Based on the pace at which we are moving through the assessment process, we expect that early in the new year all of the funding should be announced.

Senator O'BRIEN—Sir John Wheeler recommended that tangible criteria be established for differentiating among various classes of airports and that there be clear guidelines for the movement of airports from one classification to another. Have the criteria and clear guidelines been developed yet?

Dr Turner—That is work in progress, Senator. Sir John's recommendation, which has been accepted by the government, is that there should be clear criteria for how an airport becomes, and ceases to be, a CTFR—counter-terrorism first response—airport, which is basically a response force provided by what used to be the Australian Protective Service, which is now part of the AFP. We are working with the AFP on documenting the criteria. That work has not yet been completed.

Senator O'BRIEN—Are there any non-screening airports being examined to see if they should become screening airports?

Ms Dickman—The additional layer of security is for jet operations. That means that since 10 March we have had a number of regional airports, including Learmonth, for example, which was a new entrant on 10 March. In April Learmonth moved to jet services and has subsequently put in place the appropriate additional layers of security required to accommodate those jet services. It really depends on the type of aircraft operating from the airport.

CHAIR—I asked a question at the last estimates about boarding a plane. I think we have an answer but I cannot find it—and it did not seem to me to be a very good answer. It was about a domestic passenger boarding an international, incoming flight at Darwin and landing at Adelaide. I asked for clarification on whether it is possible to board a plane, mingle with the international passengers at a stopover and have your luggage put through the X-ray but picked up off the hurdy-gurdy in Adelaide and not go through Customs. I also asked about the possibility of passengers switching luggage. In other words, is it possible for someone to get through because they paid someone somewhere else to get a parcel of drugs or whatever onto the plane in, say, Bangkok, and the plane lands in Darwin, where a domestic passenger, by design, boards the flight, switches the similar carry-on bag or whatever and walks off at the other end?

Mr Hoytink—That is perhaps for Customs.

CHAIR—I think it might be possible because I know someone who has actually—

Mr Hoytink—It might well be possible; I am not familiar with the specific arrangement. It might well be a specific matter for Customs to address in terms of the actual management of the bag and where Customs first brings the passenger into Australia effectively.

CHAIR—It is a question of whether domestic and international passengers can mingle—I do not know whether they unload the plane if there is a two-hour stopover; I have no idea about that—and whether they can exchange baggage. I have asked the question once before,

and I apologise for asking it again, but the person who asked me to ask the question said that you can still do it.

Mr Hoitink—I am not sure of the exact arrangement but I am happy to look into it for you. If somebody is coming from another country into Australia, they will be moving through transit arrangements, so once they arrive in the country they would need to then go through a screening process again before boarding another plane in Australia and moving on.

CHAIR—If they get off the plane—and I do not even know whether they get off—and the passengers can mingle, does a domestic passenger get different treatment from an international passenger?

Mr Hoitink—Yes, I think they do.

CHAIR—What I am saying—and begging you to do—is that, once an international flight is contaminated, as it were, with domestic passengers, those domestic passengers should have the same level of treatment at the other end, and everything should go through Customs instead of those passengers being able to bypass Customs because they are domestic passengers. You can go away and have a think about that.

Senator O'BRIEN—Ms Dickman, in terms of assessing non-screening airports, are you saying that Sir John Wheeler's recommendation indicated comfort with the current delineation between screened and non-screened airports, that being jet aircraft usage?

Ms Dickman—Sir John Wheeler's comments about the categorisation of airports essentially focused on the counter-terrorism first response arrangements and the criteria that Dr Turner mentioned earlier. Broadly speaking, Sir John did comment that he believed the aviation security settings that we had in place were reasonable and appropriate and that good progress had been made since the start of the regime to bring in a lot more regional airports. Based on the current threat assessment, the government's position is that all airports that have regular public transport, or RPT, services are required to have security layers in place underpinned by a security program. Based then on the size and scale of aircraft that operate in and out of those airports, additional layers of security are put in place.

Senator O'BRIEN—Has the cost of aircraft security equipment—scanners, X-ray machinery et cetera—fallen with increased usage?

Ms Dickman—Has it increased?

Senator O'BRIEN—Has the cost fallen?

Ms Dickman—Based on world demand, because of the volumes, we are finding the cost on certain items is coming down. But the world demand for other items which tend to be more customised and more difficult to get off the shelf has seen the price increase slightly.

Senator O'BRIEN—Where does passenger and luggage scanning equipment fit?

Ms Dickman—I am not an expert on passenger and luggage scanning, so I cannot give you a specific answer.

Senator O'BRIEN—Can anybody else?

Ms Dickman—The Australian Customs Service might be able to give you some advice in respect of the costs of some of the screening equipment.

Senator O'BRIEN—I mean the equipment that screens passenger bags at domestic airports. That is not a Customs matter. Does someone in the Office of Transport Security know anything about that?

Mr Kilner—Not with regard to the price. We will take that on notice and come back to you. Are you talking about the checked baggage system?

Senator O'BRIEN—It could be the checked baggage or it could be the personal carry-on luggage. There are two sorts.

Mr Kilner—We will come back to you on that.

Senator O'BRIEN—Sir John Wheeler recommended that the status of Avalon Airport be reviewed immediately. How far advanced are the plans for reviewing the status of Avalon Airport?

Ms Dickman—That is part of the work being undertaken by Dr Turner with the AFP.

Dr Turner—A review on the status of Avalon which was shared between the Office of Transport Security and the AFP has been completed. That is being considered in the context of the criteria we discussed earlier.

Senator O'BRIEN—When will we know the outcome? The recommendation was to review immediately. Presumably, that meant do something immediately.

Dr Turner—Something has been done, but there is a process for reviewing the criteria of CTFR—counter-terrorism first response—airports which I would expect to be completed before the end of the year.

Senator O'BRIEN—So we can expect some announcement about Avalon before the end of the year. If we hear none, does that mean nothing will happen?

Dr Turner—I am not in a position to commit when the government is going to make a public statement, but I would expect the work to be completed around about then, in that order of magnitude.

Senator O'BRIEN—Will that review recommend that Avalon become a CTFR airport?

Dr Turner—That is a matter for the government.

Senator O'BRIEN—It is not for the government as to whether the review finds that to be appropriate.

Dr Turner—The announcement of the outcome of that review is a matter for the government.

Senator O'BRIEN—Are you suggesting that, if the review found that it should become a CTFR airport, the government would reject the findings?

Dr Turner—I am not in a position to know what the government will do with the recommendation. That is not my job.

Senator O'BRIEN—It would be a brave government to reject such a finding after the review, wouldn't it?

CHAIR—He might be brave to answer it!

Senator O'BRIEN—I do not know that he would be brave to answer it; I think he would be foolish to think anything different. X-raying of 100 per cent of checked baggage at international airports was to begin by 31 December 2004. Sydney international airport did not meet that deadline. Mr Moore-Wilton obtained special consideration from the secretary of the department to use a combination of X-raying and explosive swipe detection—with their use of the word 'screening' as opposed to 'X-raying'. Does it now comply with the requirement to X-ray 100 per cent of checked baggage?

Mr Hoitink—The government's decision was that there would be 100 per cent checked bag screening in place by 31 December 2004, and that deadline was met. The X-ray provision will be that, for those major airports that require X-ray screening, X-ray screening will be in place by the end of this year, in time for the international requirements.

Senator O'BRIEN—So at the moment Sydney does not X-ray 100 per cent of checked baggage?

Mr Hoitink—At the moment, no.

Senator O'BRIEN—Are there any other airports that do not?

Mr Hoitink—My latest information is that Perth might use some combination there as well, but my advice indicates that the other airports do have the X-ray capability. The requirement within the regulations is that, by the end of this year, all those major airports will have X-ray screening for international departing luggage.

Senator O'BRIEN—In the absence of a functioning X-ray system for 100 per cent of baggage, what will happen?

Mr Hoitink—There is no specific provision for that but certainly the backup position is that there is explosive trace detection, as you mentioned before.

CHAIR—How do they work it? Do they X-ray every umpteenth bag or pull one out to X-ray? How do you decide which bags you will X-ray and which you will not?

Mr Hoitink—At times, the Sydney airport in-line system is able to target 100 per cent. At busier times, they are able to target in the vicinity of 60 per cent of baggage. I am not sure whether I should go into the operational details of how particular bags are targeted.

CHAIR—It is my suspicious mind at work; I will not progress. Going back to this Darwin thing, and I know Senator O'Brien has a lot of questions: when an international flight flies into Darwin, and the domestic passengers join the flight, do the international passengers get off the plane and the plane is then reloaded?

Mr Hoitink—I believe so.

CHAIR—So when they get off the plane, are they supposed to take all their hand luggage with them?

Mr Hoitink—Yes.

CHAIR—Does someone search the plane to see whether all the hand luggage goes off before they reload it?

Mr Hoitink—I think it is in the regulations that the plane needs to be searched before it takes off again, for example if it is transiting through Darwin and moving on to Adelaide.

CHAIR—So, before they pick up the domestic passengers to join the international flight, everyone gets off the plane, they take all their gear with them and someone searches all the cabin to make sure nothing is left in the plane?

Mr Hoitink—Yes, that is correct.

Senator O'BRIEN—At the time the Wheeler report was released, the Prime Minister suggested that some \$200 million would become available to secure Australia's airports. What is the status of that announcement?

Dr Turner—It is in the order of \$195 million, which is spread across seven or eight different initiatives. The money for joint airport investigation teams is split between Customs and the AFP. The precise detail for the policing arrangements is still subject to negotiations between the Commonwealth and the states. There was some money for Customs for border patrol at the major airports. That is a matter to take up with Customs. There is \$19.8 million for Customs for CCTV—closed circuit television—capabilities. Again, Customs can advise how far they have got with that. There is a \$38 million package for air cargo security arrangements, which is split between us and Customs. There is \$43.9 million for improved security of crime information exchange, of which \$23.4 million is for this department. That money is going to the heart of some additional staffing and additional processes for the Department of Transport and Regional Services, incorporating criminality information into the information flow to industry. There is an immediate review of the Aviation Transport Security Act. That is unfunded, but that work is work in progress. There is a further tightening of background checking, which you have discussed with Ms Dickman. There is \$3.8 million for national aviation security training, which was alluded to in questioning a few minutes ago. Nearly all of that is work in progress of one sort or another.

Senator O'BRIEN—I take it there is no requirement for industry to match that funding?

Dr Turner—None of those initiatives is on a cost-sharing basis, if that is what you mean. Whether the Wheeler implementation will impose some additional costs on industry or give rise to some additional costs for industry is clearly a matter best taken up with industry. But clearly this is enhancing policing and security at airports, which may well lead to some additional things which industry choose to do of their own volition.

Senator O'BRIEN—So the department does not know whether these initiatives will lead to the incurring of additional costs by the aviation industry?

Dr Turner—I cannot quantify what those changes might be.

Senator O'BRIEN—But it will.

Dr Turner—That is my expectation. It is not a decision of government saying, 'You must match this or that'; it is an expectation that we are doing new things and therefore there will be some additional activity on the part of industry.

Senator O'BRIEN—But there has been no consultation about what the impact of these things will be and how the impact might be minimised?

Dr Turner—A large part of what the task force that I am heading will be doing will be consultative mechanisms with industry, particularly around changes to the legislation, but for some of the other follow-up requirements from the government's September decision—such as the CTFR criteria exercise—we will clearly be consulting with industry. Airside screening changes will be in consultation with industry and other government agencies, so there will be additional significant consultation processes with industry as well.

Mr Mrdak—I can give you some context around that. It is under way. On 16 October I chaired a meeting of senior industry representatives, which is our normal aviation security advisory forum. That meeting on 16 October here in Canberra was focused solely on the implementation of Wheeler. It included presentations from us, the Customs service and the AFP in relation to the initiatives announced by the government—the rationale and the like—and starting the process of working through with industry what the implications may be. We took them through government agencies, thinking at that point about implementation of the measures. It is fair to say that at that stage industry were not raising concerns about additional costs to them; I think they were broadly supportive and welcoming of it, particularly the additional resourcing in some key areas such as around the policing function. We have started that work, as Dr Turner has outlined. We cannot, at this stage, outline whether additional costs to the industry would come out of it. We would hope to minimise any additional cost to industry, obviously, given the investment and the activities they already undertake in this area, but it is a bit early to say whether there are any spill over costs coming out of it as yet.

Senator O'BRIEN—I suppose the Prime Minister implied there would be cost to industry when he said that air fares might increase as a result of the Wheeler recommendations. Has any assessment been undertaken as to the additional cost? I suppose the answer is that you are still meeting with them to find out.

Mr Mrdak—We are still discussing it. It is early, and until such time as some of the major agencies, particularly Customs, determine their position on things like airside screening and the like, it is a bit difficult to say at this stage as to what costs there might be for industry.

Senator O'BRIEN—The process for implementing the whole of the Wheeler recommendations has been developed through your task force, Dr Turner?

Dr Turner—It is being developed. There are existing mechanisms which bring the Australian government agencies together. We have started the process of working through a whole-of-government approach to implementation. We have started the discussions with industry. As the agencies get their act together, as it were, then we will be consulting with industry about the details of implementation. I expect in some cases some of the decisions are reasonably straightforward, some are much more complex and will take quite some time to develop the detail. As Mr Mrdak has indicated, it is very early days for working out cost impacts and operational details for implementing all of the decisions.

Senator O'BRIEN—As part of the announcement on 8 September relating to enhanced counterterrorism laws, the Prime Minister announced measures to create a new offence relating to leaving luggage unattended within an airport precinct. Was the department consulted on this initiative prior to its announcement?

Dr Turner—We were involved in a process that generated advice to the government, yes.

Senator O'BRIEN—What progress has been made on this announcement being put into practice?

Dr Turner—We are working with the Department of the Prime Minister and Cabinet and with Attorney-General's to scope what is required and draft a change to our regulations.

Senator O'BRIEN—Do you know which piece of legislation the offence will be written into?

Dr Turner—It will be an amendment to the aviation transport security regulations.

Senator O'BRIEN—Do you know what will constitute unattended baggage?

Dr Turner—That is the nature of the discussion that is going on at the moment. My expectation is that it will be goods, for want of a better definition, in the keeping of the passengers prior to going into the sterile area. But that is a discussion that is going on between ourselves and other government departments and is not yet concluded.

CHAIR—It would not just be old bags, would it? Do not answer that.

Dr Turner—The discussion which generated all this is a concern on the part of law enforcement officers about their lack of power to do something with people who leave bags unattended.

Senator O'BRIEN—Do you know what will constitute an airport precinct?

Dr Turner—As I say, that is part of the discussion as well, but my expectation is that that will probably extend from the drop off area at the front of the terminal to the entering of the sterile area. But again that is part of the multiagency discussions going on at the moment prior to us concluding the drafting of an amended regulation—or a new regulation in this case.

Senator O'BRIEN—What is intended with children's luggage or baggage? Is there going to be some special cut off point at which the legislation will apply? Will a 12-year-old child leaving their backpack inadvertently somewhere be guilty of an offence—or will their parents?

Dr Turner—As I said, that is all work in progress at the moment, but I am not anticipating that we will be recommending to the government that they prosecute 12-year-olds, no.

Senator O'BRIEN—Will you be recommending that their parents be prosecuted, if they are under their control?

Dr Turner—That is part of the issue being discussed about who has responsibility in these circumstances and how to draft a regulation in this circumstance.

CHAIR—What are the requirements about under age travellers—travelling minors. Can they be just on their own? Don't they have to have someone in charge of them?

Dr Turner—I am not sure, so please do not take this as legal advice: I think somebody is identified as being the responsible adult, be it someone from the airline or whatever, but they are not required to travel with an adult.

CHAIR—So is it possible for an idle parent to rock up to Mascot or somewhere and say to their seven-year-old, 'Go through there, son. Go over there and wait, and get on the plane and away you go'?

Mr Mrdak—Not quite. Generally the airlines require that the parent or guardian take them to the counter, sign for them, provide identification proving that they are the parent or guardian—they do that at the time they book the travel and then when they bring the child to the airport. They are then generally put into the custody or the care—that is probably a better word—of one of the flight attendants, who will then transport them onto the particular flight.

CHAIR—Isn't that the answer to this question?

Mr Mrdak—That is right.

CHAIR—The person who is in charge of a minor.

Mr Mrdak—So there is a process so that there is always someone in charge of the child to the point where—

Senator O'BRIEN—Always?

Mr Mrdak—I would hope so. Once the child is booked in, the airlines have that policy generally. That has been my experience.

CHAIR—That is another one to go away and have a think about. If it isn't the case, it ought to be the case.

Senator McLUCAS—If the parent does not identify the child as an unaccompanied minor, things are different.

Mr Mrdak—That is true. You are right. There are certainly provisions—

CHAIR—That is what you call idle parents.

Senator O'BRIEN—That is what you call internet bookings and discount airlines and parents who live in different cities and the like. All sorts of arrangements apply at airports, as you would be well aware. Is this unattended baggage offence included in ICAO guidelines in relation to aviation security?

Dr Turner—I would have to take that on notice. I do not know the answer. I do not think it is there in the sense that it is to be an offence, but there are certainly ICAO standards and recommended practices addressing the issue of the management of baggage. I would have to take that on notice and check the detail.

Senator O'BRIEN—Do you know whether any other OECD countries have offence provisions relating to unattended baggage within airport precincts? I know that some say they will take it outside and blow it up, but I am referring to actual criminal offences.

Dr Turner—I am not aware of any, but that does not mean that there aren't any; if you take my distinction.

Senator O'BRIEN—This is not a matter that the department inquired into prior to the announcement?

Dr Turner—I understand that there is work that has been done by the Attorney-General's Department on relevant legislation in other jurisdictions, which is part of what we are liaising with them about, but I have not seen the report myself so I cannot answer that.

Senator O'BRIEN—On 7 June the former minister announced that there would be an immediate review of all ASICs. What is the status of that review?

Ms Dickman—The review has actually commenced. We have been doing quite a bit of scoping work. We have had excellent cooperation from industry in providing us with data. That process of data analysis is currently continuing.

Senator O'BRIEN—Minister Truss announced that CASA would be a one-stop shop for pilots seeking licences and ASICs. What brought about that announcement?

Ms Dickman—We have been working quite closely with CASA since about May this year, essentially looking at how we can streamline the administration, given the requirements for a pilot photo ID card, the pilot licence as well as an ASIC. What we have done through recent reg amendments is align those requirements so that there is now one application form, one set of paperwork and one fee and CASA will be able to assist pilots with obtaining the appropriate card.

Dr Turner—Can I intrude there. In response to that question about ICAO, a colleague of mine has just shown me the latest version of annex 17, which is the aviation security annex from ICAO. As I anticipated the ICAO measures are couched in much more general terms. There is a requirement that each contracting state:

... shall establish measures to ensure that originating passengers and their cabin baggage are screened prior to boarding an aircraft engaged in international civil aviation operations.

But I cannot find anything in here which is specific to an unattended baggage offence. That is much more specific than I would expect ICAO to be.

Senator O'BRIEN—Media reports suggest that pilots have demanded urgent talks with Minister Truss as a result of what they describe as the botched handling of ASICs to general aviation pilots. I understand there have been significant delays in the issuing of ASICs to some 35,000 pilots. Can you tell us what has caused these delays?

Ms Dickman—Essentially, the onus is on the pilot to get in their application form so that it can be processed. Over 8,000 ASICs have been issued to pilots to date. We have recently done another mail-out to all pilots reminding them again and providing them with common application forms so that they can get their applications in. Essentially, there has not been a huge delay in the background checking process. The bulk of background checks conducted to date indicate that there are very few pilots who return a positive criminal record. In those cases an ASIC can be issued in a very short period of time—a matter of weeks. So the onus is actually on the pilots to get their application forms in.

Senator O'BRIEN—It is also reported that airport owners have spent a considerable amount of money on equipment to become issuing authorities only to have CASA announce that it will provide that function. Is that accurate?

Ms Dickman—No, it is not strictly accurate. There were already 186 issuing bodies from 10 March this year operating across the country. Essentially, those issuing bodies tend to focus on those pilots that they have a commercial relationship with—if they have a hangar, they are a tenant at their airport or they have a commercial arrangement for the aircraft to be stored there. Those pilots have simply used the commercial arrangements that they had in place with their local airport to be able to access their ASIC. For those pilots who do not have a regular commercial relationship with an airport, the issue has been not having an alternative place to go to get their ASIC. That is why we set up the arrangement with CASA, given that

they had to put their paperwork in there for their pilots licence, so the processes have just been aligned.

Senator O'BRIEN—Is it fair to say that only pilots visiting security controlled airports need an ASIC?

Ms Dickman—That is correct. If they have a legitimate need to access a security regulated airport, then they are required to have an ASIC. Those pilots, for example crop dusters, that tend not to need to access a security regulated airport will simply have their pilot photo ID.

Senator O'BRIEN—How many pilots does the department expect to need an ASIC?

Ms Dickman—It is in the order of 35,000.

Senator O'BRIEN—Do you know how many licensed pilots there are?

Ms Dickman—Basically 35,000 have a current medical, so it is in that order.

Senator O'BRIEN—But a number of them will not need an ASIC.

Ms Dickman—That is correct.

Senator O'BRIEN—So how many do you think will need an ASIC?

Ms Dickman—All of them will require their photo pilots licence, but essentially those that have a current medical and are operating into or out of a security regulated airport will be required to have an ASIC.

Senator O'BRIEN—To go to maritime security, what is the status of the roll-out of the MSIC?

Mr Kilner—The first pilot for the maritime security identity card will be held in Melbourne. At this stage, we are hoping that the pilot will commence towards the end of November with the establishment of a background checking unit in Melbourne to undertake that work working with the Port of Melbourne.

Senator O'BRIEN—So it is a couple of months behind schedule.

Mr Kilner—Yes. We expected it to commence on 1 October, but it will now commence towards the end of November.

Senator O'BRIEN—Are there difficulties?

Mr Kilner—No real difficulties. We have undertaken some further consultation to make sure that we can get the processes done as efficiently as possible. Those consultations and the work with establishing the form of the identity card have meant that it has now been delayed until about 24 November.

Senator O'BRIEN—Has the process of the Port of Melbourne becoming an issuing body completed?

Mr Kilner—Yes, I believe it is.

Senator O'BRIEN—When was that completed?

Mr Kilner—My understanding is that the plan was approved about two weeks ago.

CHAIR—Is the working group that put all that together still intact?

Mr Kilner—Yes, it is. The working group will stay in existence right through the roll-out period. The objective of the trial in Melbourne is to test our processes, go back and revisit those processes after the trial, consult with the working group and then move from there to the rest of the roll-out.

CHAIR—The ultimate question is: what failure rate are you going to have?

Mr Kilner—How long is a piece of string? We do not really know until we have done the trial.

CHAIR—More than you think, I reckon.

Senator O'BRIEN—Does Melbourne port have the technology for the card in place?

Mr Kilner—Yes.

Senator O'BRIEN—Are there any software development issues?

Mr Kilner—Not to my understanding. We have created a database to store all the details, but there are no real technology issues associated with the creation of that database.

Senator O'BRIEN—Is there an understanding of the cost per card for the system?

Mr Kilner—I think it is about \$150. I do not think there has been any change since the Senate inquiry into that.

Senator O'BRIEN—How many organisations have applied to become issuing bodies for MSICs?

Mr Kilner—Twenty-nine at this stage.

Senator O'BRIEN—Are they all approved?

Mr Kilner—No, a range of them is still going through the assessment process.

Senator O'BRIEN—Is 29 roughly the number you expect to become issuing bodies once the roll-out is complete?

Mr Kilner—I would expect more than that. What we are doing of course is a geographic roll-out. So obviously for some of these issuing bodies we will get applications closer to the time.

CHAIR—What would be the basis on which one of those 29 would fail?

Mr Kilner—We would be looking at two issues. One is the need for that particular issuing body to be an issuing body—that is, the relationship to the industry and therefore the need to undertake that. The second one would not so much be a failure, but we would not be recommending its approval until we were comfortable that the processes and the arrangements it had in place would meet the security requirements for the issuing of the cards.

CHAIR—If a company is declined or failed, will it be recognised in a public document?

Mr Kilner—No, we would not be naming the companies that had failed.

CHAIR—I would love to know.

Senator O'BRIEN—What communication materials have been supplied to Melbourne port for distribution to people who would be required to apply for cards?

Mr Kilner—There is a communications campaign around the issue of the identity cards. I know that we have produced brochures, posters and other material to help support that. If you will just bear with me, I will see how much of that has actually been given out. We issued the brochures to the Port of Melbourne last week, so those brochures are now available for the port.

Senator O'BRIEN—So they have got a bulk supply of all those things.

Mr Kilner—A bulk supply. There are other communications materials that will also help support the roll-out of those cards in Melbourne.

CHAIR—We know the rough probity test for applicants for a pass. Could you provide us with the probity tests for the applicants for the processors—in other words, the issuing bodies? I assume you will have to have some probity test of those bodies as well.

Mr Kilner—Yes. We will provide the guidance material that is used and has been given to industry issuing bodies so that you can see the range of tests that are undertaken and also an outline of the process.

CHAIR—Of the actual issuing authority.

Mr Kilner—Of the issuing body.

CHAIR—Have you got that clear? You have the applicants, but you have the people who vet the applicants, and I want to know what vets occur of the vetters.

Mr Kilner—Yes.

Senator O'BRIEN—What other assistance are you providing to Melbourne port and, I presume, will you provide to other employers whose employees will be required to hold MSICs?

Mr Kilner—Apart from the communications material, we have also been engaged with the working group in educating the people who have undertaken that. We have provided guidance material to all the issuing bodies as well. Of course during the roll-out period the decision on the background checking is being made by the department.

Senator O'BRIEN—On 26 August the *Australian* newspaper reported comments made by Minister Truss and 'a senior government official' as saying that 20 per cent of the maritime work force would be affected through the issuing of MSICs. Did the department provide Minister Truss with those figures?

Mr Kilner—The 20 per cent figure?

Senator O'BRIEN—Yes.

Mr Kilner—I cannot recall whether or not we provided him with a particular number. I am not really aware at this stage of the level of criminality which I think that article refers to. We will really have a much better handle on that after we have undertaken the trial. You do not know what you do not know in that particular instance. So if by 'affected' it means that we have then got to undertake a process because they have come back with a positive criminal history it could be 20 per cent. We really do not know. We will not know until after the trial.

Senator O'BRIEN—If you do not know, you could not have told him that, could you.

Mr Kilner—I would have to check and see what advice we provided.

Senator O'BRIEN—There are likely to be more than 100,000 MSICs applied for, and the suggestion is that there will be 20,000 people who will require significant checking or be automatically excluded. You have no basis for that figure?

Mr Kilner—I think that is as good a guess as anybody else's guess in that regard. That is what one might predict to be the level of criminality, but that could range from a quite minor offence right through to the more serious offences, and that is the great unknown.

CHAIR—Would it be possible for you to provide the committee with details of the successful issuing bodies?

Mr Kilner—Yes, we can do that.

CHAIR—And their affiliations?

Mr Kilner—What do you mean by 'affiliations'?

CHAIR—If a specific body were set up to be an issuing body, for instance, and it was actually a front for Al Capone, we would like to know. There will probably be all sorts of silly buggers played or attempted, so I think it is fair for the public to know who the issuing bodies are and who their affiliates are—in other words, are they an arm of whatever, who are the key people and what is their background? Do you see the temptation?

Mr Kilner—I understand the question in regard to affiliation, but it is a difficult question: how far do you go down through the corporate veil?

CHAIR—It is really a question of how much you delve into the background of the issuing bodies, isn't it? I would have thought you should go to ground zero.

Mr Kilner—Yes, but that is an unfortunate term. We certainly ensure that the issuing body has the bona fides required to be an issuing body. That is part of the process that we undertake. That is what I meant by making sure that they had a clear need to be an issuing body. But in terms of broader affiliations, whether they are related to the long-dead Al Capone or others, how far do we go?

CHAIR—Wouldn't that be of interest to the security of the nation?

Mr Kilner—We are interested in ensuring that the process is robust and secure and that the data held by them is protected. Part of the process is, of course, the background checking of the people involved in the process. But in a sense the demonstrated need gets to the affiliation question that you asked. We are not going to give it to Shady Fred.

CHAIR—Knowingly. But if you felt you had a need to get some people into secure areas at an airport, on a wharf or on an oil rig—or wherever—for whatever purpose, one way to do it would be to have an affiliation with an issuing body. Whether that is organised crime or the fairies, I think you should know the depth of the affiliations of the issuing bodies.

Mr Kilner—The tests that we undertake in regard to the issuing bodies are exactly the same for MSICs as they are for ASICs. We do have this criterion that they need to be an issuing body, based on the relationship they have within industry. That is part of it. There are no shady elements not related to the industry that have been approved so far under the arrangements.

CHAIR—Will you make available to the committee the details of the issuing bodies?

Mr Kilner—We will give you a list of those approved issuing bodies.

CHAIR—And their near background?

Mr Kilner—And their relationship to the industry.

CHAIR—As much to the industry as to the rest of the world. Where do they fit in—are they the royal show society's mob or who are they?

Senator O'BRIEN—Beaudesert rail enthusiasts!

CHAIR—‘And we will do the rest for you.’

Senator O'BRIEN—What recruitment process and training has been put in place to ensure that departmental staff tasked with assessing amber-light applications are able to make sound decisions?

Mr Kilner—Assessing?

Senator O'BRIEN—Amber-light applications, if I can put it that way—those who are not excluded but who are subject to consideration as to whether they will be included.

Mr Kilner—In regard to the identity card?

Senator O'BRIEN—Yes. I am trying to deal with my questions, with the interruptions that are occurring in this room.

Mr Kilner—Working with Attorney-General's and others, we have put in place a process for undertaking the testing and assessment of a positive result coming out of identity checking. We are establishing a team of people in Melbourne who are drawn from the Office of Transport Security, which heads the organisation. In regard to others who will be employed in the process, we are establishing arrangements to bring non-ongoing staff into the Melbourne office to undertake the trial and then the roll-out. Part of that process will be the training of that staff in, more broadly, the act and regulations and then, more specifically, the sorts of processes they will have to undertake in regard to the background checking.

Senator O'BRIEN—Has a decision been made yet about who will be the decision maker in relation to MSICs at the end of the roll-out period?

Mr Kilner—That is still under consideration by government.

Senator O'BRIEN—I understand that industry is keen for the government to take that responsibility and that is still being looked at.

Mr Kilner—Yes. We are all well aware of industry's view.

Senator O'BRIEN—What financial assistance is being provided to the maritime industry to assist in the roll-out and ongoing management of the MSIC regime?

Mr Kilner—No financial assistance has been provided.

Senator O'BRIEN—I understand that MSICs will include a tamper-evident feature to reduce the risk of forgery. What technology is being used for the tamper-evident feature?

Mr Kilner—My understanding is that there are two tamper-evident features built into the card. One is a feature similar to that in the aviation security identity card, which is—I will

hold it up—a kinegram. A similar kinegram will be used for the maritime security identity card. Over the top of that, there is another overlay to secure the card.

Senator O'BRIEN—Some sort of—

Mr Kilner—Protective overlay.

Senator O'BRIEN—Which I suppose has coding in it.

Mr Kilner—I will just check. I know there is an overlay but I am not sure whether, like some licences, it has another feature built into it. Yes, the overlay does have another feature built into it. It is the combination of the two that then provides the protection.

Senator O'BRIEN—So these two features are built into the card. Who will pay for them?

Mr Kilner—They are paid for by either the employer or the applicant, depending on the arrangements between them.

Senator O'BRIEN—I take it that these tamper-evident features have been developed and that they are not being developed currently.

Mr Kilner—They have been developed.

Senator O'BRIEN—And the Kurz agreement is developed and ready now?

Mr Kilner—Yes.

CHAIR—If I am a convicted criminal, can I get a security pass?

Mr Kilner—A maritime security identity card?

CHAIR—Or an aviation one. They are going to be harmonised, aren't they?

Mr Kilner—It will depend on the nature of their criminal conviction. If it is shoplifting you may still be able to get an ASIC or an MSIC.

CHAIR—That would be more a summary offence rather than a criminal offence, I would have thought. I am talking about criminal offences of a serious nature.

Senator O'BRIEN—Social security fraud?

CHAIR—So it may be possible. I want to turn to the issuing authority. If I am a convicted criminal, can I work for an issuing authority? In other words, can I be ineligible for a security pass but actually work for the company that issues them? Have you thought about that in your guidance?

Mr Kilner—Yes, we have. We have had a question asked by industry.

CHAIR—What is the answer?

Mr Kilner—Our requirement is that those people working in the issuing authority are also holders of the MSIC. Therefore, the same tests that are applied to the people who have the card are applied to the people who would be issuing the card.

CHAIR—Are those who fund, finance and own the issuing company of interest to your people?

Mr Kilner—Is it of any interest to us in regard to who funds and finances?

CHAIR—Regardless of who is in it, who finances and owns it?

Mr Kilner—That gets to the question about whether or not the issuing body has a need to be an issuing body, and the relationship to the industry. They are the tests that we undertake now. If it gets back to your Al Capone example in regard to who is stumping up the cash to be the issuing body, that is part of the process of looking at the relationship between the issuing body and the industry.

CHAIR—So you will look at the financing side?

Mr Kilner—I do not think we right now go through profit and loss statements and balance sheets of individual companies.

CHAIR—No, but obviously, if you have a reason to want to be an issuing body, you know the criteria that is required to be an issuing body and you are the least bit inventive, you will meet the criteria, but that does not necessarily mean to say that you should have got it—depending on what your purpose is.

Mr Kilner—As I said before, we look at what the need is for that issuing body to be an issuing body. At this stage the sorts of examples that you are alluding to, to our knowledge, have not occurred.

CHAIR—Can we have the list of what you refer to?

Mr Kilner—Yes.

CHAIR—That will answer that.

Senator O'BRIEN—I want to return to the single and continuing voyage permits and the dangerous goods issue, as I was not clear from the earlier answers. Is there a requirement for applicants for single or continuing voyage permits to declare that any part of the cargo contains the dangerous good?

Mr Kilner—I will just check that. They have to tell us what the cargo is, but that does not necessarily mean that they are going to declare all 1,000 or all 3,000 items of the cargo. But ammonium nitrate, fuel, oil and gas—those sorts of ones—are declared as part of the application process.

Senator O'BRIEN—So if they have bags of fertiliser and they send back an application saying 'Bagged fertiliser' would you then ask them, 'Is that ammonium nitrate?' or would you accept it as general cargo?

Mr Kilner—Ammonium nitrate is a general cargo. We have had applications which have simply said 'Fertiliser'. Ammonium nitrate, of course, when it gets to a particular percentage, is then considered to be ammonium nitrate—I think it is 45 per cent. So up to 45 per cent of the fertiliser could be ammonium nitrate without it triggering the requirement to let us know that it is ammonium nitrate.

Senator O'BRIEN—So if someone said just 'General cargo' you would want to know what it was?

Mr Kilner—Yes, we would.

CHAIR—What is the level at which nitrogenous high-analysis fertiliser is considered to be reportable?

Ms McIntosh—Security sensitive ammonium nitrate, as it is called, is that which has a concentration of 45 per cent or more of ammonium nitrate rather than the other substances that make up the overall fertiliser.

CHAIR—What is that assessment based on? If I put a plug of jelly with a detonator in it and half a bucket of diesel onto something that is 40 per cent and something that is 45 per cent, what is the difference going to be?

Ms McIntosh—I am not a chemist—

CHAIR—I bet there is not much difference.

Ms McIntosh—That 45 per cent concentration was the decision of COAG in 2004 in relation to how to manage ammonium nitrate as part of the broader COAG review of hazardous materials. As part of those principles, it was determined that the definition of security sensitive ammonium nitrate would have that 45 per cent tag, and you would have to be looking at carrying more than 20 kilograms for that to be subject to the ammonium nitrate principles which the states and territories are currently implementing, or have already implemented.

CHAIR—Being an old bomb maker from the 1960s, I do not think you will find there would be much difference. I would like to do a little demonstration on that.

Senator O'BRIEN—Is that your professional advice?

CHAIR—We used to blow stumps out with nitrofil when I was a kid, and I think it was under 45 per cent. Of course we always put about 10 times as much as was needed.

Senator O'BRIEN—So much for the stump-jump plough! In the information supplied to me on question on notice No. 1103, particularly attachment A, quite a number of cargoes are identified as general cargo. Would any of those have been high-consequence dangerous goods, given that fertiliser, gas and oil and others seem to be identified in a number of cases?

Mr Kilner—I have no idea, Senator.

Senator O'BRIEN—Would you take that on notice?

Mr Kilner—Where all the cargoes have already been delivered, it is very difficult to go back now and go through all those manifests to find out what was the nature of the—

Senator O'BRIEN—What you are saying is that if someone came along and said that it was general cargo you would want to know what the cargo was.

Mr Kilner—They are required to give us a statement of the cargo actually carried. They will in that statement say what is in the cargo, but, as we have already pointed out—and pointed out in the answers to the various questions on notice that you have asked, Senator—we simply do not have the resources to go through every manifest that lists all the items contained in the cargo.

Senator O'BRIEN—So you are saying that where the cargo was entirely one thing you have told us that. Where it was a mixed cargo you are telling us it was general cargo.

Mr Kilner—We were aware that high-consequence dangerous goods such as ammonium nitrate or oil and so on—those various categories that I have been talking about—were listed.

We have given you that breakup in the answers to the series of questions on notice that you have asked, but we have not been able to go through in detail every manifest for every ship going back five years—which was your question on notice—to be able to unpick every particular item contained in it, particularly of the 1,000 or 3,000—

Senator O'BRIEN—That is why I framed my question in the way that I did. Do I understand that where the cargo is specific to one item you have given me that item, but where there are a number of items you have told me that is general cargo?

Mr Kilner—As you are aware through the questions on notice, we categorise the cargo in regard to petroleum products, liquefied petroleum gas, other bulk liquids, dry bulk, general cargo and passengers, and we have provided you with the information against those particular categories. In some instances with general cargo more information will be provided, but I cannot give you an assurance that there is even further breakdown of those particular categories.

Senator O'BRIEN—Okay, so I should understand that to be random: in some cases you have been able to supply it, and in some cases you have not.

Mr Kilner—In some cases the statement of cargo actually carried will be more detailed than in others, against the category of general cargo.

Senator O'BRIEN—And is that because that is the way it is recorded in your database?

Mr Kilner—We record the information on the database against the cargo categories that I have just read out to you.

Senator O'BRIEN—In the answer you have given me, is that straight off the database?

Mr Kilner—With the breakdown into those categories—petroleum, liquefied petroleum gas and so on—they are in those categories.

Senator O'BRIEN—Some of them have talked about vehicles, sugar, the number of TEUs, prime zinc, rail wagons, gypsum, acid in bulk liquid—there is a variety of information there, some more specific than others. That is why I am trying to understand the answer in the context of what you have been saying to me.

Mr Kilner—That is right. In terms of general cargo, some of the statements of cargo are quite detailed and some are not. What we do not do is go through and categorise every general cargo against every list of goods.

Senator O'BRIEN—Is that how it has been recorded on your database?

Mr Kilner—It has been recorded in those cargo categories that we gave to you. General cargo is general cargo; that is how we record it on the database.

Senator O'BRIEN—If there is more information in the database, it is random?

Mr Kilner—There may be more information contained in the forms that have been faxed in with regard to the statement of cargo carried, but that information has not been translated into the database.

CHAIR—Does that mean that the dangerous goods are specified in that UN thing—and I do not know when that will get updated—but the non-dangerous goods are not specified?

Mr Kilner—Yes, that would be right. I cannot think of the hundreds of thousands of things that we carry.

CHAIR—That is fair enough.

Senator O'BRIEN—I do not think that is what you have been saying. In effect, what you have been saying is that, in a sense, the document is random. Where your database has more information, you have given it; where it says general cargo, that is what you have given us.

Mr Kilner—That is right. We have given you what data we have got available.

Senator O'BRIEN—And 'general cargo' might include 60 items in a cargo, some of which might be high-consequence dangerous goods.

Mr Kilner—And some might not be; that is right.

CHAIR—In your specified UN list, there are biological products, are there?

Ms McIntosh—Biological agents? There are 'infectious substances', which I assume would be biological agents, from the description I am looking at here.

Mr Mrdak—Chair, with your indulgence, can I come back with a couple of answers we took on notice earlier today?

CHAIR—No worries, mate.

Mr Mrdak—I can do this while we are waiting for Mr Palmer. Firstly, I can confirm that, yes, a departmental officer does sit on the transport of dangerous goods committee of experts which produced that document and was involved in the compilation of the United Nations list.

CHAIR—Who was that person?

Mr Mrdak—I have not got that far; I will find that out for you. A departmental officer inside our regulatory group was involved in that process. I will get some details of the process involved.

Secondly, this morning Senator O'Brien asked about the secretary's allowances. In addition to his fortnightly salary recommended to the Prime Minister by the Remuneration Tribunal, and made under a determination of section 61 of the Public Service Act, Mr Taylor is paid \$680 per fortnight to support his temporary accommodation arrangements in Canberra. This is determined under section 61, consolidation of secretaries' remuneration and other conditions. He is paid no other allowance. Additionally, there is a \$6,600 per annum allowance for reunion travel to cover airfares and taxis. This is the maximum allowance; it is only paid if used. They are the conditions of Mr Taylor's contract as set by the Remuneration Tribunal.

Senator O'BRIEN—That is about \$5½ thousand plus \$6,600, is it?

Mr Mrdak—It is about that. It is \$680 a fortnight on the first one.

CHAIR—We are going to the Inspector of Transport Security now, aren't we? I do not know whether we need any of the officers.

Mr Mrdak—I do not think we need them, but I will ask them to hang around.

[3.36 pm]

CHAIR—We will now move to the Inspector of Transport Security. Thank you, Mr Palmer. You look as if you would still be good for an arm wrestle!

Senator O'BRIEN—Welcome, Mr Palmer. I understand your appointment is subject only to the terms of your contract with the government. Is that right?

Mr Palmer—That is right.

Senator O'BRIEN—Mr Anderson advised that that contract was for a period of 12 months, so presumably it expires sometime within the next 30 days.

Mr Palmer—No, I disengaged when I commenced the Rau inquiry and then re-engaged on 1 September. At that stage, I think I had somewhere in the order of eight months to run on the contract. The contract now has some six months.

Senator O'BRIEN—So the contract was effectively suspended?

Mr Palmer—Yes.

Senator O'BRIEN—And its term was affected by the suspension?

Mr Palmer—It was affected by the suspended time, yes.

Senator O'BRIEN—As I understand it, you are paid on a sessional basis. How many days have you been engaged in the Inspector of Transport Security function since the contract was signed?

Mr Palmer—As I think you may understand, it is at the minister's direction, on the basis that I have no own-motion capacity to activate myself. I am paid a retainer per annum plus a daily rate for the days that I work, at the direction of the minister. There was a general direction initially from Minister Anderson with regard to the initial meet and greet and promotional work. It was obviously important to stakeholders to gain an understanding of what was intended by the Inspector of Transport Security arrangements; otherwise, it has been very ad hoc—a small number of days. Mr Pearsall might be in a position to give the exact number of days that I have worked. I am told it was nine days last financial year and in the order of seven days, probably counting today, this financial year.

Senator O'BRIEN—Did those first nine days include what you described as 'meet and greet and promotional work'?

Mr Palmer—Yes, they did. We conducted meetings with key maritime and aviation stakeholders in Brisbane, Sydney, Melbourne and Hobart during the November and January periods of last year and this year.

Senator O'BRIEN—Is there any reason that the contract you signed needs to remain private?

Mr Palmer—I have not stopped to think about it from my point of view, but I would not think so—unless Mr Mrdak has a view. It was just a standard government contract, as I understand it.

Mr Mrdak—It is a standard contract of engagement. I am happy to review it and to take it on notice.

Senator O'BRIEN—Yes, if you would. Mr Palmer, in answer to a question taken on notice during the May estimates round—this is in relation to the first nine days—the department has advised the committee that you devoted 98.5 hours to the position between your appointment on 23 November and 8 February—

Chair interjecting—

Senator O'BRIEN—Just under. The department advised that a total of \$29,875 was expended on your salary, which includes your retainer and superannuation up to and including 21 April—near enough to \$30,000 for roughly nine days.

Mr Palmer—That sounds right to me. My records showed that last financial year, for the totality of the year, I was paid \$28,074.58.

Senator O'BRIEN—So the difference is probably super.

Mr Palmer—Could be—yes, I would think so.

Senator O'BRIEN—Is most of that the retainer?

Mr Palmer—Yes, it would be. My daily rate is \$2,000 a day. Obviously, if I had worked nine days, it would have been \$18,000. Some of those days were long days and some were days and a half. But when I travelled on the second day I did not claim—other than for a full work day.

Chair interjecting—

Senator O'BRIEN—No, I am certainly not allowed to hold another position whilst I hold this one, Senator; I do not know about you. Mr Palmer, I am told that \$400,000 has been allocated to your office in each of the years 2004-5 to 2007-08. How much did the office expend in the last financial year?

Mr Palmer—The net cost to the department was \$173,594 for the financial year. There was a gross cost of \$292,035 because some of the initial Cornelia Rau inquiry costs were initially paid by DOTARS due to the urgency of the matter and then credited by DIMIA to DOTARS. So there was a remittance of \$117,553 from DIMIA, plus \$888 for transferred employee provisions, for total revenue of \$118,441, leaving a net cost to the department of \$173,594 for the financial year.

Senator O'BRIEN—That amount includes the moneys paid to you and staff—

Mr Palmer—Everything. There is a permanent staff of two. That includes salaries for me and the two permanent staff, including Mr Pearsall, to my left. When it became obvious that the inquiry into the Cornelia Rau matter was not going to be as brief as initially thought when I was asked if I would undertake it, I obviously advised the government of that. I disengaged myself from the Inspector of Transport Security position, because I clearly was not in a position to be on call, and Mr Bill Ellis was appointed shortly after that to be in a position to fulfil any obligations that might arise, so it includes his consultancy salary as well. The other most significant costs were twofold: firstly, for travel—obviously, for many of those meet and greets and those initial awareness and discussion processes—and, secondly, for the furniture fit-out of the office, which had to comply with the new security arrangements, which are not cheap.

Senator O'BRIEN—Mr Mrdak, what happens to the 300 and a bit thousand dollars that remain from the 2004-05 budget? Perhaps you can answer, Mr Palmer.

Mr Palmer—I might not have properly understood your question. It is \$400,000 over four years—not \$400,000 per annum. No, I am sorry, it is per year; it is just that this last year was a part year.

Senator O'BRIEN—I thought I had read the tables right.

Mr Palmer—I am sorry, I am confusing myself.

Senator O'BRIEN—Yes, there is a bit in the bickie tin that I am asking about. Does it roll forward or does it go back to consolidated revenue or—

Mr Mrdak—It returns to the department's treasury.

Senator O'BRIEN—It returns to the department's treasury—not the Treasury?

Mr Chandler—The funds were allocated from departmental funds in the first place so any unspent moneys would, as Mr Mrdak has indicated, be held in the department's treasury.

Senator O'BRIEN—Because they are expense measures? Is that why?

Mr Chandler—They are simply part of our appropriation for departmental purposes and expenditures. So any moneys that are not used are treated in the same way—for a division of the department or for the Transport Safety Bureau. Those moneys are then held within the treasury.

Senator O'BRIEN—Okay. The current financial year has provision of \$400,000 again. Judged against the expenditure experience, is that required?

Mr Palmer—I would anticipate that the answer would be yes, depending upon the way in which the functions of ITS unfold during the remainder of the year. But even while we are awaiting the legislation—the implementation or enactment of the legislation that is necessary for the full operation of ITS—there are a range of ongoing administrative functions and ongoing connectivity processes that are likely to swallow up a significant proportion of the money. Obviously there are ongoing training requirements, a number of national summits and conferences that it will be important for the office to attend. It is a very small office so the economies of scale are somewhat daunting. I have already met with the minister and I will be meeting with the minister again. I meet with the secretary no less frequently than once a quarter. So a range of activities are likely to swallow, on our predictions, the majority of the budget for the remainder of this current financial year. The budget was identified on the basis that, should the office be activated in response to a serious terrorism incident against aviation, maritime or surface transport security, the funding needed for that sort of inquiry would be additional funding. It would not be expected to be found within the \$400,000 per annum budget.

Senator O'BRIEN—It is sounding as though the role is a reactive role to events rather than a preparatory role against eventualities.

Mr Palmer—It is a twofold role. Essentially I think it is fair to say that the minister's initial thoughts were to have the capacity to respond impartially, if you like, and objectively to a serious incident that may occur within the country and to have that response conducted by

somebody who did not have ownership of part of the patch and was not involved in other responsibilities in terms of responding to it. But as that was worked through it became obvious that there might be enormous—or at least significant—value in a proactive analysis role responding both to signs of systemic weaknesses caused by infiltration in various aspects of transport security or in just simply reviewing and assessing current arrangements with a view to continuing to learn lessons. So the process was both.

Senator O'BRIEN—Have you done any of that systemic analysis?

Mr Palmer—No, for a very good reason, I have to say. There was strong support for that duality of role. When we went around speaking to key industry as well as government stakeholders in the four eastern seaboard jurisdictions that I mentioned to you, it became obvious that without legislative support to protect the confidentiality of information shared with us by industry, particularly in a proactive analysis sense, which may of course identify vulnerabilities or weaknesses, they would probably be unwilling or unable to cooperate to the extent they would like to. They raised the need for legislative protection, firstly, because it is an important part of the criteria and, secondly, because without legislation we might well have slammed in our face the door of the very premises we most need to go to in response to an incident.

So it was obvious that the sorts of assurances about confidentiality that, if you like, I was giving when I was going around to the stakeholders were unenforceable and that without legislative support we needed to be very careful. It cannot work without the full support and cooperation of the key stakeholders, and without legislation that was unlikely to be guaranteed.

CHAIR—Do you have a role in outfoxing the foxes?

Mr Palmer—Not really. It depends on the direction of the minister, I suppose. The whole idea of the process, I think—and, quite frankly, what attracted me to it when I was first approached about it—was the capacity to have somebody who is not involved otherwise in the process of transport security being able to make an objective assessment from which lessons could be learnt. What are the weaknesses or vulnerabilities? What would be the prime causes of an incident, if we were unfortunate enough to have one, from which we could possibly learn lessons to ensure that at least it could not occur in that way in the future? It seemed to me that that sort of positive, proactive, no blame sort of assessment role was a complementary value to the arrangements otherwise in place that made sense, frankly. So I do not think it is so much outfoxing the foxes as just another mind, just a fresh mind to what otherwise—

CHAIR—So will that happen in the future?

Mr Palmer—It is a matter for the minister, obviously, to make a final assessment. But, as I understand it from my recent meeting with the minister, he sees the role and function as being very similar to that which was first envisaged.

CHAIR—You would be a pretty good old fox, wouldn't you?

Mr Palmer—I am not sure. I have had some experience of being a fox.

CHAIR—Yes, I reckon.

Senator O'BRIEN—What would you estimate to be your office's budgetary requirements for this year?

Mr Palmer—I would think that, in terms of the likely activities—having regard to the uncertainty of the legislative time frame but the likelihood of the enactment of legislation in the autumn sittings—and the things that in the meantime it is likely that we could be tasked to do, we would use the full \$400,000.

Senator O'BRIEN—How many hours do you envisage you will be engaged for?

Mr Palmer—I do not know. When discussions were first had with the minister and the department—and I certainly was in no way seeking a full-time occupation here when the approach was first made—something in the order of 20 or 25 days per annum was seen as being the likely amount. It is difficult to say. If you had an incident, it would depend on the nature and the seriousness of the incident as to how long any inquiry that I might be tasked to do could take, obviously. But, standing that aside for the moment, a proactive analysis focus would be likely to require no more than two or three assessments per year—perhaps one surface, one aviation and one maritime security assessment of areas of vulnerability or concern for the industry or for government. The total time taken for that sort of endeavour would be in the order of 25 days, perhaps 30 days.

Senator O'BRIEN—So the two staff in the office will be making sure that things keep ticking over in the office?

Mr Palmer—Yes. Peter is the section head of the Office of Transport Security. The other staff member is his personal assistant, so that is a very lean and meagre staff.

Senator O'BRIEN—Very lean. Mr Pearsall will be doing most of the—

Mr Pearsall—Most of the legwork.

Senator O'BRIEN—legwork, if I can put it that way.

Mr Palmer—That is right. He is the man who does all the work. But we have Bill Ellis still on board as—at the moment—the sole member of an expert panel. Part of the initial framework was that we would create an expert panel. At the moment we have not seen the need to go beyond Mr Ellis. But, as the functionality becomes clearer and the legislation is really settled, the idea is that we would have a small expert panel available to us which we could draw upon, depending upon the nature of the proactive or reactive assessment or inquiry that was being required.

Senator O'BRIEN—Will members of the expert panel be paid?

Mr Palmer—They would be paid simply on a days-spent basis.

Senator O'BRIEN—What did Mr Ellis's consultancy cost?

Mr Palmer—I think it was \$20,197 for the full financial year.

Senator O'BRIEN—He has not been re-engaged as a consultant, I take it?

Mr Palmer—He is still engaged as the ongoing member of the expert panel.

Senator O'BRIEN—Sorry; it is a full financial year consultancy, so it overlaps two budgets?

Mr Palmer—Yes. He is not on a retainer; he simply gets paid for the work that he does.

Senator O'BRIEN—So that is what he was paid last financial year, is it?

Mr Palmer—What he was paid last financial year.

Senator O'BRIEN—Do you know how much he has been paid this financial year?

Mr Palmer—I understand about four days worth, about \$5,000. It is certainly not very much—not many days.

CHAIR—When the criteria was set for the issuing bodies, did anyone ask you what you thought?

Mr Palmer—Criteria for the ASIC-issuing bodies? I was not involved in the ASIC process, no. We were involved in the Wheeler review. I met with Sir John Wheeler, John Evatt and other members of the inquiry team and talked about a whole range of transport security issues, such as the ASIC card and some of its vulnerabilities. But I was not asked that question. I must say that I did not address my mind to that question either, until I heard you ask it.

CHAIR—I am interested in who is looking after the people who look after—

Mr Palmer—Who audits the auditors, yes. I understand the question, but I must admit that I had not addressed my mind to that until I heard you ask the question.

CHAIR—I might have a yarn to you about it.

Senator O'BRIEN—In July, Mr Ellis told this committee that he had some input in developing legislation that would give your role a statutory basis. He said that he was meeting with state officials to discuss MOUs that would underpin legislation that would set up your role under its own act. Mr Ellis also said that there was a meeting on 17 June this year that he attended. I understand that you held some earlier meetings in Queensland, New South Wales and Victoria between November and February. Is that correct?

Mr Palmer—That is correct. As I have said, I met with stakeholders. They were stakeholders from aviation and maritime security, both private industry and government. As a result of their concerns, there was strong support for the role of ITS in principle and the functionality of ITS but concern over the lack of guaranteed protection. There was also concern, including from some of the private industry stakeholders, that I may not have the wherewithal to demand entry and demand access to documentation, for example, in situations where it might be necessary. That led me to go back to the government and to the department to suggest that there was a need for legislation to enable the function to roll properly.

But, although I disengaged from the ITS role during the course of the Cornelia Rau inquiry, I did re-engage for two or three separate days. One was to attend—and I actually attended it—the same subcommittee of the NCTC conference that Mr Ellis referred to on 16 or 17 June, as I think it was, in Melbourne, where the legislation was discussed. There is some state sensitivity about aspects of the legislation, particularly in our focusing on public surface transport security, where the state-federal environment is a little more unclear. I guess they saw me as potentially another federal footprint in the melee, if you like. There are some sensitivities there that need to be addressed and properly understood.

Senator O'BRIEN—Is that the main issue to be revolved in negotiation with the states?

Mr Palmer—It is an issue, but I think the main issues were about protecting confidentiality, particularly of private industry information. Most of the industry players said, 'We would like to be able to lay our facts squarely on the table and explain where we see our weaknesses and vulnerabilities, but we do not want to be exposed and then, in a commercial sense, embarrassed or jeopardised by it.' They wanted some guarantee of confidentiality, which I wanted to give. Secondly, in terms of reactive capacity, if we were directed by the minister to respond to an incident, we should be certain of the fact that we could gain access to the areas we believed we needed to gain access to. I think they are the main concerns. Surface transport security obviously is an issue that has a separate sort of sensitivity, simply because of the role that the states play in the control of surface transport security—the different nature of the interaction.

Senator O'BRIEN—In July, Mr Mrdak described the necessity of the legislation as:

... to properly clarify the way in which the inspector would operate and put it on a proper statutory basis ...

He also said:

... drafting instructions have been prepared and draft legislation is being prepared ...

and that the department was seeking an urgent legislative slot to enable that legislation to be debated—not more urgent than the government's IR legislation, apparently. Where is that up to, Mr Palmer or Mr Mrdak?

Mr Mrdak—The legislation is still being drafted. A number of jurisdictions in the lead-up to the special COAG meeting asked that the legislation be reconsidered in the light of the September COAG meeting, and we are doing that. I think the situation is that drafting is proceeding because of some of the issues being raised by jurisdictions. We are bidding for a legislative slot in this sitting period. It is unclear whether that will be available at this stage. It is probably more likely that we will be looking for passage of legislation in the autumn sittings.

Senator O'BRIEN—In July you said:

We have some priority above other legislation ...

What did you mean by that?

Mr Mrdak—I was referring to other legislation in this portfolio. Unfortunately in relation to the full legislative program, we have been unable to complete the bill in the last couple of months of drafting. That was partly as a result of there being a halt. Certainly one of the jurisdictions asked for it to be held pending the outcome of the September COAG meeting. But we have been unable to complete the drafting of the legislation and complete all the issues at this point.

Senator O'BRIEN—Mr Palmer, without legislation in place, what powers do you have to investigate a major transport security incident involving road or rail, for instance?

Mr Palmer—No legal power, no legislative power. It would only and could only proceed on the basis of cooperation and goodwill from each of the stakeholders. So I would have common-law powers of entry in the absence of specific legislation.

Senator O'BRIEN—By 'common-law powers of entry' do you mean none?

Mr Palmer—By invitation.

Senator O'BRIEN—It sounds as though by February, March, April or something like that maybe we will have legislation.

Mr Mrdak—We would hope for earlier but realistically, given the number of sitting days available, it is more likely to be the autumn session.

Senator O'BRIEN—You do not have a guaranteed slot before Christmas—is that what you are telling us?

Mr Mrdak—That is correct.

Senator O'BRIEN—We may meet to sit earlier than February, but probably not. And we have additional estimates in February.

Mr Mrdak—That is correct.

Senator O'BRIEN—March has a start, perhaps.

Mr Mrdak—We would be aiming for as early as possible in the new year, but I cannot give you a definitive time at this stage.

Senator O'BRIEN—I am just being very careful because you did say you had some priority. I thought you were talking about a higher priority than apparently you have.

Mr Mrdak—As I say, the priority we had at the time was subject to us completing the draft of the bill. That was not possible. Accordingly, our priority slipped somewhat in terms of other legislation and the slots available in this calendar year. We are aiming to resolve the drafting issues around the bill and have it ready for introduction as soon as possible.

Senator O'BRIEN—So we are looking at a period of about 16 months from the commencement of this position until the occupant of the position has the powers to do the job.

Mr Mrdak—Not quite. As Mr Palmer has indicated, once he came into the position and started his detailed discussions it then became clear from the advice he was getting from discussions he held that there was a view by many that legislation would be required. So it is not for the full period of his appointment. But certainly since earlier this year it has been clear that the view was that legislation should support this position, and we have been working towards that. I would say that, as Mr Palmer has indicated, there is a high degree of support for his role and Mr Palmer personally from the transport industry. So I think it is fair to say that were there an issue for which the minister was to task Mr Palmer I think there would be a high degree of cooperation, albeit without the legislation.

CHAIR—Given that I am sure Mr Palmer would understand 'the fox outfoxing the foxes', does the Australian Crime Commission have input into the consideration of these security issues?

Mr Mrdak—They do. They are one of the parties who have been involved in the legislation. They also have a heightened role, given the decisions post Wheeler to give them a clear role in intelligence work on airports.

Senator O'BRIEN—I am not having a go at anyone sitting at the table, but it seems that the minister created a position and had not thought at all about what was necessary for his desire to:

... investigate major incidents and systemic transport security weaknesses to ensure security vulnerabilities are identified and addressed.

That was making a statement about what was desired without any research as to what was necessary to actually do it.

Mr Mrdak—As I say, in the past where we have undertaken inquiries, generally with cooperation, in certain circumstances it became clear, as Mr Palmer worked with industry, that there were specific issues around transport security which warranted a higher degree of protection than we originally envisaged.

Senator O'BRIEN—But it seems that no-one really looked at what was necessary before the big announcement.

Mr Mrdak—No, I would not say that.

Senator O'BRIEN—So there was research done but no-one identified this need before Mr Palmer was appointed?

Mr Mrdak—Not in a way in which industry made their views known to Mr Palmer. That is my understanding.

Mr Palmer—I think that is right. I must admit that I underestimated the need for legislation when we first had the discussions as well. Indeed, for the Cornelia Rau inquiry we had no legislative coercive powers either. The industry response was variable. Not everybody raised the issues. As Mr Mrdak said, it sort of evolved. But enough of them raised them for it to become obvious to me and it was my judgment, if you like, that caused me to go back to the department to say, 'We're really going to be caught short at the very time we are going to need this in a most important way. At the time it's most important for it to work properly, it may not. For that reason I think we need to seriously consider legislation.' It was sought of an evolving issue. The more we bounced that around, the more obvious it became that there was a need for legislative support if this was going to function as ideally we might like it to. As Mr Mrdak said, I do not think that it cannot function without legislation but it is less certain. It depends a little bit more on individual stakeholder attitudes in the absence of legislation than otherwise might be preferable.

Senator O'BRIEN—Yes, as you put it: a common-law right of entry. It sounds in a way as though you were hamstrung, in parallel to the way AQIS was hamstrung in inspecting certain properties in Emerald in Queensland over an alleged quarantine breach.

CHAIR—This is something that is very familiar to me.

Senator HOGG—Can I just follow up. Has there been an exposure draft of the legislation at this stage given to the various interested parties in industry?

Mr Mrdak—There has been a preliminary draft of the legislation, which is being worked through with Commonwealth agencies. I will check. I do not believe it has been provided to the states and territories yet. There is a first draft of the bill, which has been discussed with other Commonwealth agencies. Some additional drafting was made before seeking Commonwealth ministers' clearance to consult with the states and territories on it.

Senator HOGG—So when will that consultation take place?

Mr Mrdak—I would hope over the coming weeks, once we get the next cut of the bill drafted. We are awaiting further drafting changes.

Senator MILNE—I want to ask a question in relation to the scanning of cargo containers through our ports. I wondered whether we have installed any radiation detection equipment. In other words, could our scanners currently pick up highly enriched uranium?

Mr Mrdak—Perhaps that is one for the department rather than the inspector. The government has made an announcement of additional capacity for freight cargo security. I would need to take that on notice in terms of the capability. Certainly, explosive detection technology is part of that package that is to be worked through and introduced more fully.

Mr Kilner—There is an initiative that the government has agreed to in regard to the roll-out of explosive trace detection to air cargo agents. More generally, in regard to radiological detection, that is a question for Customs. I do not have the answer to that particular question.

Senator MILNE—So you cannot tell me whether, at the moment, a container which had a lead shield and contained highly enriched uranium would get through our current scanning device or not.

Mr Kilner—It is really a question for Customs. They do have container examination facilities, as you are aware. They would be able to see the nature of the cargo inside that container. Whether or not it could pick up what size lump of enriched material is a question that I think we need to refer to Customs.

CHAIR—Do you mind if I ask a dumb question. Can X-rays see through lead?

Mr Kilner—I do not believe they can.

CHAIR—So how could you see what is in the box if it is lead lined?

Mr Kilner—I think if there were a large lump of lead that could not be seen into, then obviously the container examination would—

CHAIR—They would want to know; I certainly would want to know.

Mr Kilner—They would unstuff the container to find out what it was.

Senator O'BRIEN—When were you first consulted about taking up the position of Inspector of Transport Security, Mr Palmer?

Mr Palmer—I was approached I think in October of last year. I commenced on 11 November—Remembrance Day.

Senator O'BRIEN—So the position you were looking at was one to investigate major incidents and systemic transport security weaknesses, as described in the budget portfolio statement?

Mr Palmer—Yes.

Senator O'BRIEN—Thank you very much for your time.

Proceedings suspended from 4.11 pm to 4.26 pm

Civil Aviation Safety Authority

CHAIR—We will reconvene. As CASA does not have an opening statement, we will go to questions.

Senator O'BRIEN—Mr Gemmell, can you confirm that the authority has a statutory obligation under the Civil Aviation Safety Authority act to conduct the safe regulation of civil air operations in Australia? Any attempt by a person to force an officer to disregard that statutory obligation is an offence under the Criminal Code, isn't it? Do you know that, or aren't you sure?

Mr Gemmell—I am not particularly sure of that.

Senator O'BRIEN—I refer to a letter from Mr Langhorne to you, which was provided following the last hearings. In that letter, Mr Langhorne said that the then minister would be contacting Mr Toller setting out his position and making it clear that he wants this matter—which is about mandatory broadcast zones—fixed. Did that communication take place?

Mr Gemmell—I am not sure the issue was MBZs. If I recall, in the first quarter of 2003 the issue was not about MBZs; it was about different classes of airspace—class C and class E airspace issues. As to further communications, I do believe the minister contacted Mr Toller.

Senator O'BRIEN—Do you know how that contact was made?

Mr Gemmell—Yes, it was an email.

Senator O'BRIEN—Was the correspondence to Mr Toller from the minister or from his office?

Mr Gemmell—I believe it was from the minister.

Senator O'BRIEN—Can we have a copy of that email?

Mr Gemmell—I will have to refer that one to the minister.

Senator O'BRIEN—We have Mr Langhorne's letter to you. Why should there be any problem with supplying the minister's email to Mr Toller? Is it a direction?

Mr Gemmell—I do not believe it was couched in terms of a direction, but it was a correspondence between the minister and the then Director of Aviation Safety. It is appropriate that we check with the ministry as to whether it is happy for it to be released.

Mr Mrdak—Can I just clarify here? Is this a piece of advice from the former Deputy Prime Minister's office to Mr Toller?

Senator O'BRIEN—It is an email from the then Deputy Prime Minister to Mr Toller, following a letter from Mr Langhorne, his chief of staff, to Mr Gemmell, which is marked in confidence but which we have supplied. That letter is dated 2 April. The letter to Mr Gemmell from Mr Langhorne says:

Before he goes on leave, the Minister will be contacting Mick Toller setting out his position and making it clear that he wants this matter fixed.

That is why I ask: does that email constitute a direction?

Mr Gemmell—I think I was answering in the sense of a formal direction under section 12 of the act. I do not think it constituted that; that is a rather formal thing. But it was certainly a communication from the minister, which we take very seriously.

Senator O'BRIEN—Did it make clear anything about wanting the airspace matter fixed?

Mr Gemmell—As I recall, it made it very clear that he wanted CASA to cooperate more productively with the airspace program. There were some concerns that we were being obstructive to the process.

Senator O'BRIEN—As I understand it, CASA was carrying out its obligations under the Civil Aviation Safety Authority act to conduct the safe regulation of civil air operations in Australia. Is that true?

Mr Gemmell—Yes, we certainly thought that is what we were doing. But we had done some things with the best intentions, in our belief, that were not considered to have assisted the process. It was our view that we had done them with good intentions in trying to assist the process, but they had not really assisted. Others were of the view that we were actually deliberately trying to obstruct the project.

Senator O'BRIEN—Do you mean, in the view of the Deputy Prime Minister as well?

Mr Gemmell—The Deputy Prime Minister, as I recall, was pointing out to us that there were concerns about this and we had better make sure that we were well on top of it—and 'Don't let that same sort of incident happen again.'

Senator O'BRIEN—So he was making it clear that he wanted the matter fixed.

Mr Gemmell—Yes.

Senator O'BRIEN—That is the letter to you and you have seen the email obviously, and that is what it did.

Mr Gemmell—I cannot recall precisely what it said, but that would be the context. He was trying to make it clear that he wanted CASA's approach to the program to be led from the top and for us to make sure that we were not obstructing that program or causing undue difficulties.

Senator O'BRIEN—At the last hearings, we also discussed a meeting in Mr Matthew's office following that communication. That meeting was in response to Mr Anderson's correspondence. Is that correct?

Mr Gemmell—No. I think that meeting took place before or around the same time as Mr Anderson's correspondence. Certainly, I had had the meeting before I became aware of the email to Mr Toller, who was, as I recall, on leave at the time. I am saying that the email may have sent before the meeting, but certainly it was not received by anyone in CASA until after the meeting had occurred.

Senator O'BRIEN—Have you had a look at the details of the record of this meeting?

Mr Gemmell—Have I had a look at them?

Senator O'BRIEN—Yes.

Mr Gemmell—Some months ago, when you refreshed my memory of all these events, I went back and had a look at what went on and the sequence of events that occurred.

Senator O'BRIEN—Can the committee have a copy of that record?

Mr Gemmell—I will take that on notice. Again, it is a communication—

Senator O'BRIEN—No, it is not a communication; I am talking about a record of a meeting.

Mr Gemmell—It is a record of a meeting that was a communication from the minister to CASA, so I would like to check that with the minister.

Senator O'BRIEN—Are you saying that it was about a communication from the minister?

Mr Gemmell—Mr Matthews was delivering a message to us from the minister. It was basically the same topic. They were concerned that we were not doing everything that was supportive and were obstructing the program, and we had to lift our game.

Senator O'BRIEN—He was reading you the riot act, was he?

Mr Gemmell—He was certainly expressing some dissatisfaction with what we were doing. Whilst we felt we had done everything with good intent, the effect of some of the things we had done were not helpful. We were pretty much on the back foot on all of that, because we had done things that were not helpful to the process and we had had to apologise to people about.

Senator O'BRIEN—So Mr Matthews was communicating what had been communicated to him by the minister?

Mr Gemmell—That is how I understand it.

Senator O'BRIEN—But this was before the email from Mr Anderson to Mr Toller?

Mr Gemmell—They were pretty contemporaneous, but I believe that that was the case. Within a day or so of receiving the letter, I had had the meeting with Mr Matthews, and the next thing I knew about was the email from the minister to Mr Toller.

Senator O'BRIEN—You say the email from the minister to Mr Toller was not a direction under the act?

Mr Gemmell—No, we would not have taken it as such. We would expect there to be more formality about that and, for a start, we would have to table such directions and make them public, so we did not take it as a direction under the act. To my recollection, it was not couched in those terms; it would normally be couched in terms of it being a direction under section 12 of the act.

Senator O'BRIEN—So you will come back to me on notice about those documents?

Mr Gemmell—Yes.

Senator O'BRIEN—I will go to the CASA budget. I want to ask some questions about actual outcomes for last financial year as against the budget predictions. The estimated actual

revenue for last year—on page 111 of the 2004-05 PBS—was \$114.7 million. Was the actual outcome \$122.8 million?

Mr Byron—That is correct.

Senator O'BRIEN—Actual costs for last year were \$4.5 million short of the budget estimate, so CASA finished up with a surplus of \$12.6 million last year?

Mr Byron—Correct.

Senator O'BRIEN—And your current reserves I am told would be around \$20 million?

Mr Byron—Around \$20 million, yes. I would have to check precisely, but it is in that order.

Senator O'BRIEN—So despite this surplus, CASA is seeking to extend the application of charges imposed on industry?

Mr Byron—That is correct. In effect, we have a requirement in line with government policy for long-term funding over the next few years to increase our revenue from industry. In the last financial year, it was approximately \$5 million, and we have planned on increasing it over the next three years up to a maximum of \$20 million. That is also in parallel with the capping of appropriations to CASA. I believe there is a long-term plan to gradually reduce the fuel levy as well.

Senator O'BRIEN—How long term?

Mr Byron—It kicks in in about three years time, I believe.

Senator O'BRIEN—Let us deal with expenses in 2004-05 to 2005-06. Is it true that budgeting for employees is down in real terms by about \$6 million, which is the equivalent of 60 staff redundancies?

Mr Byron—The budgeted figure for the current financial year is just over \$67 million, which is a variance of two per cent.

Senator O'BRIEN—The budget for employees is down in real dollar terms by how much?

Mr Byron—It is down from \$68.347 million to \$67.091 million.

Senator O'BRIEN—That is in nominal terms, is it?

Mr Byron—That is in dollar figures.

Senator O'BRIEN—How many redundancies does that envisage?

Mr Byron—We have planned a reduction of about 30 in the current financial year. That is in line with the maturing of a number of activities in CASA. We believe that the rationalising of some of our activities may contribute to that as well, but we are planning on about 30.

Senator O'BRIEN—Can you confirm that \$1.8 million has been set aside for redundancies this year?

Mr Byron—We have not specifically allocated a figure to redundancies, but obviously with the long-term funding we have had to take account of the effect of the reduction of 30 staff. So within the budget figure we have accounted for the redundancies of up to 30 staff.

Senator O'BRIEN—So that is a redundancy figure of about \$60,000 a head?

Mr Byron—I would have to check that. If that is how the maths work out—

Senator O'BRIEN—I do not claim to be a perfect mathematician, but 30 into \$1.8 million gives you about that figure.

Mr Gemmell—Senator, you have to make a sort of guessing game here. With the staff reduction figure of 30, we did not assume that everyone was going to be made redundant and therefore would need redundancy things—there would be turnover and that sort of thing. Yes, we tried to account for a provision that there may be some redundancies—there may be—but other reductions would be from natural attrition.

Mr Byron—We wanted to make sure that if we were planning on a reduction of 30 staff in the year we would have it covered.

Senator O'BRIEN—Has the salary budget allocation effectively been matched up to 90 per cent or less of establishment?

Mr Byron—That would be approximately correct, yes—about 90 per cent of the establishment that we have been working on.

Senator O'BRIEN—That means you are not budgeting for 10 per cent of establishment.

Mr Byron—That is correct.

Senator O'BRIEN—How many is 10 per cent of establishment?

Mr Byron—My understanding is that the establishment is a figure that we have not really been staffed up against for some years—certainly not in my time. We are looking at the concept of whether the establishment system best suits CASA's needs. Certainly the staffing that we are planning on for this current financial year and in the out years we believe is the right number to run the organisation. I would see us moving away over a period of time from a formal establishment system.

Senator O'BRIEN—Did last year's budget budget for 100 per cent of establishment?

Mr Byron—No, it did not.

Mr Gemmell—We have never been able to budget for 100 per cent of establishment. Indeed, we could never get to 100 per cent of establishment because of turnover matters. Even if you tried to fill every job as soon as it became vacant, you would only get to something like 95. So we budget for that. In the last few years we have always budgeted for figures lower than that because we have not had the funding to go any higher.

Senator O'BRIEN—How many FTEs is 100 per cent of establishment, even though you would never get it?

Mr Byron—I believe it is about 729, but I will double-check that.

Senator O'BRIEN—Whereas you are budgeting for about 650.

Mr Byron—The establishment figure for 30 September was 734 but, as Mr Gemmell mentioned, my understanding is that CASA is never really manned to its establishment. We are looking at the whole concept of the establishment system.

Senator O'BRIEN—In the previous financial year you budgeted for about 95 per cent of that number or whatever the parallel number was supposed to be on 30 June.

Mr Gemmell—I do not think it would have been as high as 95.

Mr Byron—I think it was something like 92.

Senator O'BRIEN—What is this establishment figure then—just a phantom?

Mr Byron—That is a good question. That is something exactly that I asked some time ago. If we have establishment and we are not manning to it, is it the best way to express our personnel needs? I think that historically positions have been put on the establishment that have been found not necessary and therefore have not been filled, and yet they have for some reason remained on the establishment. So we are taking a look at that right now to try and bring it into line with reality.

Senator O'BRIEN—Is it true that CASA's overall expenses are budgeted to increase by a net \$7 million due to increases in supplier costs and depreciation?

Mr Byron—The figures we are looking at are, naturally, in the PBS. They show a variation of suppliers of eight per cent in the current year from the previous year. In terms of total expenses, we are showing just over \$117 million for the current financial year, which increases slightly in the next financial year and then increases by about \$2 million for the year after that—and continues to increase. That is the total of expenses. So there is a progressive increase in our planned expenses over the next three years.

Senator O'BRIEN—Is it fair to say that you are increasing efficiencies by reducing the staff budget?

Mr Byron—No, I do not think that is an accurate description. My main aim is to certainly increase efficiency, which would look at the way in which a lot of our people are utilised. If we can look at our core safety related activities—for example, our surveillance—a change to the way in which we do our surveillance activity, which has commenced since the beginning of this financial year, in my view significantly provides efficiencies to the way we deliver our core safety function. We have had in the past surveillance activity that was highly focused on an audit which was administratively very intensive. We have changed that approach so that we include the audit activity but we include a lot of other surveillance tools. This means that our existing staff, without any variation to our technical staff, can conduct a lot more industry contact and a lot more surveillance, and I personally view that as a significant increase in the efficiency of our core safety related function. In terms of staff reductions, as I mentioned briefly earlier, I would see those mainly as they line up with the maturing of some projects within CASA.

Senator O'BRIEN—So they are not in operational staff areas?

Mr Byron—They are primarily in non-operational areas, yes. For example, we have technical staff based in Canberra doing some of our functions which are related to the Regulatory Reform Program. It may well be that as the RRP matures there are very mild variations there, but I would not anticipate much at all, because our plan is that any existing technical staff that are being utilised on that activity can be moved across to increase our surveillance.

Senator O'BRIEN—So the staffing in operational areas of CASA will remain much the same—is that how I should interpret that answer?

Mr Byron—I have no plans to reduce operational, particularly front-line, staff.

Senator O'BRIEN—Is it true that funding of a bit over \$2 million has been set aside for the change implementation team?

Mr Byron—There has been funding allocated to the change team. I will have to check the figure. Certainly the change implementation team is being funded as part of the long-term funding strategy. The figure of \$2 million for the current financial year sounds about right, but I would have to get back to you with the precise figure.

Senator O'BRIEN—Can you confirm that human resources and finance have also been recruiting staff—I mean those areas within CASA?

Mr Byron—There have been some recruitment actions in both those areas in the last few months, yes.

Senator O'BRIEN—Is the change implementation team fully staffed now, or are you recruiting additional staff?

Mr Byron—It is fully staffed; in fact, its numbers will start to reduce.

Senator O'BRIEN—So, arising from the budget figures we have been talking about, there will be little or no change to operational staff funding.

Mr Byron—There are no planned changes to operational funding, particularly as it affects our core safety related activities. As a result of the change team's activity, some efficiencies might be identified. But those reviews are ongoing and I do not know their results yet.

Senator O'BRIEN—Can you confirm that, since your appointment, the cost of the Office of the CEO has increased by about \$1 million? That does not take into account the change implementation team.

Mr Byron—Again, I would need to check the precise figures, but the Office of the CEO did not exist before I arrived in CASA. I formed the office. Primarily the difference with what had been there in the past was some advisers, who came on board progressively. A large proportion of them were transferred from other parts of the organisation. But certainly the concept of the Office of the CEO did not exist before I got there.

Senator O'BRIEN—So, when other resources transferred from other areas, did they take the budget from other areas with them? Is that what you are saying? I am trying to understand.

Mr Byron—In two cases, that would be accurate, yes.

Mr Gemmell—For example, corporate planning in CASA has always been done in a particular area. We put the corporate planning function into the Office of the CEO and took the people and the budget and whacked them in there.

Mr Byron—That would be true also for the research function, which was in another part of the organisation. We moved that across, effectively moving the people and the budget with it.

Senator O'BRIEN—So there was no budget for the Office of the CEO when you took up your position, Mr Byron?

Mr Byron—Prior to my appointment; that is correct.

Senator O'BRIEN—And the total budget now is \$1 million.

Mr Byron—Bearing in mind that the Office of the CEO includes me, the chief operating officer plus advisers and—

Senator O'BRIEN—It might be more than that then.

Mr Byron—It would be more than that, yes. We will see whether we have the precise figure to hand.

Senator O'BRIEN—Perhaps you can tell us what financial resources have been transferred from other areas, particularly corporate planning and research, as you have described them. That may explain what I am given to understand is an increase.

Mr Byron—I would need to take that level of detail on notice, but certainly I can do that. I think I can give you a total figure for the Office of the CEO. The total budget for the Office of the CEO for the current financial year is \$2.2 million.

Senator O'BRIEN—Can you give us a breakdown of what that covers?

Mr Byron—I can provide that level of detail. The figure at 30 June included \$1.5 million on employee expenses for the range of staff there and controllable expenses of \$0.457 million. That was for an annual budget complete at the end of the last financial year of just on \$2 million. It has gone up slightly since then.

Senator O'BRIEN—Does that \$1.5 million include your remuneration and all travel costs?

Mr Byron—Yes.

Senator O'BRIEN—How many staff are covered?

Mr Byron—Approximately eight or nine at that time.

Senator O'BRIEN—Let me go to the answer provided on notice—CASA 18—from the last hearing which relates to your overseas travel in May this year. Did you travel alone to this conference?

Mr Byron—No, my wife accompanied me.

Senator O'BRIEN—Were costs other than your own met by CASA?

Mr Byron—My wife's travel costs were met by CASA.

Senator O'BRIEN—The international aviation conference in Cologne ran from 7 June to 9 June, which was well after the estimates hearings. Your meeting with the insurers was scheduled for 3 June, also well after estimates. Is it true you spent less than 24 hours at the three-day conference?

Mr Byron—No.

Senator O'BRIEN—Did you spend the three days there?

Mr Byron—I was there for three days. I believe I had two nights there. I left on the third day.

Senator O'BRIEN—In the same answer we were told of a meeting with Mr Patrick Goudou, which took place on the morning of 6 June. Was that a long meeting?

Mr Byron—About two hours.

Senator O'BRIEN—It was more than a courtesy call then.

Mr Byron—Yes. We discussed quite a bit of business. It was very useful.

Senator O'BRIEN—Were there outcomes from the meeting that you can tell us about?

Mr Byron—Yes. I suppose the most significant outcome of that meeting was an understanding between the two of us that we have a similar approach to aviation safety regulations. The European Aviation Safety Authority has not been set up for that long, and they are taking a clean-sheet approach to the development of aviation safety regulations. There had been an assumption by many people that they would simply pick up the joint aviation regulations, but Mr Goudou assured me that that is not the case. On the back of some decisions I had made last year about the development of aviation safety regulations, where I was particularly keen to make sure that Australian aviation safety regulations focused on safety outcomes, I got a very clear understanding from Mr Goudou that they were taking the same approach. They had a very similar approach in terms of the need to have minimal content in the regulations and to be supported by advisory material. This to me was quite a refreshing approach because aviation safety regulation development in many parts of the world, including Australia, has been going around in circles for quite some time. I was particularly keen to discover that he was taking the same approach as us. We agreed at that meeting that there might be an opportunity, particularly in our case, to fast-track the movement of our regulations if we trialled working together with them on the aviation safety maintenance regulations. That is what we are currently trialling. So that was a significant outcome.

I also discussed in detail the certification process for the Airbus A380, which was an area of particular interest to me given that Australian carrier Qantas is going to be one of the launch customers and Australia is therefore going to be one of the lead certification authorities. So I needed to have a detailed understanding of how EASA were handling it, because the A380 is in fact going to be certificated by EASA rather than the national authority. I was able to talk with Mr Goudou and, subsequently, to some of his technical staff about how that was actually going to happen. So from my point of view there were two very significant issues that I gleaned from that meeting.

Senator O'BRIEN—So the conference from 7 to 9 June was the EASA conference?

Mr Byron—Yes.

Senator O'BRIEN—When did the meetings with the European national authorities take place?

Mr Byron—I met with Mr Goudou, who is the head of the European authority, on the day before. That was probably the sixth. I met with Mr Wachenheim and his staff in Paris. He is the director-general of civil aviation in France. I would have to check the date. It was in late May. I also met with a range of senior officers from the UK Civil Aviation Authority, again in late May.

Senator O'BRIEN—When did you meet the insurance underwriters in London?

Mr Byron—I met with the insurers in London, I believe, on 3 June. In the past I believe that there had been a dedicated trip to the UK. I was trying to combine as many things as possible in the one trip.

Senator O'BRIEN—Eminently sensible. I am asking the questions because the estimates hearing that we asked that you attend was on 24 May. Clearly the dates referred to in the answer we have been provided refer to dates around two weeks later.

Mr Byron—One of the issues that I had to deal with in planning it was that following the EASA conference the Paris Air Show was held. It was impossible to try and organise meetings, particularly with the UK people and the French people, after the EASA conference. So I had to build them into the May period.

Senator O'BRIEN—And you could not do that and attend on Tuesday, 24 May? When did you depart Australia? I guess that is the key question.

Mr Byron—On 16 May, I believe. The first working day I was there I met with the UK Civil Aviation Authority and Safety Regulation Group. Part of the plan of the trip was also to meet with people in industry in the UK and in France—that had been flagged to the regulatory authorities over there—and also to visit the Airbus facility in Toulouse to make sure I followed up on the meetings with Airbus about the certification. Again I was trying to package as much as I possibly could into one trip.

The meetings with some parts of the aviation industry over there were very important from my point of view because we are exploring the opportunity for self-administration for certain parts of the Australian aviation industry, particularly some of the sport and recreational sectors. It has even been considered that some parts of general aviation are interested in looking at it, and aerial agriculture. The international section in CASA had flagged, particularly with the UK because of the ease of language, that there would be an opportunity to meet with a range of organisations that were subject to self-administration to see how it worked under the UK system. It has been an area that has taken a fair bit of attention in the last 12 months from various sectors of the industry in this country. I was particularly keen to see how that works in another regulatory regime, where they are certainly ahead of us.

Senator O'BRIEN—Was this a full agenda you had between 16 May and at least 9 June?

Mr Byron—It worked out as a pretty full agenda. I understand there is an answer to a question on notice on the detail of it being prepared, but I think every weekday, bar maybe one, I was dealing with these various topics, but also I took a couple of weekend days to travel to sports aviation. I went to a gliding operation which is active at the weekend. So it was quite full.

Senator O'BRIEN—So this was basically all work time. When did you come back? Directly after 9 June, or sometime after that?

Mr Byron—I finished my last visit on Saturday, 11 June, and then I flew out straight after that, on 12 June, I think.

Senator O'BRIEN—It is not too bad flying from Paris these days, is it?

Mr Byron—I did not fly; I drove to Paris.

Senator O'BRIEN—No, I meant back to Australia.

Mr Byron—Okay, yes.

Senator O'BRIEN—So you are preparing the details for a question on notice at the moment?

Mr Byron—Yes.

Senator O'BRIEN—That is about to be—

Mr Byron—That is being put together. I believe you have requested organisations visited and all that sort of thing. I have got all that down together.

Senator O'BRIEN—And a breakdown of expenses?

Mr Byron—Yes.

Senator O'BRIEN—Has all that travel been acquitted? Presumably you have some process for acquitting it?

Mr Byron—Yes.

Senator O'BRIEN—There is an article in the *Australian* of 10 October by Steve Creedy entitled 'Commuting Air Bosses Rack up Thousands in Fares'. I am sure you are well aware of the article.

Mr Byron—Yes. I became very well aware of that when on the Sunday afternoon people from the newspaper turned up on the doorstep to take a picture of me at home on a Sunday.

Senator O'BRIEN—In relation to that article, the minister's spokesperson is quoted as saying, 'This year Mr Byron spent half his time in Canberra.' Is that accurate?

Mr Byron—Half my total time? No. I think what that refers to is my advice to the minister's office that time that was not spent travelling throughout industry—and I do a considerable amount of that—is time available to be in an office, and of that time over 50 per cent was in the Canberra office.

Senator O'BRIEN—Your memo to staff says, 'Fifty per cent of my office time in Canberra.'

Mr Byron—That is correct, yes. On the basis of the figures that I checked immediately after that became topical, that certainly was the figure I worked out. The balance of my time, certainly in the last 12 months—and that balance might well change as things start to settle down with some of the operational things happening in CASA—has been spent travelling throughout industry. I have spent an enormous amount of time doing that. That has been a deliberate strategy of mine, to try to find out what people think, how things are done, how various parts of the industry work—and also how we in CASA relate to industry. I think I did a quick check of my travel the other week and I found that going back the last eight months I have probably spent about 70 to 75 per cent of weekdays out of Victoria, which means I am either in Canberra or travelling somewhere else.

I have put a lot of emphasis on trying to find out what is happening out there in the industry. CASA has been an organisation that has attracted a lot of attention for all sorts of reasons over the years, and I felt the best way to do the preliminary part of my job was to get

out and find out what was going on. That has proved to be quite powerful and I would like to give you one or two examples of that.

My approach to looking at how we conduct our surveillance activities came home to me when I was visiting some of our CASA offices. What I undertook to do through some of these visits was to spend time with various inspectors just to ask them what they do, how they do it and what they spend their time on. All our technical inspectors are highly capable people; they have a lot of experience. My concern was to make sure that their time was being appropriately spent most effectively.

In the course of those visits to our staff, I found that in some cases our staff were spending 70 to 80 per cent of their time in the office writing up or preparing to do very detailed audit reports. I mentioned before that, while I consider an audit report to be a valuable surveillance tool in some circumstances, it is certainly not the best tool across the board. I found that some of the types of activities that our people were doing, although they were in the audit program, were on types of aviation activity that did not present a significant risk to passenger traffic. It was a lot of aerial work activity. I found one particular case of an inspector, a highly paid technical person, spending three full days on fireworks approvals and another person spending effectively five days, most of it in the office—I think it was half a day out of the office—on the auditing of an aerial photography operation. I certainly gleaned a lot from those sorts of visits about how CASA does its front-line activity.

I was also able, when I visited industry locations, to get a better understanding of where we have a bit of work to do. I paid an unannounced visit—I have conducted quite a few unannounced visits to many organisations; I find them less threatening to some general aviation organisations—and found that the person had been waiting for a CASA approval for about 12 months, having spent a significant sum of money on some machinery, in the order of \$1 million, and needing CASA approval to use the machinery to conduct repairs. He felt that he was not empowered enough to push. I was able to unstick that one very quickly, because there was not a good reason why it had been there for that long. It also enabled me to identify what I consider to be some of our system deficiencies in the way we handle these things.

I found those sorts of visits in the last 12 months—and there were many more—to be quite a powerful tool to give me a feel for how we do our business—

CHAIR—How long did it take you to fix it?

Mr Byron—Things started to move in about three days, and I believe he got the ticket within about two to three weeks—something like that.

CHAIR—Did the bloke who held it up get the sack?

Mr Byron—No.

CHAIR—What in the name of God went wrong? That is ridiculous!

Mr Byron—I was not impressed. In fact, as a result of that, I have had the processes in that part of the organisation looked at fairly carefully. When you ask these sorts of questions, there are always a range of reasons. It does not always come down to one individual making the decision. I got from it that we did not have documented procedures that had to be adhered to by staff, so—from one point of view, if you like—the organisation was at fault in that sense.

One of the other elements to this, and I made comment on this last week to an industry meeting, is that these are the sorts of areas where I believe we should have service standards which we sign up to—a process and a time frame where, if someone wants an approval, we give it to them within a certain period of time. We have those service standards happening in some of our activities; in this particular area, there was no agreed service standard.

CHAIR—Was it laying in a tray somewhere?

Mr Byron—Effectively, yes.

CHAIR—Bloody hell! Who does the garden while you are away?

Mr Byron—The garden is not in good shape.

Senator O'BRIEN—I return to the 10 October article where the minister's spokesman is quoted as saying, 'This year, Mr Byron spent half his time in Canberra.' I am told that amounts to 46 days.

Mr Byron—I would have to check that; I could give you that detail.

Senator O'BRIEN—Forty-six days in Canberra.

Mr Byron—No, that does not sound right. Forty-six days out of what?

Senator O'BRIEN—Out of your working time.

CHAIR—That would be your time in the office.

Senator O'BRIEN—No. Mr Byron says that approximately half his office time is spent in Canberra.

Mr Byron—Yes.

Senator O'BRIEN—And the other half is in Melbourne.

Mr Byron—Yes.

Senator O'BRIEN—It might be a bit less of your office time in Canberra. The other part of your time, equivalent to your office time, is travel time.

Mr Byron—Yes. What I am saying is that there has been a significant amount of travel conducted in the last year.

Senator O'BRIEN—So about 25 to 30 per cent of your time has been spent in Canberra.

Mr Byron—No, I would put it higher than that. I can give you more detailed figures if you like, but I believe about 38 or 40 per cent of my total time in the last 12 months would have been spent in the Canberra office. But I will have to check the details.

Senator O'BRIEN—I would appreciate it if you could. I think your memo to staff says:

Canberra is not a major aviation centre and if I am to maintain an operational focus I need time closer to the front line.

I take it that Sydney is one of the aviation centres.

Mr Byron—Yes.

Senator O'BRIEN—I am told you have spent 10 days in that city since the end of January.

Mr Byron—Ten days in Sydney since the end of January sounds a bit much. I know I spent a week there some months ago. I would have had other day visits there. My last visit there was probably about a month or so ago and I spent one full day there.

Senator O'BRIEN—I am told that in July you spent 10 days in Queensland and five days in Darwin.

Mr Byron—Certainly, five days in Darwin would be right.

Senator O'BRIEN—About Cup time.

Mr Byron—I did not attend the Cup.

Senator O'BRIEN—You would not be the only one. I know the manager of a certain large airport who was there. I was not, unfortunately.

Mr Byron—I would probably have been in Queensland for about eight days. I believe that was in August. I can give you that detail if you like. I cannot recall the exact amount of time.

CHAIR—We will just watch where you go tomorrow for the Melbourne Cup! You just be careful!

Mr Byron—I will be in Canberra tomorrow.

CHAIR—Have you noticed anything around your ankle? Someone may have put a tracking device on your ankle! When you get into the shower tonight, check it!

Mr Byron—It is quite possible!

Senator O'BRIEN—All sorts of stories come to members of parliament. A wag suggested that you only had one meeting in Darwin for that week, which I assume is not correct.

Mr Byron—Gosh, no. I had an industry forum there, where I spoke to whoever from industry wanted to turn up. I spent time at the CASA office on two days there. Sometimes when I go to these locations I go into the local CASA office and talk to staff—which I remember I did—but just being there is something they appreciate. So it is not only meeting with the industry; it is also putting a bit of a presence into the CASA offices there. An office like Darwin, being fairly remote, does not get a lot of visits from head office. I can remember I was probably there for about two days. But during that Darwin visit I can also remember walking around the airport. I have a habit of doing that. I walk into organisations and it is amazing who you see and the sorts of discussions you can have. The last time I did it I think was in Archerfield in Queensland, where I spent a day walking around into organisations. I think I mentioned earlier that, particularly in general aviation, people find that a little bit less threatening. I have found that a lot of people warm to that. They are prepared to open up and tell me what they really think.

It is something I have programmed into the way I do business—certainly over the last year. I probably do not need to do a lot of that on an ongoing basis, but certainly it has enabled me to present a face of CASA that is a bit less formal. People have been bowled over when I have walked in the door and said, 'Where is your manager or your chief buyer? I would just like to talk about things.' I have picked up some interesting points out of it. I have found it quite an empowering exercise.

Senator O'BRIEN—Was there any special reason for the time you picked to go to Queensland and the Northern Territory? If I was picking and I had a choice of any time, I would go then rather than February. Unfortunately that does not occur very often.

Mr Byron—I have actually visited Darwin twice. Once I went in January, I think; the next time I went in July. So I guess I have spread myself across the seasons.

Senator Colbeck—Perhaps we should get Mr Byron to publish his diaries!

Senator O'BRIEN—I just want to make one thing plain: the numbers I was talking about were from the period that began on 24 January and were not for a 12-month period—the 46 days.

Mr Byron—Are you talking about 24 January this year?

Senator O'BRIEN—Yes, since then.

Mr Byron—I will check that.

Senator O'BRIEN—I just wanted that to be clear.

Mr Byron—Yes.

Senator O'BRIEN—As director, is it your responsibility to ensure that the authority complies with the Commonwealth government procurement requirements as required under the Commonwealth authorities and companies regulations?

Mr Byron—Yes.

Senator O'BRIEN—Does the authority properly comply with these requirements?

Mr Byron—In my understanding, yes. I have no reason to believe that we do not.

Senator O'BRIEN—Who checks the contracts the authority enters into? Do you do that, or does Mr Ilyk do that or—

Mr Byron—The Legal Services Group does that. It is headed by Mr Ilyk. It has a procurement function within it.

Senator O'BRIEN—Mr Ilyk, do you or your staff check the contracts the authority enters into?

Mr Ilyk—From 1 July this year the procurement function was given to the Legal Services Group, so, certainly as from 1 July, there has been a procurement officer who provides assistance to areas in CASA in relation to procurements and the preparation of contracts. I personally do not check the contracts myself. But that is what has been happening from 1 July this year.

Senator O'BRIEN—What happened before 1 July this year?

Mr Ilyk—The procurement function was with corporate services.

Senator O'BRIEN—Okay. So there was no legal checking from anyone under your control or from you?

Mr Ilyk—Prior to that, no. Even now we only check the contracts that are provided to us. There may be procurement functions going on of which we are not aware.

Senator O'BRIEN—Okay. So you check those that come to your direct attention—that is, they are put before you for checking?

Mr Ilyk—Yes.

Senator O'BRIEN—Were you asked to check a contract between CASA and Acumen Alliance to undertake market testing for CASA?

Mr Ilyk—No, I personally was not. I am not aware of which particular contract you are referring to.

Senator O'BRIEN—I understand there was a contract let through the Human Resource Management branch.

Mr Ilyk—Could you be a bit more specific about the particular contract? I have got a number of procurement activities here that are currently with the procurement officer. Two of those relate to human resources. One is for travel management services and one is for specialist employment and recruitment services.

Senator O'BRIEN—I am told a contract has been let to undertake market testing for CASA and it is with Acumen partners. You are not aware of such a contract?

Mr Ilyk—Certainly there are two contracts in relation to market testing. In fact, I think there are three, to three different organisations or individuals. One of those is certainly Acumen Alliance.

Senator O'BRIEN—You are aware of this contract?

Mr Ilyk—I am certainly aware of the general thrust of the market-testing process and the fact that some contracts had been let to a number of organisations or an individual to conduct that market testing.

Senator O'BRIEN—When was this contract signed?

Mr Ilyk—I am not certain. I think it was September or August.

Senator O'BRIEN—It was after 1 July in any case.

Mr Ilyk—It was certainly after 1 July, yes.

Senator O'BRIEN—When were you made aware of its existence?

Mr Ilyk—I think everyone in CASA was aware of the market-testing process. Then obviously as a result of that market-testing process a number of contracts were let. As I understand the process—and I was not involved with the process—some of the contracts were awarded to people who were on a CASA panel. So there was an actual panel of providers, and the market testers were taken from that panel.

Mr Gemmell—According to advice in my brief about the section for consultants, the procurement cell in Legal Services negotiated the contract with the recommended suppliers. They were the three consultants, of which one was Acumen Alliance.

Senator O'BRIEN—Is this a contract that is part of the change implementation team process?

Mr Gemmell—Yes, that is correct.

Senator O'BRIEN—Who is directly responsible for overseeing this contract?

Mr Ilyk—In terms of the responsibility for the actual contract, that would be the CIT team. The procurement cell would certainly draft up the contract, based on the instructions that were provided, to say: 'This is what we want. Can we get a form of contract?' The procurement cell certainly does that. It is not involved in the actual deliberations and in negotiating the best deal for CASA.

Senator O'BRIEN—Is the change implementation team leader a contractor who is an employee of Acumen?

Mr Gemmell—Yes, there is a person on the change implementation team from Acumen.

Senator O'BRIEN—And the contract went to Acumen.

Mr Gemmell—One of the elements of the contract went to Acumen. The process was run—this is the advice to me—then we went to expressions of interest from a list of pre-approved consultants and we formed a review panel comprising officers of CASA. Given the affiliation of one of the members of the team to Acumen Alliance, that person was excluded from all the processes. The panel assessed the expression of interest against that structured criteria, made decisions and awarded contracts.

CHAIR—Does someone called Karen Nagle have anything to do with this?

Mr Gemmell—Karen Nagle is the head of Risk.

CHAIR—Is she in the room?

Mr Gemmell—She is.

CHAIR—Where is Karen Nagle? I just wanted to see who you were. I have no other questions.

Senator O'BRIEN—If CASA exempts some tender processes from the procurement guidelines, what is the basis for those exemptions?

Mr Ilyk—CASA is not subject to the Commonwealth procurement guidelines. It has its own procurement manual, with which officers in CASA are required to comply in order to make particular procurements. There are different levels of procurement, and different processes apply.

Senator O'BRIEN—Does CASA exempt some tender processes from its own guidelines?

Mr Ilyk—It depends what you are talking about. For example, for contracts between \$10,000 and \$50,000 the procurement manual generally requires written quotes from three suppliers, but on occasions the procurement manual also recognises that it is possible to sole source those contracts and you do not have to go through that process. There is a process in the procurement manual to allow sole sourcing.

Senator O'BRIEN—Did the Acumen contract we are talking about follow the procurement rules? If not, what other procurement process was followed?

Mr Ilyk—I understand that those particular contracts did follow the process. There were expressions of interest solicited from a list of preapproved consultants, so there was already a

panel from which you could select. That is entirely in accordance with the procurement manual.

Senator O'BRIEN—So there was no special direction as to how this contract had to be processed?

Mr Ilyk—No that I am aware of.

Mr Byron—No.

Senator O'BRIEN—How would the auditors deal with this process? Presumably, auditors looking at this would want to see the process followed root and branch, considering that you have a team headed by someone from a company that ultimately gets a contract through the process that they are leading.

Mr Byron—In the broadest sense, the procurement activities initiated by the change implementation team are, on the current year's audit plans, subject to an audit. They are on the list to be looked at. In relation to this particular issue, although I have very clear advice that the procurement processes were followed appropriately and that the employee of Acumen Alliance was isolated from the process—and this was documented—to give myself additional assurance, I also commissioned the chair of the audit and risk committee to undertake an independent review of that activity. I am yet to receive a response to that, but to date there is nothing to indicate that—

Senator O'BRIEN—Is that Ms Nagle?

Mr Byron—No.

Senator O'BRIEN—Who is the chair?

Mr Byron—Ms Barbara Yeoh is the chair of the audit and risk committee. She is an independent person with no previous affiliation with CASA.

Senator O'BRIEN—Is Ms Yeoh from a particular firm of auditors?

Mr Byron—No. I believe she is self-employed and sits on the audit committees of a number of other organisations.

Senator O'BRIEN—Is CASA's normal audit unit an internal unit, or have you contracted that out?

Mr Byron—The initial planning for the audit activity is done internally. It is then vetted by the audit and risk committee. Since I assumed this position, I have made sure that the audit and risk committee mainly consists of independent people from outside CASA. The actual audit activity is done by two external organisations who were contracted through an original tender process a couple of years ago.

Senator O'BRIEN—Who won the contract?

Mr Byron—KPMG and Acumen Alliance. I believe the work is split about 40-60 between Acumen and KPMG.

Senator O'BRIEN—So you have an audit committee, an internal audit unit and the outsourced auditing body?

Mr Byron—Yes.

Senator O'BRIEN—So none of those will be doing this audit on this particular contract; it is a separate process?

Mr Byron—The market testing, which is the reviews we are talking about, is conducted by three separate organisations. They are not part of our normal audit suppliers; it is a separate activity.

Senator O'BRIEN—I think you said that Ms Yeoh is going to look at the Acumen contract.

Mr Byron—Yes, the specific one in relation to market testing.

Senator O'BRIEN—And she is not part of any of those other auditing functions?

Mr Byron—No.

Senator O'BRIEN—Have Acumen taken any view about the proposed audit? Have they complained about it? Are they happy with it?

Mr Byron—I have not heard anything; there has been no response. Ms Yeoh is conducting the work and I have not had the report, but I have not heard anything else.

Senator O'BRIEN—When would you expect that this audit or investigation will be completed?

Mr Byron—It will probably be around the middle of November.

Senator O'BRIEN—Has this matter been the subject of wide discussion amongst relevant staff?

Mr Byron—Not to me, no.

Senator O'BRIEN—So you are not aware of the matter being widely discussed with staff?

Mr Byron—Not widely discussed, no.

Senator O'BRIEN—With relevant staff?

Mr Byron—As Mr Ilyk mentioned earlier, everyone was aware that the market-testing exercises were going to take place. I suppose there was a natural unease and concern about areas to be market tested, so I am aware of that.

Senator O'BRIEN—What I have gathered from your answer and Mr Ilyk's answer is that this was a process that was consistent with your procurement guidelines.

Mr Byron—That is the understanding I have, yes.

Senator O'BRIEN—Have you been led to believe that all the proper processes were followed?

Mr Byron—Yes.

Senator O'BRIEN—But you asked for Ms Yeoh to audit this, nevertheless?

Mr Byron—This particular one, yes.

Senator O'BRIEN—Why?

Mr Byron—Because of the simple fact that a member of that organisation was within the change team. One of my advisers spoke to me and we discussed it, and we thought it might be appropriate to have another independent look at it.

Senator O'BRIEN—So there were not other whispers going around that you became aware of that there was something untoward?

Mr Byron—There are always whispers about things.

Senator O'BRIEN—That you were aware of? There are always whispers; we know that.

Mr Byron—No-one spoke to me separately. No-one came to me and complained about it in that sense.

CHAIR—What were you going to market test?

Mr Byron—Pretty well all the support functions—HR.

CHAIR—This is internal market testing?

Mr Byron—Internal.

CHAIR—Could all these obvious leaks et cetera be an adverse reaction to what is proposed internally? Could this be some old, worn-out pilots from the Ansett era getting the shits?

Mr Byron—I guess that is always a possibility. I do understand that the exercise of change that we are undertaking at CASA, which includes the market testing of a lot of functions, can be very disconcerting for staff. I do understand that. That is really why I am keen to get it over and done with at an appropriate pace but without any excessive delay, just so that we can settle down and make a decision about what we are doing. To date, only a couple of reports have come in, but we have not had any significant issues—certainly no fundamental changes to the staffing of those activities—and those areas are starting to settle down.

CHAIR—So do you think this market testing was going to test the comfort zone of some deeply entrenched practices?

Mr Byron—Without a doubt. That is inevitable. I have been market tested myself three times in my working career. That is life. I also think, from my point of view, that it is the responsible thing to do, to make sure that—

CHAIR—It is a little indicator that you might be on to something when you get a bit of reaction.

Mr Byron—That is a possibility.

Senator O'BRIEN—Now, now, Senator Heffernan, those conspiracy theories will get you into trouble one of these days! Mr Byron, would you be happy to brief this committee on the conclusion of this investigation, so we can finalise this matter?

Mr Byron—Once it is completed, yes.

Senator O'BRIEN—Thank you very much for that. Does CASA have an operator risk model?

Mr Gemmell—Yes. We have been developing a process for assessing operator risk. It is not a model—and it is not a perfect model. It is in a different stage of development in the air transport operations group compared to the general aviation operations group. We trialled it first in air transport, with the bigger airlines, to see how it went. Our methodology is to try to use the information we have available to us to give us indications of risk. It has assessments of risk underpinning it. It has some elements of subjectivity about it.

Senator O'BRIEN—Presumably it ranks operators in risk order?

Mr Gemmell—It can do things like that. You have to be very careful with that sort of analysis. One of the fears you have with these systems is that people think they actually do all the work for you and you cannot make any judgments yourself. That is a mistake. You have to apply some judgment to the material you get. We do not have perfect information, so you need to be careful. We can use it to tell us who might be at higher and lower risks, and the field officers have been using it as an indicator, not as a conclusion. It is a big mistake to try to use this as some form of conclusion and say, 'Because we saw some things from this process that said operator X was a bit of a risk that meant we had to go charging out and do something about it.' It is using data sets we have available. You have to supplement that with other information and other analysis.

Senator O'BRIEN—Does it influence how you allocate your resources?

Mr Gemmell—It is intended to. I would say that this is not a model that is in full operational swing. We are still coming to grips with how we do it. But it is certainly intended to do that, and it is certainly intended to give us guidance material about where we put our resources and who we look at and so on and so forth—to look not just at operators but at particular topic areas, such as the risk factors that might be there that might be not operator related but more system related. So it is designed to give us information about all that and to advise on our resource allocation, but it is not designed to replace all judgment in CASA.

Senator O'BRIEN—How long has this model been in place?

Mr Gemmell—We have been working on it for some years.

Senator O'BRIEN—And risk is assessed on the basis of information that comes in?

Mr Gemmell—We have looked at information that is available to us—how it might be risk ranked, how you would assess it, how you might apply it to particular aircraft and particular operators et cetera—and how you might develop a risk index that flows from that.

Senator O'BRIEN—Is it true that one of the three operators with the highest risk based on this model operated the aircraft that crashed in North Queensland earlier this year?

Mr Gemmell—It could be. I do not really know the answer to that. It could be. It has also been pointed out that that can happen—if they have an accident, the score goes up massively, so it sort of depends on timing.

Senator O'BRIEN—So, if an operator had a near miss, with engine trouble and landing with less than 15 litres of fuel left in the tanks, they would get on that list, if they were not already there?

Mr Gemmell—You would score some points on risk ratings, and you would go up again—it would depend on what other history you had—

Senator O'BRIEN—What happens if you are already on the list and you have a crash or if you are already on the list and you have an incident such as the one I just mentioned?

Mr Gemmell—You go higher up the risk rating. That would simply tell us that we have to look pretty closely at this operator. We may already have been looking pretty closely at this operator. Sometimes the risk assessment confirms that we should look at the operator and then when we go out there we do not see the problems you might have thought would have been evident from the risk rating. It is a long way from a perfect system. I strongly caution any thought that you rely totally on this system that is in place. It is stronger with airline operations, because we have much better information about operations at that end than we have at the lower end of town. When you are working with imperfect information, you might find that you are giving people higher risk ratings because they are reporting incidents to you and not giving people higher risk ratings because they are not reporting incidents to you when in fact the reverse is actually true in terms of safety and risk assessment.

Senator O'BRIEN—Mr Byron, would you be aware of this risk list?

Mr Byron—I am aware of the process. Certainly, every now and then a list is provided. I cannot recall the names on the list the last time I saw it, but I would certainly endorse Mr Gemmell's comments that it is a preliminary tool and it is good use of existing information. But one of the stronger points to make is that the information that we have access to that feeds into this is fairly limited at this stage. It is primarily information that we have access to through formal reporting mechanisms, either Airservices reports, ATSB reports or the mandatory reporting of maintenance problems through the MDR process.

There is a lot of other information out there, and if we could access it we could certainly do a lot better. The current approach we are taking, where we are allocating more of the time of our front-line inspectors to spending time with operators, from my point of view—and I make no secret about this with industry—provides us with the opportunity to get additional information. I think that is where this system will really kick in and where we can start to get additional information, particularly from our technical people with contact time with industry.

You may be aware, Senator, that last year, as a result of an analysis of the general aviation fatal accident rate, we took a particular approach to dealing with the flying training industry. I think I have briefed this committee on that before. That process is really picking up pace; it is really doing well. I have had a number of visits with industry people, particularly with those operating RPT operations below 5,700 kilograms—those types of aircraft. According to the information they have given me, there is a fairly high turnover of pilots going through them, and their check and training systems are very busy, I have actually discussed with a number of industry people—and we are taking a preliminary look internally in CASA—that maybe we can start to develop check and training role specialists within CASA who will be able to spend a lot of time with these industry people so that we get more information about what is really going on. I think the template is good; we just want more information.

Senator O'BRIEN—With regard to the operators who were high on the list, when you were made aware of it, Mr Byron, did you talk about the need for special steps to be taken in relation to those operators?

Mr Byron—Whenever I am presented with the list at a monthly meeting—and it would probably be a couple of months since I have seen a list—normally I would question the Air Transport Operations Group or the General Aviation Operations Group, as appropriate, and ask: 'What are we doing about it?' That is rarely necessary because, generally speaking, if there is a concern within those areas that an operator is higher on the list they take action and the Chief Operating Officer and his staff tell me what they are already doing about it. But I have the opportunity to question further on that. I have done that once or twice. But certainly over the last six to eight months I have seen the right sorts of responses coming from our operational people.

Senator O'BRIEN—Is it true to say that TransAir was one of the high-risk operators on the list that you were aware of last year?

Mr Byron—I recall seeing it on a list, but I am not sure if that was after the accident. I would have to check that.

Senator O'BRIEN—What about Aero-Tropics?

Mr Gemmell—I cannot recall Aero-Tropics. We would have to check. We have had various lists. At various points in time these things have come up to us. They have usually been stamped as 'draft', because we have not had sufficient confidence in the system to say that that actually meant anything. We do get quite concerned that, if this stuff falls into people's hands, people will misuse the information—commercially, for example—so we are pretty cautious about this information.

CHAIR—How many organisations are on the high-risk list?

Mr Gemmell—We do not have a high-risk list as such.

Senator O'BRIEN—Highest risk.

Mr Gemmell—This is a relative risk ranking. So, for example, it might tell you, in a particular group of airlines, which ones might be in the higher risk groups on the information we are seeing. That would commonly be things going through major change processes and things like that. It does not say they are high risk; it just says they are ones we should keep an eye on and look at more closely.

CHAIR—Is that usually a financial constraint—cutting corners, doing their own welding?

Mr Gemmell—Financial matters are an indicator. We do not have good information, in the main, on a lot of the financial circumstances—

CHAIR—Bear in mind that it is a bloody tough business to be in. You would not sell me an airline for quids.

Mr Gemmell—But it is an indicator, and we would certainly look at that. If we see—or hear reports—that an airline is in financial trouble, that pushes it up the risk rating, because it may mean that that translates itself into cutting corners or something else, so we would keep a

close eye on that. It does not always follow that that occurs, but we would keep a close eye on that sort of thing.

Senator O'BRIEN—Was Sunshine Air in the highest risk category last year?

Mr Gemmell—I do not know a Sunshine Air.

Senator O'BRIEN—I thought that was the one that had the engine trouble, landing with less than 15 litres of fuel in its tanks.

Mr Gemmell—Sunshine Express, perhaps. I do not recall whether they were on the list. These lists change. Someone is on them. There is always someone who will be on a list of the ones who might be coming up missing, but you have to supplement that with other information you know.

Senator O'BRIEN—Sure.

Mr Gemmell—We do not yet have a good methodology to transact our own information that we know—for example, our audit and surveillance findings—into this system.

Senator O'BRIEN—You could be wrong, but they are there. They are on a list, presumably so that you know where to be expending your resources to make sure that you get the best result.

Mr Byron—The other aspect is that, while this tool is being developed, it gives an opportunity to compare it with the harder information that we are getting from our frontline officers, who carry the primary risks for CASA in looking after operators that we think we need to deal with. So, if you like, it is a sort of testing process as it develops.

CHAIR—Do you ever take them out of the air? Is there a cut-off point?

Mr Byron—Not on the basis of the risk tool at this stage, no. That is normally dealt with by harder evidence collected by our surveillance staff at the frontline. But, if they have a reason to recommend that action, that is done.

Senator O'BRIEN—So there is no special action that you take, Mr Byron, when you are made aware of these things? You ask general questions to satisfy yourself that the appropriate steps are being taken?

Mr Byron—Yes, and I do ask a lot of questions about those sorts of things. Generally speaking, I am pretty satisfied with the answers that I get.

Senator O'BRIEN—So if someone were on the list and they were coming up for an AOC inspection, you would be wanting a few unscheduled audits?

Mr Byron—Let us say someone was high on the relative risk rating—

Senator O'BRIEN—That is what I meant; thank you.

Mr Byron—and at the same time there was sufficient information from our frontline office that looked after them, then certainly the local office that dealt with it would be looking at the renewal process.

Senator O'BRIEN—So were there any unscheduled audits or other action taken in relation to TransAir, given, I am told, they are in the top three of your highest risk operators?

Mr Byron—Is that recently?

Senator O'BRIEN—They were high risk at the beginning of this year, according to your risk rating list. They were in the highest risk category, put it that way.

Mr Gemmell—We have been fairly thoroughly through what we did with TransAir prior to the accident, which was earlier this year—including a full audit that was done on them, with an AOC renewal coming up. Again that is a classic example where, if they were high on the list and we did an audit and the audit did not then confirm that they were a high risk operator, we would reissue the AOC and on we would go. We would then have to have a look at the conclusion we formed about it.

Senator O'BRIEN—But what happened with TransAir was, as far as we know, a normal assessment leading up to the renewal of an AOC; is that right?

Mr Gemmell—We had other information provided to us that caused us to do additional surveillance on TransAir, so there was a whole set of things telling us to do additional surveillance, which we did. Part of that included the audit we did. While that gave rise to some issues, none of it gave rise to any issues such that it would suggest that we would not renew or could not continue with their air operator certificate.

CHAIR—So is there any need to have flight monitoring devices on these planes. Is that a mandatory requirement?

Mr Gemmell—What do you mean by flight monitoring devices?

CHAIR—Flight recorders.

Mr Gemmell—Yes, it is a mandatory requirement.

CHAIR—Was it hooked up and working in the case Senator O'Brien is referring to?

Mr Gemmell—In the case of the TransAir one, the cockpit voice recorder apparently did not properly record. The flight data recorder did. That is information that the Australian Transport Safety Bureau has provided.

Senator O'BRIEN—At the last hearing I asked some questions about communications from the member for Leichhardt, Mr Entsch. Mr Gemmell, at those hearings you told us that the audit of TransAir was undertaken in Brisbane, because of the sophistication of the operation. Is it true that this operation was originally overseen by the North Queensland based CASA officers?

Mr Gemmell—I would have to take on notice when it occurred. We believe TransAir has been overseen by Brisbane for as long as our collective memories go back.

Senator O'BRIEN—So they were never overseen out of North Queensland?

Mr Gemmell—I do not think so. Our distinction is between airline and general aviation with, as a rough rule, flying aircraft in RPT operations. Aircraft above 5,700 kilos would have you in the airline operations, and that was what TransAir were operating. TransAir also operate other services in New South Wales and so on and so forth.

Senator O'BRIEN—So, if they operated other aircraft—other than metro liners—

Mr Gemmell—What we do is allocate an operator to a particular group and then to a particular location, and TransAir was oversighted by the Brisbane airline office. Then it does not matter where they fly or what they do. Qantas, for example, is oversighted by our Sydney airline office. It is all over the country and doing all sorts of things, but that is where the prime oversight comes from. Virgin Blue is oversighted by the Brisbane airline office.

Senator O'BRIEN—So there was never a transfer of their responsibility to the Brisbane office?

Mr Gemmell—Not for TransAir. The AOC they operate under has, to the best of our knowledge, always been with the Brisbane airline office.

Senator O'BRIEN—During the last hearings, I asked some questions about representations to CASA or to the minister's office on behalf of operators. You confirmed that CASA would have a record of those representations. Are you aware of any meetings that involved the member for Leichhardt, Mr Entsch, and Mr Anderson or his staff, with the operator of Aero-Tropics, Mr Lippman, prior to the tragic Lockhart River accident?

Mr Gemmell—I am not aware of anything personally. I am getting a shaking of heads behind me, so I do not believe we are. There would not be any reason necessarily for us to be aware of meetings that the minister might have with anybody.

Senator O'BRIEN—CASA have not met with Mr Entsch about any aviation matter to do with Aero-Tropics or TransAir?

Mr Gemmell—We certainly had meetings that Mr Entsch was at. I do not recall that they were anything to do with Aero-Tropics or TransAir. Certainly we had meetings in relation to Cape York Air, where we were proposing to take some regulatory action.

Senator McLUCAS—Was that to do with the mail run?

Mr Gemmell—No. We were proposing to take some regulatory action in relation to Cape York Air. Mr Entsch had arranged for some discussions to take place between us and Cape York Air, which he facilitated. Subsequently we did take action against Cape York Air. Yes, I think the outcome of that may well have been that they were not able to provide RPT services. The eventual outcome was that we pulled RPT off the operating certificate, so they could not provide that service.

Senator O'BRIEN—Why did you meet with Mr Entsch? Does he make contact directly or does that come through the minister's office?

Mr Gemmell—It varies. Generally it would come through the minister's office. We might be contacted directly, particularly when we are doing something in relation to a constituent that the constituent is not happy with, which is generally the case. It is not at all uncommon for a local member, be it state or federal, or senator to contact us and try to facilitate a resolution or to query the appropriateness of the actions we are taking.

Senator O'BRIEN—Do you usually meet with the member involved? I can understand facilitation of meetings by a local member or senator. I am not sure why they would necessarily come and attend a meeting, unless they had a particular interest.

Mr Gemmell—At the one I was referring to with Cape York Air, Mr Entsch came in and said, ‘I’m really pleased that you are all meeting and I hope you work things out,’ and left. It was very much facilitation as we tried to sort through the issues to see whether we could find an accommodation between the various different points.

Senator O’BRIEN—Briefly returning to that Acumen matter, I took it from your answers, Mr Byron, that the internal audit unit or KPMG were not involved in any audit of the Acumen contract. Is that right?

Mr Byron—That would be correct, yes.

Senator O’BRIEN—So there was no audit action initiated other than that which was initiated by you engaging Ms Yeoh?

Mr Byron—That is correct. There is, as I mentioned earlier, an item on the annual audit plan yet to be undertaken because all the market testing has not been completed. It is an option to conduct an audit of procurement processes initiated by the change implementation team.

Senator O’BRIEN—The internal audit committee has put that in their plan?

Mr Byron—The internal audit function has recommended that to the audit committee for me to sign off on. We have not signed off on it yet.

Senator O’BRIEN—Does that indicate that they had a concern about that particular contract?

Mr Byron—Not specifically. The way I read it is that it is an element of change in the organisation; the activities that we are undertaking in making these changes to CASA need to be looked at. So there are a number of activities.

Senator O’BRIEN—They might be concerned about the general process. I am asking whether they were concerned about the Acumen involvement in the contract, given the team leader from the change implementation team being an Acumen employee?

Mr Byron—As to its appearance on the draft or the plan, the background to that was certainly never expressed to me.

Senator O’BRIEN—I have no more questions on that.

CHAIR—With the national airspace system, 2c, there are changes. In a couple of sentences, what does that mean?

Mr Byron—Aerodromes in uncontrolled airspace are currently covered by either a mandatory broadcast zone, where the carriage and use of radio is mandatory, or a CTAF, which is a common traffic advisory frequency. The zone is being effectively replaced by CTAF, a common term which is used in the United States. They are all going to be called CTAF—common traffic advisory frequency—procedures. The concept is part of the national airspace system. The recommended procedures will be the same across the board. They will be everywhere.

CHAIR—As in America?

Mr Byron—As in the United States.

CHAIR—Would it be fair to say that we are not technologically up to their speed in Australia, though—that we do not have the radar coverage?

Mr Byron—The United States is a totally different aviation environment. I have flown around there myself. People like to say that we are the same size and therefore it is the same. It does have elements of difference. We do not have the radar coverage.

CHAIR—Is there a little tug of war going on in CASA over this?

Mr Byron—Within CASA?

CHAIR—Yes.

Mr Byron—Not as far as I am concerned.

CHAIR—Did your technical experts initially reject the NAS safety case?

Mr Byron—Not to my knowledge.

CHAIR—Was the one put up by the NAS Implementation Group rejected by the technical experts initially?

Mr Byron—Certainly I am not aware of that. I am aware that they went back to the NAS Implementation Group with some comments on it.

CHAIR—Were Airservices a bit concerned too?

Mr Byron—I do not think that Airservices were involved in this one at all.

CHAIR—Was the regional airlines association concerned about it?

Mr Byron—The regional airlines association have some concerns about the change, yes. They were mainly concerned, I believe, that there would be removal of the current mandatory requirements. I believe that most of those concerns have now been allayed. Certainly last year, when there was the first attempt to move to the NAS 2c stage—

CHAIR—With the NAS 2c stage, was Qantas consulted?

Mr Byron—The NAS Implementation Group conducted the consultation. Certainly the impression I had was that Qantas was consulted.

CHAIR—But they do not fly into these areas.

Mr Byron—They fly into some of them. Ayers Rock is a non-towered aerodrome. I believe there would be a few others. Certainly some of Qantas's regionals do. QantasLink certainly fly into a lot of those locations.

CHAIR—Thank you very much. I may have some questions on notice along those lines.

Mr Byron—Okay.

Senator McLUCAS—I understand that ATSB will be doing the investigation into the Lockhart River incident, but I think that CASA would have some role in that process. I was wondering if perhaps you could give us an update on that. Could you advise the committee where that process is up to at this point, please.

Mr Gemmell—We have some fairly formalised processes for this. The short answer is: no, I cannot. We provide assistance as required by the ATSB. We might even provide a person to

assist the ATSB, but when they are there they are working for the ATSB. The standard procedure is that the ATSB works to its own program and its own deadline. If any critical safety information comes to its attention, there is a standing protocol: it advises us of that straightaway. You do not wait until the final report. We have not received any such advice, so you know implicitly that at this stage the ATSB has not found anything of critical safety importance that needs immediate attention. As to the timetable and when it might finalise its report, we would have to ask it.

Senator McLUCAS—So you do not have any indication of when that ATSB report will be finalised? I recognise that it is not your report.

Mr Gemmell—I do not know. I am pretty keen to see it too, actually. It will go through a draft stage. We would certainly see it at the draft stage, but that will be non-public: it will be sent to interested parties for comment, and then they will finalise it. So, no, I do not know the timing. It depends on the complexity of the issues they are finding and whether they can find the causes quickly or whether it is very difficult to find what they believe the causes of the accident to be.

Senator McLUCAS—Moving off the Lockhart River incident: Mr Gemmell, you made comment earlier that, as a result of changed licensing, Cape York Air lost their RPT and therefore the contract. In answer to questions that I asked at the last estimates, you explained the nature of a ‘closed charter’—which the current operator, Aero-Tropics, has for the mail contract—and the fact that passengers are travelling on that mail run in exactly the same way that they used to with Cape York Air, but now the current operator does not have RPT status; and there are a whole range of things that flow out of that. Can you assure the committee that CASA has thoroughly investigated the closed charter arrangements, especially in the light of a number of legal challenges and matters that have been heard that CASA has been involved with that go to the question of closed charter, RPT and whether or not this operation is actually compliant?

Mr Gemmell—We are looking at all these issues. According to the information that I have, an operator such as Aero-Tropics—which we know as Lip-Air Pty Ltd; that is the company that owns the AOC—would require about 68 additional airfields to be approved for RPT operations. It is a higher standard, if you like. The airfields will exist, but once they are for RPT they have to meet a somewhat higher standard than they would for a charter. That process is ongoing, so we are working with this. We are looking very closely at Aero-Tropics as an operator that is expanding, and that immediately puts it up in the risk rating index. So we are keeping a very close eye on what they are doing, and we are doing some additional surveillance on them.

Senator McLUCAS—But Cape York Air would have been going to the same airfields under their RPT, prior to their losing the contract, I would imagine.

Mr Gemmell—If they were, they would have been approved for RPT, so I would have to look to see whether there has been an expansion of the RASS contract or whether Cape York Air were already approved. If they were approved, they would be approved.

As well, there are a lot of operations up there that operate under an exemption, because there are a lot of aerodromes that simply cannot get up to the standard, and therefore you have

a choice: either you maintain the standard, in which case they cannot go, or you accept a slightly increased risk and they get a service.

Senator McLUCAS—So if those strips—and most of them are dirt strips; they are not sealed in any stretch—

Mr Gemmell—That is correct.

Senator McLUCAS—If they do not meet the RPT standard, I do not think you are saying you would stop the operation happening.

Mr Gemmell—We would look at the safety risks attached to that. We have in the past issued some exemptions for that. There is effectively a lower standard for some of the RASS aerodromes. There are certain conditions in which we in fact will stop them and require the operator to not go in unless they—

Senator McLUCAS—Not go in taking mail or not go in taking passengers?

Mr Gemmell—In RPT operations, passenger operations.

Senator McLUCAS—But this operation, according to your answer to questions from last estimates, is not an RPT. It carries passengers as a closed charter.

Mr Gemmell—Yes.

Senator McLUCAS—So it is okay if there are people on the plane but the strip is not going to get approved.

Mr Gemmell—We have standards that apply for passenger operations, which include charter operations. But our usual arrangements have been that where regular passenger transport is involved we have a higher standard.

Senator McLUCAS—I know.

Mr Gemmell—That has long been the case. We do see some anomaly in that. What is the difference between four people in the back of a charter operation and four people in the back of an RPT operation? That has led us to look at some of the standards we have for RPT operations into particularly remote locations and to accept that in some circumstances, with appropriate risk mitigation protection, it would be appropriate for RPT operations to go into a lower standard aerodrome.

Senator McLUCAS—Do you consider that the seats that are currently available on the Cape York mail run are for persons generally?

Mr Gemmell—I would not know. I have no knowledge of that. We would have to see what their advertising says. Can we take that on notice and check?

Senator McLUCAS—Yes, please do. I am surprised that you do not know, to be frank.

Mr Gemmell—We do not know everything that happens in the aviation industry. It is a big, complex industry operating all over the place. The commercial world do not have to come to us to ask us whether they can advertise something or to tell us the basis on which they advertise. We do check when we have information that causes us to check, but I have nothing in front of me that says that we know the answer to the question you asked, so I will have to go and ask my people what they know.

Senator McLUCAS—Is it your understanding that the mail run is operated as a fixed schedule between fixed terminals, providing seats for the general public—or, as the terminology is, for persons generally?

Mr Gemmell—Part of the problem I have in answering is that you are asking questions about fixed mail runs that operate under a RASS service. We do not look at it this way. Yes, we are aware that there is a government funded service to provide mail. What we look at is an operator with a certificate and approval to do certain things.

Senator McLUCAS—But you have deemed that this operation does not have to be an RPT. You must have gone through some sort of process to find out whether or not the operation is an RPT. You mentioned yourself, just before, that the previous operation was an RPT, so CASA must have gone through some sort of process to come to the view—as you answered in my question at the last estimates—that it is a closed charter. I am trying to ascertain what that process was and what led you to come to a different view about this operator, as opposed to the previous operator.

Mr Gemmell—And I will take it on notice and check the basis for that. I do not have particular knowledge of that.

Senator McLUCAS—The other question I would like you to take on notice is: do you know whether the schedule is fixed by Aero-Tropics or, in fact, by Cairns Business and Leisure Travel?

Mr Gemmell—I will take that on notice. I do not know who Cairns Business and Leisure Travel are.

Senator McLUCAS—In your answer to question 23 from last time—or it might have been question 26—you identified that they were the cross-charterer.

Mr Gemmell—We obviously do know about Cairns Business and Leisure Travel because we referred to them. I will check the answer to that one.

Senator McLUCAS—So you are saying that there might be some anomalies in this current operation? Would you say that it is in fact ambiguous?

Mr Gemmell—The issue of charter and RPT is actually anomalous all over Australia. It is quite a difficult issue to deal with, because you are dealing with a person who is entitled to fly people, passengers, between two points. Are they doing it on a regular basis? It has been a very difficult issue for us all the time. The issue for us is that different standards are applied to it. In the future, we are going to remove the distinctions between those things. We think that is better. There is not great logic that says why you would treat the two categories significantly differently, but our current rules do, so we then have to know. We have some difficulties at times in trying to work out what the commercial arrangements are on which people are operating and then to think about whether, if we think they are unsatisfactory—that is, they have a charter approval but we think they might be doing something that is akin to a regular public transport operation—we prosecute or do whatever we would like to about that. So it is a difficult issue for us now. In the future we are going to remove the distinction and just have passenger operations. At the moment we do have a regulatory difference. We would have to look at this one and see whether we think there is something anomalous.

When we were looking at TransAir operating and Aero-Tropics—we looked at all that and then the follow-up to that—all of that came out to look fine to us. They were doing the right things. They were advertising to people what the operations were. They were telling passengers that this was an appropriate charter operation, so passengers were informed. It all looked okay. But it comes down to: what information do the operators pass? What are they doing? What are they advertising? And so on. We have a number of cases in Australia where we have some concerns about operations that only have charter approval but appear to be operating things that are a bit akin to an RPT. It is difficult to prove and difficult to prosecute.

Senator McLUCAS—There have been a number of judicial decisions on that question, though, haven't there?

Mr Gemmell—Yes, there have, and we do take it, but it is a difficult one to run. We tend to try and look at it from a safety aspect, to ask: 'Well, is there a real safety problem arising here or not?' It is close to a consumer protection issue, as much as a safety issue.

Senator McLUCAS—Given that 68 strips are not licensed—that is probably not the right word, but they are not on the AOC—that is possibly an issue.

Mr Gemmell—I would have to check. If they are not on the AOC, they should not be operating until such time as they are on the AOC.

Senator McLUCAS—I understand that there have been a number of findings, both in the AAT and more generally, that clarify what CASA has to do in cases of ambiguity. Are you aware of any of those?

Mr Byron—While Mr Gemmell is getting advice on that, I have just got some information that may be useful about the ATSB report. I have been advised that the interim factual report is likely to be out in early December, but it will cover only facts that have been verified at that time; it will not have any analysis of those facts. I have been advised that there is no firm date yet for the final report.

Senator McLUCAS—Thank you, Mr Byron.

Mr Gemmell—We are not finding any particular awareness of what you are saying to us.

Senator McLUCAS—I have two findings in front of me where, when ambiguity is found, particularly in the case of unsureness by CASA about whether or not something is an RPT, both judges have urged CASA to err on the side of upholding the safety standards rather than sticking to the letter of the law, so to speak, especially when the interpretation and the effect of the application of the law is somewhat ambiguous. One of them was an AAT finding in a case between Coral Sea Airlines and CASA.

Mr Ilyk—There is probably a wide variety of findings in AAT matters, some of which will go that way and some of which will in fact go the very opposite way. If CASA has taken a strict, cautious view, those decisions of CASA are in fact overturned on the basis of commercial considerations. I do not think you can take from one particular AAT case an interpretation which says that in all cases the law must be interpreted in a particular way. CASA when it does interpret the law generally errs on the side of caution. That is just a general fact and that is why we are usually in the AAT.

Senator McLUCAS—Are you aware of an incident some two weeks ago which involved a particular airline that ran off the end of the Kowanyama airstrip?

Mr Gemmell—Which particular airline?

Senator McLUCAS—Aero-Tropics.

Mr Collins—I am aware that on 20 October the North Queensland field office received advice from industry that apparently one of their aircraft had experienced a hydraulics failure, had made an emergency landing at Kowanyama and that it subsequently overran the runway. The North Queensland field office has apparently requested information from the operator about this incident. To date nothing has been received.

Senator McLUCAS—What is the time frame that you would go through to investigate this allegation?

Mr Collins—Something like this—about a month. The North Queensland field office has been conducting additional surveillance on this operator as well. I am informed that they believe that there are no immediate safety risks associated with the operator. However, they are maintaining vigilance, because there have been some changes of management and so forth within the company. Therefore, we are keeping a close eye on what is going on there.

Senator McLUCAS—Should it have been reported by the operator rather than someone else from industry?

Mr Collins—The operator is required to report such incidents to the ATSB.

Senator McLUCAS—Not to yourselves?

Mr Collins—Not to CASA. In fact, if there was no damage, there may not even be a requirement to report to the ATSB.

Senator McLUCAS—Are you aware that passengers were on that plane?

Mr Collins—I am not aware of the fact that the aircraft was carrying passengers, but it would not surprise me.

Senator McLUCAS—Are you also aware of an incident at Balurga Station on 21 July this year involving the same company?

Mr Collins—Personally, not specifically, no.

Senator McLUCAS—It may have been referred to the ATSB rather than to CASA.

Mr Collins—It may have been, yes. Notwithstanding that, it is quite likely that the North Queensland field office is aware of such incidents that I am personally not.

Senator McLUCAS—He does not have to report to you every incident that he is investigating?

Mr Collins—No.

Senator McLUCAS—If you could tell us if that can be confirmed from CASA, that would be helpful.

Mr Collins—Certainly.

Senator McLUCAS—I have other questions, but I will put them on notice.

Senator O'BRIEN—Mr Gemmell, how do you maintain this risk-rating system if you do not know of incidents around the network?

Mr Gemmell—If we do not know of incidents around the network, we do not do too well with it. We do source it off data that is reported to us or to the ATSB and that is recorded in the Airservices system, which is essentially a system of air space incidents and things like that. That is one of the weaknesses in the system—if something is not reported to us and we do not otherwise find out about it, we do not know anything about it. Part of the consequence of that though is that the repercussions are very much more if we find out that things have occurred that should have been reported and have not been. Indeed, one of the principles that underlay the self-reporting system introduced by the government a year or so ago was the idea you could self-report, even when you did something a bit nasty, and you got some protection against regulatory action by CASA in certain circumstances. That was again designed to try to ensure the information flow occurred, so that we had the information and people were not impeded from telling us by a concern that we might fine them or take licensing action.

Mr Byron—I might add something there. In terms of our increased contact with industry, and particularly as we work towards larger organisations and medium organisations implementing safety management systems within their organisations, it is certainly my expectation—and one that our staff are gradually educating industry about—that they should be telling us what is going on. Although there are mandatory reporting requirements to ATSB, we would expect them to be letting us know what is going on. An absence of that flow of information over a period of time would reflect a lack of safety maturity in an organisation. As we moved forward with looking at safety management systems and the maturity of management in each organisation, it would be my expectation that that would, ideally, be reflected in how we dealt with those organisations over a period of time. There are certainly mandatory requirements to report incidents to the ATSB, but it has been my experience that, whenever anything happens, the large airlines in this country are straight on the telephone to their local CASA offices to let them know what is going on. That is a culture we are really trying to work with. We have a bit of a way to go, but it does tell us something about the safety maturity of management in various organisations.

Senator McLUCAS—But there is no requirement to tell CASA at the moment?

Mr Byron—No.

Senator McLUCAS—Just finally, Mr Gemmell, you said you are looking at a method of removing the distinctions between RPT type operations and other operations that carry passengers, if we can use that language. Could you just give me a briefing—or rather could you take this on notice and provide us on notice with a quick briefing—on how you intend to do that?

Mr Gemmell—Certainly. Remember these are proposals that will have to be put into regulations and then pass through the parliament. But, in rough terms, the idea is essentially to draw distinctions more on the size of aircraft than on the type of passengers they are operating with.

CHAIR—There will be no more questions on civil aviation.

Mr Mrdak—Senator O'Brien this morning asked a series of questions in relation to the chronology of correspondence with Western Australia on the Peel deviation. I would like to table a chronology of dates and outcomes of correspondence, if I may.

CHAIR—Thank you very much. There may be some questions on notice to CASA about the tug of war.

Proceedings suspended from 6.40 pm to 7.44 pm

CHAIR—We now turn to Aviation and Airports. Senator O'Brien is now going to ask you a few gentle questions.

Senator O'BRIEN—My first question is about Essendon Airport. I understand that significant traffic delays have resulted in the vicinity of Essendon Airport as a result of Direct Factory Outlets opening on the airport site. Can you tell me when the department was approached to approve this development?

Mr Williams—The minister approved the major development plan for that factory outlet on 16 December 2004. I do not have the date when the development plan was lodged but under the act the minister has 90 days in which to approve the plan, and he did so within the 90-day period.

Senator O'BRIEN—Can you get us the date of lodgment?

Mr Williams—Yes, we can.

Senator O'BRIEN—Who did the minister consult with regarding this approval?

Mr Williams—The department went through its normal assessment process for major development plans. Essendon Airport would have gone through a public consultation process for 90 days prior to lodging it with the minister. Then the department would have assessed the plan in accordance with the terms of the act and provided advice to the minister. We would have consulted CASA and Airservices as well, as per the requirements of the act.

Senator O'BRIEN—What concerns were raised by local and state governments in relation to road access and support infrastructure?

Mr Williams—I would have to take that on notice for the exact details, Senator. Certainly there were some issues raised in the public comment period. They were related to potential traffic issues associated with the plan. As a result of that, the minister placed a number of conditions on the approval.

Senator O'BRIEN—Was it Minister Anderson?

Mr Williams—It was either Minister Anderson or Minister Lloyd. I think Minister Lloyd announced the development, so I think he approved the plan while he was acting minister for transport.

Senator O'BRIEN—Was there any requirement for the developer of the retail outlet to make a contribution towards support infrastructure to manage the additional traffic generated by the development?

Mr Williams—There was no particular requirement although the minister, as I said, placed a number of conditions on the approval. They are quite extensive. I can read them out to you or provide them separately.

Senator O'BRIEN—Perhaps you could read them out.

Mr Williams—The conditions of the approval relating to the Bulla Road MDP at Essendon Airport were as follows:

There must be no adverse impact from the proposed development on any navigation aids or operational activities at the airport. A copy of the Airservices comments in relation to the draft MDP is provided at attachment B for your reference.

This is the letter back to the proponent. It continues:

Essendon Airport Pty Ltd must consult with the Civil Aviation Safety Authority (CASA) during the construction of the proposed development and comply with any safety requirements specified by that agency. Additionally, Essendon Airport Pty Ltd must advise my department of any changes to the approved major development plan arising from the need to comply with CASA standards.

Essendon Airport Pty Ltd must ensure that plans for the proposed development accommodate facilities for public transport access, in the expectation that they will serve the site in the medium to long term, if not immediately.

I note in this regard that the major development plan already provides that public transport buses could use the same passenger drop-off point as the facility is already planned for charter buses.

Essendon Airport to fund the following traffic mitigation measures as set out in section 2.43 of the draft major development plan submitted to the minister. The funds should be available so as to promote the early completion of the measures, preferably before the opening of any part of the proposed development for the business. In particular, a right turn lane provided for westbound traffic exiting onto Bulla Road and a signalised intersection construction at the ramp intersection; modification to the freeway on-ramp for westbound traffic to incorporate a third lane from Bulla Road north; the ramp serving the eastbound freeway carriageway to be realigned and a roundabout constructed at the intersection with Bulla Road; and the northbound traffic flow to be partially signalised to ensure traffic queues on the freeway off-ramp are minimised. Essendon Airport to fund modifications to First Avenue to turn it into a court fully separated from the freeway off-ramp or as otherwise agreed with Moonee Valley City Council.

I note in this regard that Essendon Airport has already made an undertaking to fund this work. Within two years of the date of the development opening for business, Essendon Airport is to commission, in consultation with the Moonee Valley City Council, an independent traffic impact assessment of Woodland Street and nearby local streets.

Based on the result of the above independent traffic assessment, Essendon Airport is to cooperate in good faith with the Moonee Valley City Council in any community consultation conducted by the council regarding left turn bans from Bulla Road and/or partial road closures in relation to Dublin, Balmoral and Hollyrood Avenues, and if these works are deemed to be required by council and are consistent with the findings of independent assessment, fund a minimum of 20 per cent of the fair cost or any other reasonable amount that may be agreed.

If Essendon Airport becomes aware or has drawn to its attention by the Moonee Valley City Council or a state authority that car parking at the development is not sufficient and is impacting on the functioning of the external road system, then Essendon Airport must without delay consult with the council and/or state authority with a view to commissioning an independent study of car parking

demand and taking appropriate measures to resolve the problems identified. In doing so, Essendon Airport must act in good faith and must fund any fair and reasonable measures recommended by the study and agreed by council and/or the state authority as appropriate.

Those are the conditions. They are mandatory on the development. My understanding is that all the initial mitigation traffic measures have been implemented and funded by Essendon Airport. I understand that they are also doing some preliminary work with the council in relation to potential need for future car parking. At this stage they do not believe any further car parking is necessary.

Senator O'BRIEN—In terms of the work that is done, is the department satisfied that the impact on traffic flows by the Direct Factory Outlets opening have been moderated satisfactorily?

Mr Williams—We believe so. As you would be aware, Direct Factory Outlets opened recently and there was a fair bit of publicity surrounding its opening. My understanding is that on the day there was a lot of traffic at the opening and on the following weekend as well, but that is now dissipating and going back to more normalised levels.

Senator O'BRIEN—In any case, you say that within two years there has to be a traffic flow study.

Mr Williams—Within two years there has to be commissioned, in consultation with the council, an independent traffic impact assessment of Woodland Street and nearby local streets. I understand that Essendon Airport is also working with the council at the moment and is looking at potentially funding additional signage and further roadworks to ameliorate some of the issues surrounding some of the local streets.

Senator O'BRIEN—Thank you for that. How would the department describe the state of Australia's aviation industry?

Mr Mrdak—I think it is fair to say that the Australian aviation industry is a mixed picture of current operations. We have record levels of traffic and relatively good profitability levels at the top end of the industry. Our two major domestic carriers, Qantas and Virgin, are carrying record traffic and are regarded amongst the most successful carriers in the world at the moment. We have a mixed picture in relation to regional aviation, with a number of particularly strong larger regional carriers, and a continuing picture of variable profitability, as evidenced in some BTRE research which was published last year in relation to the lower tier regional carriers.

There are some rapidly growing areas in relation to sports aviation and helicopters and the like and some flat or declining areas of the industry, particularly in the more traditional general aviation, recreational flying and flying hours in some of those areas. I think at the moment we have a mixed picture across the sector, depending on the various businesses involved and what their markets are.

Senator O'BRIEN—What is the status of the current departmental review of the industry?

Mr Mrdak—Of the industry, Senator, or international aviation?

Senator O'BRIEN—Are you only looking at the international sector—

Mr Mrdak—We have been asked by the government to do work in conjunction with other departments in relation to Australia's international aviation policy settings and our international carriers. We are not more broadly undertaking work in relation to the domestic policy settings. As I said, there has been some research work done which was published earlier this year by the BTRE in relation to general aviation, but we are not at this stage considering a more formal review of domestic policy settings.

Senator O'BRIEN—What is the department's view on what some in the industry would describe as monopoly airport behaviour, in which airports have raised charges by more than 150 per cent in recent years?

Mr Mrdak—I do not think that that comment is borne out by the price monitoring that has been going on. The price monitoring report by the ACCC, which was released around February this year, did not highlight that sort of picture of monopolistic pricing behaviour. Rather, I think it showed that, while there have been price increases over the period since 2001, a lot of those were in relation to aeronautical charges that were set in the wake of September 11 and following the collapse of Ansett and the readjustment then. What we have seen over the last year or two has actually been quite a moderating level of charges on the aeronautical industry by some airports. Recognising that, of course some in the industry would maintain that airport charges and the demands on airlines are increasing. However, as I say, the ACCC price monitoring report paints a somewhat different picture to that presented.

Senator O'BRIEN—Are there any plans to strengthen the role of the ACCC in regard to monitoring and reporting on the charging behaviour of airports, which are usually somewhat monopolistic?

Mr Mrdak—As I say, the ACCC's February report this year highlighted a number of areas where they believe that their capacity to do price monitoring could be improved. As a result of that, the minister has asked the department to do some work in relation to the definitions of aeronautical services and the way in which things are categorised for the price monitoring task. That work has been undertaken by the department in consultation with Treasury and the ACCC and we are currently in the process of providing some advice to government in relation to some of those definitions in the price monitoring regime.

In relation to the broader prices regime and the role of the ACCC, as you know, the government moved to a light-handed regulatory approach. That is due to be reviewed in 2007, and at this time the government remains committed to reviewing that around that time.

Senator O'BRIEN—In terms of the deep vein thrombosis study, is that an ongoing study or has it been terminated?

Mr Bogiatzis—It was completed and published in the *British Medical Journal*.

Senator O'BRIEN—This is the study announced by John Anderson in August 2001?

Mr Bogiatzis—It was commenced in 2001 and published in 2003.

Senator O'BRIEN—Was it the preliminary results that were published?

Mr Bogiatzis—No, the final full report was published in the *British Medical Journal* in November 2003.

Senator O'BRIEN—I am given to understand that a second phase of the study was planned to test how the length of the flight contributed to the risk of deep vein thrombosis. Is that not correct?

Mr Bogiatzis—Not to my understanding. The department funded the study, which was undertaken by the department of health. When it was published in 2003, that was the end of the department's involvement with it. There is a possibility that the department of health may have chosen to do some additional work beyond that, but I am not aware of that.

Senator O'BRIEN—How much money did the department contribute to the study, as you understand it?

Mr Bogiatzis—The department committed \$100,000 to the study.

Senator O'BRIEN—I take it from your earlier answers that the department did not discuss with the Department of Health and Ageing the need for a second phase of the study?

Mr Bogiatzis—We made no commitment for a second phase.

Senator O'BRIEN—Did you discuss it?

Mr Bogiatzis—I am not aware of any discussion of further studies. The department committed to undertake this study. I am not aware of it as a first-stage study—I am aware of it as a complete study—and the publication completed the department's engagement on that.

Senator O'BRIEN—Can you check that and let us know.

Mr Bogiatzis—Sure.

[8.03 pm]

Australian Maritime Safety Authority

Senator O'BRIEN—Welcome back, Mr Davidson.

Mr Davidson—Good evening, Senator.

Senator O'BRIEN—I would be interested to hear from AMSA as to its current policy and practice in relation to ship inspections and detentions, particularly of foreign ships. What is the inspection regime?

Mr Davidson—Senator, we have maintained a risk targeting system now for five years or more. We have built that based on statistics that have operated from the mid-nineties. That principally targets a range of factors, but age still stands out as the major contributor to a risk factor and a range of other factors—type of ship, age of the vessel, operator, previous history—and we keep building on that. We have just done some further work with the CSIRO statistical analysis area. They have some very smart mathematicians and we provide our statistics to them. They keep looking at all the factors, but principally it is risk based. It has been the same regime now for many years because we always had a targeted regime. We have continued to refine the basis of it.

Senator O'BRIEN—What does AMSA do in the event that a ship is found not to comply with Australian legislation or maritime orders?

Mr Davidson—Depending on the severity of the noncompliance, there is a scaled response after inspection. They will be issued with a deficiency if the particular component or a

particular aspect is deficient. Those deficiencies usually have a time frame for correction. We will agree the basis on which that correction will take place. The next grading is deficiency with a range of issues associated with fixing it before sailing. At the extreme end of the thing, we will actually issue a detention notice which prevents the vessel from sailing without our prior approval.

Senator O'BRIEN—I have received anecdotal evidence that suggests that AMSA or some officers of AMSA adopt a policy whereby it does not condemn or detain foreign ships until their last port—that is, on the basis that applying a sanction that prevented a defect ship from sailing would hamper operations at an Australian port, but by taking action at its final port that ship will, in most cases, leave Australian waters and not return. What would you say to that proposition?

Mr Davidson—I would say that it is incorrect. Our policy in relation to inspection of vessels relates to the risk assessment that we have on the vessel and we will inspect the vessels that are in the high-risk categories at the first port of call and we will ensure that the vessel is in a safe state to proceed on any voyage, regardless of whether that voyage is international or whether it is on the coast as a part of its activities. With a vessel which has a lower risk assessment on it, and therefore we do not expect it to be a problem for us, we will balance our resources. In doing that, we will look at its intended voyages and the ports it intends to call at and we will balance out the visit in terms of where it is most productive for us to undertake the effort. That way we can have our resources spread wider around the Australian coast and they can be productively employed where they are located.

For example, a good number of vessels will have a first port of call into Australia in, say, Fremantle or Brisbane, particularly container vessels and other vessels that operate on a number of port calls. So if that vessel is a low-risk assessment and we know that it is then going to proceed to Adelaide then Melbourne then Sydney then Brisbane, we will actually balance out our resources and inspect it where it is most sensible for us and where it is sensible for the operator as well. We do not want to get in the way of quality operators. We want to ensure that quality operators are encouraged and, can I say, rewarded, whereas the poor operators we will target and hit them hard.

Senator O'BRIEN—I would like to raise a couple of examples with you. It is a comment on, and in the context of, what you have just said. A vessel known as the *Thor Hawke* traded on the Australian coast in September this year between Port Kembla, Newcastle and Gladstone. The ship carried ammonium nitrate. It was inspected by AMSA in Port Kembla and allowed to sail, then in Newcastle the ship's crane broke and dropped a cargo of ammonium nitrate into the hatch being worked on by Australian stevedores. AMSA inspected it again and allowed the ship to continue to use the ship's crane, despite the fact that the stevedoring manager and stevedoring workers would only use shore based cranes due to the dangerous nature of the ship's gear. On arrival in Gladstone, the ship was inspected by a third AMSA inspector and the crane was condemned. Why would it take three inspections before the ship's equipment was condemned?

Mr Davidson—I am aware of the vessel you are referring to, Senator. It was inspected in Port Kembla on 29 August 2005. There were no major issues associated with the vessel. There were eight minor deficiencies concerned with the serviceability of the ship's equipment.

These were rectified before the ship sailed from Port Kembla. Regarding the handling equipment failure that you were talking about, in Newcastle, the equipment was being used by Australian stevedores at the time. Our inspection indicated that it was being incorrectly used and they were instructed on the appropriate use of that equipment before they were allowed to continue with the work.

The crane wire that parted at the time—in fact, the cargo at the time was effectively on the bottom of the vessel and the spreader merely fell onto the cargo. There was no risk associated with that particular activity. To the degree that there were any issues, I believe it was more error in the handling side rather than the equipment side. Yes, we are vigilant about equipment. We are called in to inspect equipment from time to time.

Senator O'BRIEN—You did not deal with the fact that the crane was condemned when it got to Gladstone. Is that right?

Mr Davidson—I cannot comment on that. I am not aware of that at the moment. I think it was to do with the markings on two of the ship's crane blocks that indicated the blocks and the two cranes had been safety tested. The original certificates were produced but the markings on the equipment did not correlate with the certificates. The actual certificates were in order but the markings on the equipment had not been updated.

Senator O'BRIEN—That is a checking mechanism, isn't it, to see that whatever paperwork you have, you can actually see that there is a correlating marking on the equipment?

Mr Davidson—Yes, absolutely.

Senator O'BRIEN—In this case there was no such marking. Is that what you are saying?

Mr Davidson—Yes, and that is an important issue. The ships should be across those things and on top of those issues, yes.

Senator O'BRIEN—That was not picked up at either of the earlier ports?

Mr Davidson—Yes, I think it is fair to say that it was not picked up at an earlier stage. Under the marine orders, the person in charge of cargo operations, the stevedore, has the prime responsibility of ensuring that cargo gear, including ship's cranes, complies with the safety regulations and requirements.

Senator O'BRIEN—Had this vessel ever previously been detained?

Mr Davidson—Not that I am aware of, Senator. I can check on that.

Senator O'BRIEN—Presumably you consider previous detentions when you determine which vessels you are going to inspect?

Mr Davidson—Absolutely, yes.

Senator O'BRIEN—Another incident I wanted to raise was the Hong Kong registered, Chinese crewed *Timaru Star* which I am told limped into Fremantle on an unscheduled visit earlier this month after being battered by a storm coming across the Bass Strait or in the Australian Bight. Her cargo of one tonne-plus logs had shifted and some had already been lost overboard. Why did AMSA consider it safe to then allow the ship to sail out of Fremantle without resecuring at least the deck of logs?

Mr Davidson—The vessel in question, as I understand it, was departing from Tasmania. It was going on an overseas voyage. As you say, it had a shift of cargo logs while it was crossing the Bight. The ship went into Fremantle at the request of AQIS because it was intending to restow. I am not aware that any logs were lost overboard. In fact, our understanding is, and from the inspections that were undertaken, that the cargo was still contained within the securing arrangements, even though the cargo had shifted.

Senator O'BRIEN—It was hanging off the boat, wasn't it?

Mr Davidson—It could look dramatic in certain circumstances.

Senator O'BRIEN—Could look dramatic!

Mr Davidson—It depends on where the photograph was taken from.

Senator O'BRIEN—The logs were sticking out of the side of the ship. I saw this thing on the television.

Mr Davidson—It was inspected by AMSA surveyors, it was inspected by class society and, I would hazard a guess, probably four or five different technical experts had a look at it. It was our judgment that the vessel was safe to proceed to Bunbury—indeed, it did so safely—where the cargo was restowed, rectification of the problem associated with the shifting cargo was repaired and the vessel proceeded. Regarding the question of whether it was safe or not to go, we put one constraint on its transit from Fremantle and that was that it would be in essentially calm conditions and it made the transit successful.

Senator O'BRIEN—Certainly loss of logs of that size off a vessel around populated areas would pose a serious risk to other ships, pleasure craft, ferries et cetera.

Mr Davidson—All of that was taken into account when making the decision to let the vessel proceed. We are very conscious of those sorts of risks. We looked at it very carefully.

Senator O'BRIEN—Why couldn't the cargo have been reordered and resecured in Fremantle, instead of allowing it to sail to another port for that purpose?

Mr Davidson—I understand that there was over a week's day waiting for suitable resources to undertake the restowing in Fremantle. The operator requested the shift to Bunbury where they could do it promptly. Our focus was on ensuring that that transit was safe, at no risk to the crew, at no risk to Australian waters or anybody else.

Senator O'BRIEN—What observations were placed upon the vessel to ensure that no logs were lost overboard in the vicinity of Fremantle or Perth?

Mr Davidson—The vessel was inspected for the manner in which the logs were then secured, which suggested that it was okay, and we said that the voyage should be undertaken in fair weather.

Senator O'BRIEN—So you didn't look at it? You didn't watch to see that nothing happened?

Mr Davidson—In what sense?

Senator O'BRIEN—I do not know—place someone on board as it travelled to make sure that the load was secure.

Mr Davidson—No. We judged that the professionalism of the crew was such that they did not want to have any further incidents themselves and we were confident that they understood what they had to do and, in fact, did. They carried it out.

Senator O'BRIEN—So far as you are aware. You do not know whether anything slipped off in the carriage to Bunbury, do you?

Mr Davidson—There were no logs lost in transit.

Senator O'BRIEN—How do you know that? They told you?

Mr Davidson—I am assured there were no logs lost.

Senator O'BRIEN—They told you that they did not lose any?

Mr Davidson—Absolutely. And I believe them.

Senator O'BRIEN—I certainly hope that you are absolutely right. The *Iran Takhti*, an Iranian owned and crewed vessel, sailed into Port Alma around 5 October this year, carrying ammonium nitrate. An AMSA inspection revealed some 35 defects, at least 10 of which were serious. I understand that the ship also had serious quarantine issues, such as birds' nests in the hold and corn within the ammonium nitrate bags. Are you aware of this vessel, Mr Davidson?

Mr Davidson—Yes, Senator, I am. We were concerned about the vessel when we were notified of its impending arrival at Port Alma. We in fact boarded the vessel before it was allowed to berth and carried out an inspection in relation to its fitness to undertake the operations that it was intending to do. We had had prior indications that the operator had requested shore based equipment in order to undertake the unloading of the vessel because there were concerns about the on-board equipment. We detained the vessel where it was and insisted on certain measures being taken in relation to the operation of it. In the event, we had something like 40 safety deficiencies and some minor defects and some other major defects on the ship's fire suppression system.

We were also concerned about their general failure to maintain the ISM Code, which is the International Safety Management Code standards. When we did allow it to proceed to berth and to start unloading, the Australian Quarantine and Inspection Service detected the things that you are talking about and I think it took something like a month for it to unload and so on. We have followed up with the charterer and the cargo owners and indicated that we are seriously dissatisfied with the approach that they have taken in selecting tonnage of that quality to come to Australia.

Senator O'BRIEN—Did they have to unload the ammonium nitrate before they could carry out any hot repairs on board?

Mr Davidson—I am not sure of the details of what then happened, but I think the vessel spent a month while special cargo handling arrangements were undertaken to satisfy the quarantine inspection requirements, particularly as the cargo was contaminated with vegetable and other matter from overseas.

Senator O'BRIEN—Was AMSA placed under any pressure to let the ship sail elsewhere for repairs?

Mr Davidson—In relation to ships generally?

Senator O'BRIEN—This ship; this one in particular.

Mr Davidson—Not that ever came to my notice.

Senator McEWEN—I would like to ask some questions about occupational health and safety in the maritime industry. Can you tell me how much money AMSA spent on occ health and safety in performing its inspectorate functions under the Occupational Health and Safety (Maritime Industry) Act 1993 for the period 2004-05?

Mr Davidson—I do not think I have that detail with me. But I can say that we combine our flag state responsibilities and inspections back to back with our OH&S inspectorate functions. We are responsible for inspecting Australian owned ships that are flagged under Australia's flag and, as part of that regime, they have an international safety management system. They have various other requirements on them—international codes of practice and so on—and they have a requirement to comply with the Seafarers Occupational Health and Safety Act as well. We roll all of that into the same activity.

We have, however, in the past six months or so—and I can come back with some details, if you like—carried out a specific OH&S inspectorate function, so that every vessel within Australia that is flagged in Australia has had an inspectorate activity by an AMSA surveyor in relation to its OH&S requirements. The groups of vessels that we inspect are those that fall within AMSA's jurisdiction. There are some issues at the moment associated with precisely how far that seacare legislation reaches.

In the interim, with the agreement of the Seacare Authority we are going to continue to inspect those vessels that fall within the AMSA jurisdiction, in the knowledge that other vessels fall under state jurisdictions and they are being regulated and have inspection and insurance regimes under the various state counterpart legislation.

Senator McEWEN—You cannot identify how much you actually spent under your obligations under the OHS(MI) Act?

Mr Davidson—Not directly. We do not identify out the dollars spent on OH&S activity as opposed to a general safety inspection which will go to cargo matters, equipment and general operating procedures. We combine all of that with the OH&S regime. Intrinsicly, they are intimately intertwined. The whole regime is built around ensuring that the vessel is safe—safe to operate, safe in terms of its operation and the procedures and so on—so we cannot say that is an OH&S inspectorate function for Seacare Authority as opposed to AMSA's requirements for ISM Code compliance. We cannot distinguish the two.

Senator McEWEN—Do you have any criteria that AMSA uses to ensure that you do meet your obligations under the OHS(MI) Act specifically?

Mr Davidson—Yes, we do. We have comprehensive instructions for surveyors. Those instructions cover all aspects of surveyors' requirements when they are making an inspection of a vessel. They are comprehensive and they are all documented.

Senator McEWEN—You have the criteria but you do not allocate anything specifically in your budget towards ensuring that the criteria are met?

Mr Davidson—We inspect all Australian flag vessels every six months at least and we inspect other vessels more frequently. Arguably, in terms of OH&S compliance the shipping industry in Australia is the most inspected workplace you could find.

Senator McEWEN—How much would you spend on occupational health and safety obligations overall?

Mr Davidson—We can give you that information in terms of inspections on Australian flag vessels. We can tell you how much time we spend on that.

Senator McEWEN—And can you provide us with the criteria that you referred to earlier?

Mr Davidson—We can, yes.

Senator McEWEN—Would it be possible to give us the amount of money you spend on making sure that each of those criteria is met, the amount you spent in the previous financial year and what you have budgeted for in the coming financial year to ensure that those criteria are met? I cannot see that there is any allocation for your responsibility under the OHS(MI) Act at all in your PBS statements.

Mr Davidson—No, that is right, because our flag state responsibility inspections are a complete package of inspections in relation to the safe operation of the workplace and, of course, environmental risks as well, so we will be inspecting these ships to ensure that they are a safe workplace, that they are safe in their operation, safe in cargo operations and safe in terms of environmental protection.

Senator McEWEN—You mentioned earlier in your comments, Mr Davidson, that there are a few issues that need to be looked at at the moment. Do you think that those issues have arisen because AMSA does not identify its responsibilities specifically under the OHS(MI) Act? Is it that some things have fallen off the radar?

Mr Davidson—No. I think that our OH&S inspection regime is at world's best practice. I think that the record of the Australian shipping industry, which has recorded no deaths for a number of years now, reflects the fact that the performance of that industry at the absolute level is pretty good. I have to say that in terms of workplace injuries it is not performing as well as I would like. However, intrinsically it is a very dangerous workplace: big equipment, a platform that is moving and unstable, and people are doing an amazing amount of difficult work in a very difficult work environment. When you take those sorts of criteria into account I think the Australian industry in world terms is exemplary in its performance. When you compare it with clerical workers and other industries, yes, we do not stand out that well, but I think the attitude to the work, the preoccupation with and the appropriate concentration on a safe workplace is a good outcome. The Seacare Authority this year has reported a significant improvement after a couple of years of quite static performance. I think that that is part of refocusing and looking for continuous improvement, and we are getting there. I think that it is a good effort all round.

Senator McEWEN—Is it the case, though, that both the Seacare Authority annual report and the *National Comparative Performance Monitoring Report* show that there were some deficiencies in OH&S performance?

Mr Davidson—No. I just alluded to that. We are always pursuing improvement as fast as we can. The workplace is a very risky workplace and I think that that needs to be taken into account. It is very difficult to have a fair comparison. Let us not forget that this workplace is also the home for seafarers as well and they are there 24 hours a day, so you have an intrinsically different work environment compared with a lot of the other agencies that are in the national comparator. I think that when those are adjusted—and we are still having debates about ‘statistics and statistics’—the outcomes will show that improvements are taking place. We are looking for continuous improvement, we want improvement, and I think it is something that everybody is focused on.

Senator McEWEN—I would hope so. Did AMSA extend the provisions of occupational health and safety services to align with the coverage under the OHS(MI) Act as determined by the Chief General Counsel’s advice to you, the CEO of AMSA, in November 2004?

Mr Davidson—The advice as I best recollect it—and I do not have it in front of me—suggested that the legislation as drafted could be interpreted in any number of ways. AMSA has been charged unambiguously by this parliament in relation to the coverage of its responsibilities and we are focusing on ensuring that that is the group of seafarers that we cover. The question of whether the legislation could be read in another fashion—which is the tenor of the legal advice we have had, which said that essentially it is possible that a court could read it more widely—we believe is a matter that needs to be addressed by the policy department as a matter of urgency, as advised by the Counsel.

Senator McEWEN—You are saying that you do not necessarily agree with the advice that you received from the General Counsel of the Australian Government Solicitor’s Office, Mr Henry Burmester?

Mr Davidson—No. The advice, as I recollect it, was that the legislation could be read wider than the intended interpretation that we believe from all the evidence that we have, in terms of parliament, for our coverage. We have been inspecting this group now for a number of years, based around the original establishment of the legislation. The Seacare Authority has presided over this activity. As a result of a court decision in relation to the coverage, it appeared that the court read a wider coverage than was intended and we then got the Counsel’s advice, who said the coverage could be, essentially, any commercial ship within Australia’s jurisdictions, but that is a possibility, not an actuality. So we remain inspecting those vessels that we were set up to inspect, which we are funded to oversight from a regulatory sense. We do not at this stage intend to change that, and I think the policy departments are clear about where it all sits and are taking action now to resolve the issue that has been identified.

Senator McEWEN—What action is that?

Mr Davidson—They have had a review of—

Senator McEWEN—Who are you consulting with about that?

Mr Davidson—I am not consulting with anybody. AMSA’s responsibility is the inspectorate. It is called up in the Seacare legislation, and we carry out the function of the inspectorate in relation to those vessels that the intent of parliament was that we inspect. The counsel has identified a wider interpretation and suggested urgent correction be made, and the

Department of Employment and Workplace Relations and the Department of Transport and Regional Services are in discussion around how to correct that and come up with the appropriate description that will cover the vessels that they, from a policy perspective, would like the inspectorate to cover.

Senator McEWEN—When do you expect that to be resolved?

Mr Davidson—That is a matter that will be determined by the ministers involved with the legislation. I would like it resolved as quickly as possible. It is a question for parliament and getting the legislation sorted out.

Senator McEWEN—I assume that, if it is resolved to give broader coverage, you will need budgetary assistance to ensure that the inspectorate is able to fulfil its requirements.

Mr Davidson—Yes. This is all funded under the regulatory functions levy. That levy applies to certain classes of vessels that come under AMSA's oversight. If a wider class of vessels comes under our inspectorate function, the industry that pays that levy will be saying, 'We're not going to pay for it,' or, 'We don't want to pay for it,' and therefore a question of how it gets paid for will be addressed at the same time.

CHAIR—Thank you very much for that. You can go home!

Mr Davidson—Thank you, Senator.

[8.37 pm]

CHAIR—We now turn to Regional Services. I will ask Senator O'Brien to ask you a few gentle questions.

Senator O'BRIEN—Dr Dolman, when were you acting executive director of regional programs?

Ms Page—Senator, the position of executive director has been vacant since Ms Riggs went to AusLink. We are in the process of filling that position and it should be finalised shortly.

Senator O'BRIEN—Is Dr Dolman acting—

Ms Page—Dr Dolman is currently acting in the position, yes.

Senator O'BRIEN—When was he appointed to that acting position?

Ms Page—He and Ms Karen Gosling have been alternating in the role since Ms Riggs went to AusLink, which I think would have been late July or early August.

Senator O'BRIEN—What does alternating mean? Week-about, day-about, month-about?

Ms Page—It has been month-about. In recent times, Dr Dolman has done a slightly longer stint, as Ms Gosling has had some family issues to deal with. That is why she is not here tonight.

Senator O'BRIEN—When will the permanent position be filled?

Ms Page—I would imagine within the next month.

Senator O'BRIEN—The revised budget estimate for regional partnerships in 2004-05 shown on page 53 of the 2004-05 PAES is \$103,431,000. The annual report records actual expenditure of \$94,967,000.

Ms Page—That is correct.

Senator O'BRIEN—Given the frenetic spending activity during the financial year 2004-05, why couldn't you manage to spend that last 8.2 per cent?

Ms Page—Perhaps if I go back a bit, the appropriation as at 2004-05 budget was \$90.8 million. That was revised at additional estimates—2004-05—to \$103.4 million, which reflected election commitments. The estimate of expenditure was revised down at budget to \$86.9 million because at that stage that was the estimate that both DOTARS and Finance agreed was the likely level of expenditure. DOTARS in fact overspent against that estimate of \$86.9 million to the tune of \$94.96 million, and that reflected a late grant which was made to a sugar cogeneration project.

Senator O'BRIEN—It is a bit like tidal movement, isn't it? It ebbs and flows.

Ms Page—That tends to be the nature of expenditure, yes.

Senator O'BRIEN—In some areas it is and in some it is not. In some it is very manageable. You say that you ended up revising the expected expenditure downwards and then exceeded that. So between May and 30 June—

Ms Page—There was one large grant, I think, of \$6 million which contributed significantly to that gap.

Senator O'BRIEN—Which was not in contemplation early in the year?

Ms Page—At the time the estimate adjustment was done, it must have been assumed that grant would not be paid in the 2004-05 financial year.

Senator O'BRIEN—On the same page, sustainable regions revised budget estimate is \$33.444 million. The annual report records actual expenditure of \$22.609 million. Why the difference there?

Ms Page—I think the level of projected expenditure was not able to be achieved in relation to that program.

Senator O'BRIEN—A third of what was expected to be spent was not spent. Is there any explanation that you can proffer?

Ms Page—Mr Elliott may be able to provide more detail, but it is a program with typically larger grants, so it could well have been that some grants which were expected to be paid were not.

Mr Elliott—It would be fair to say, as we have pointed out in previous hearings, we often have delays in relation to a lot of the expenditure around these programs—around the projects—and that accounts for the majority of this funding.

Senator O'BRIEN—No particular project, is it?

Mr Elliott—No.

Senator O'BRIEN—It is a variety of projects?

Mr Elliott—It is a variety. In the case of sustainable regions, there is a large number of projects that, as we have said before, often face difficulties, particularly in the construction field, where you are dealing with builders, seasonal weather and so forth.

Senator O'BRIEN—There was not too much rain in the first half of the year?

Mr Elliott—Probably not, Senator.

Senator O'BRIEN—Are the special opportunity notional allocation guidelines for procedures, or however you want to describe them, still in operation?

Ms Page—They are, Senator.

Senator O'BRIEN—Does someone have a copy of the current guidelines here today? I want to find out if they have been revised since March 2004.

Mr Dolman—I do not have a copy with me but I can advise you they have not been revised since that date.

Senator O'BRIEN—The March 2004 guidelines provide that a notional allocation of funds will be established for SONA each year. Can the committee be advised of the notional allocation for both 2004-05 and 2005-06?

Mr Dolman—As you are aware, this is a notional allocation. It was framed at the time when we were providing notional allocations for all ACCs. We have moved away from that model, so there has not been a specific notional allocation provided for SONA projects in either of those years. As the procedures say, there is a figure of I think \$3 million that is referred to.

Senator O'BRIEN—As an example only? There is a table headed 'Example for 2003-04'. Is that what you are referring to?

Mr Dolman—That is what I am referring to.

Senator O'BRIEN—Apart from that, these guidelines have not been active in terms of establishing a notional allocation for the previous or the current financial year?

Mr Dolman—That is correct.

Senator O'BRIEN—The March 2004 guidelines provide that the Parliamentary Secretary to the Minister for Transport and Regional Services is the delegate for approval of SONA procedures. Now that Ms Kelly is lending her administrative acumen to the veterans affairs portfolio, who has carriage of SONA? Is it Minister Truss or Minister Lloyd?

Ms Page—The issue has not arisen at this stage.

Senator O'BRIEN—The issue has not arisen since the election?

Ms Page—There have been no projects approved under the SONA arrangements in this financial year.

Senator O'BRIEN—Were there any SONA projects approved subsequent to 31 December 2004?

Mr Dolman—I am sorry, Senator, I do not have any material that has dates against the approvals. I can take that on notice but I do not believe there has been any.

Senator O'BRIEN—The details of SONA projects to 31 December 2004 were provided to the recent Finance and Public Administration Committee inquiry. Have there been any subsequent to those, or is that the list you have there?

Mr Dolman—No. That is the complete list.

Senator O'BRIEN—In February this year the department disclosed that between 1 July 2003 and 31 December 2004 there were 17 occasions where ministers rejected the department's recommendation in relation to individual Regional Partnerships applications. To 31 December there were 11 projects approved by the minister against the department's advice, three projects rejected by the minister against the department's advice and three projects where the minister approved a higher funding amount than recommended by the department. Can you update those numbers for us, Dr Dolman? Have there been any more occasions where the minister has rejected the department's recommendation in relation to individual Regional Partnerships applications?

Mr Dolman—I will take that question on notice and provide some updated figures.

Senator O'BRIEN—Can you get the same updated figures for approvals against the department's advice, rejections against the department's advice and approvals of differing amounts than the department recommended?

Ms Page—We will take that on notice and consult with the minister on that issue.

Senator O'BRIEN—Is there any problem providing that information? Are you saying you just don't have it there or you have to check with the minister to see whether you can tell us?

Ms Page—We do not have it here.

Senator O'BRIEN—I want to discuss the status of the so-called icon projects announced by Mr Anderson during the election campaign. The funding agreement for the Buchanan rodeo park has been concluded and the department is expected to make its first payment in early June. According to the funding contract, two of three activities milestones were due for completion by 10 October 2005. Have those milestones been achieved on time?

Ms Page—In relation to the icon projects, of the six, three have been approved by the minister and have had a first payment made. That is the Buchanan Park rodeo, the Tamworth equine centre and the Hinkler Hall of Aviation. One project is currently being considered by the minister, which is the sustainable agroforestry complex. Two projects are still undergoing assessment within the department. They are the Dalby-Wambo covered arena and the Mackay Science and Technology Precinct.

Senator O'BRIEN—The Buchanan rodeo park has received a payment of \$1.9 million?

Ms Page—It has received a first payment. I do not have the level of funding here.

Senator O'BRIEN—Are the payments specified in the contract?

Ms Page—I would imagine so. We can get back to you on that, if you like.

Senator O'BRIEN—I have a copy of the contract here. It says that \$1.936 million was proposed to be paid by 20 May on the design documentation approvals, tenders, external landscaping and buffer works.

Ms Page—Unless something has altered, I would assume that that is the level of payment. We can check that and get back to you, Senator.

Senator O'BRIEN—And \$2.2 million towards the Tamworth equine centre?

Ms Page—A first payment has been made to the Tamworth equine centre, so again, unless something has altered, I would assume that is the level of the payment.

Senator O'BRIEN—It was described in the contract as an advance payment. The proposed payment due date was 27 May. Was it paid this financial year or last?

Ms Page—It was made on 9 June 2005.

Senator O'BRIEN—It was \$2.2 million?

Ms Page—It does not say.

Senator O'BRIEN—Can you tell us whether any licence approvals were obtained or costings prepared for the Tamworth equine centre project before the first payment was made?

Ms Page—We do not have that detail with us. We can take that on notice.

Senator O'BRIEN—Perhaps you can also let us know on notice whether the proponent lodged a progress report on or before 30 September 2005. Do you have any idea of the current state of the project?

Ms Page—I do not think that we have any reason to assume that it is falling behind. It is currently on track, expected to be completed by the end of 2006.

Senator O'BRIEN—Has the risk assessment in relation to Bert Hinkler Hall of Aviation been concluded?

Mr Dolman—Sorry, Senator, I do not have that level of detail. I would have to take that on notice.

Senator O'BRIEN—I have some other questions that I will put on notice, in relation to that matter. You gave me some information about the Dalby showgrounds, which I think indicated that the risk assessment has not been concluded. Is that right?

Mr Dolman—Yes, that is correct. The assessment of risk associated with that project is still under way.

Senator O'BRIEN—Why is it taking so long?

Mr Dolman—My understanding is that we are still awaiting advice, some further details, from the proponent.

Senator O'BRIEN—Do you know how long you have been waiting for details?

Mr Dolman—No, I would have to take questions on the matter of detail on notice.

Senator O'BRIEN—In the May estimates, 24 May, Ms Riggs says, 'The upgrade of the Dalby showgrounds is still in assessment.' We are now almost in November.

Mr Dolman—That is correct and it is still under assessment.

Senator O'BRIEN—Can you provide on notice a chronology of events in the assessment of that project?

Mr Dolman—Yes, Senator.

Senator O'BRIEN—Has the risk assessment in relation to the RM Williams centre been completed?

Ms Page—Yes, I understand that it has.

Senator O'BRIEN—Has the minister granted final approval for this project?

Ms Page—Not yet.

Senator O'BRIEN—Is there a reason?

Ms Page—It is under consideration.

Senator O'BRIEN—Was the risk assessment completed recently?

Ms Page—I do not know the date that the risk assessment was completed.

Senator O'BRIEN—Perhaps you could let us know when that occurred and, if there has been any delay, whether there is any reason for the delay in approval. When was a business plan for the Mackay Science and Technology Centre lodged with the department?

Mr Dolman—We are still waiting for a business plan on that project.

Senator O'BRIEN—That is basically the same answer we got in May; so, more than five months hence, we are still waiting.

Mr Dolman—That is correct. It is taking them some time to provide that information.

Senator O'BRIEN—How much money do they stand to receive?

Mr Dolman—Eight million dollars is the election promise.

Senator O'BRIEN—Do you know when we first asked for the business plan?

Mr Dolman—I presume it was shortly after the election.

Senator O'BRIEN—When you receive a business plan, have you got to conduct a risk assessment?

Mr Dolman—We are working with the proponent and the ACC is also involved in working with the proponent. We are doing the risk assessment concurrent with that but there will be additional assessment of risk once we receive the business plan.

Senator O'BRIEN—I want to ask some questions about the Newman town centre project, particularly that on 16 September last year the department identified seven serious deficiencies with the Newman town centre project's second application for funding under the Regional Partnerships Program. So serious were those deficiencies that the department said it would consider the application withdrawn if the issues were not addressed.

Mr Dolman—I do not think that is a correct characterisation of the letter that was sent by the department to the proponent. It was actually a form letter and all those form letters that essentially are seeking additional information from the proponent have that standard paragraph that suggests that if the information is not provided in a timely way we will consider the project withdrawn. It is an incentive to proponents to provide information in a timely way.

Senator O'BRIEN—Was this posted on 16 September?

Mr Dolman—That is my understanding: that there is a letter dated 16 September. As I said, the seven matters that were raised were not limitations of the projects. They are seven

points where the regional officer who was undertaking an assessment at the time was seeking additional information on the project.

Senator O'BRIEN—Was a response to this letter received before the Prime Minister announced the grant on 17 September?

Mr Dolman—No.

Senator O'BRIEN—Had those seven deficiencies been addressed by 17 September?

Mr Dolman—I just said that they were not deficiencies. They were areas where the assessing officer was seeking additional information. The assessment ceased the next day, which was the day that the Prime Minister announced this as an election commitment.

Senator O'BRIEN—What did you say then?

Mr Dolman—The assessment under Regional Partnerships ceased the next day because this project was announced as an election commitment.

Senator O'BRIEN—So there was no reply from the East Pilbara Shire to that letter?

Mr Dolman—My understanding is that there was a reply received. However, there was no action taken on the reply because the project was subsequently treated as an election commitment.

Senator O'BRIEN—Did the Prime Minister seek information from the department about this project before his funding announcement?

Ms Page—I do not know that it is appropriate for us to discuss the policy issues surrounding election commitments made by the government.

Senator Ian Macdonald—No, it is not.

Senator O'BRIEN—I did not ask for policy issues. I asked whether he sought information about this project. That is not a policy issue. It is a matter of administration.

Ms Page—This project was being assessed in the normal way as a Regional Partnerships project. That process ceased when the project became the subject of an election commitment.

Senator O'BRIEN—That is not the question that I asked. I asked, 'Did the Prime Minister seek information from the department about the project?'—not what was disclosed, but whether information was sought by the Prime Minister.

Senator Ian Macdonald—I doubt that the Prime Minister would have rung the department.

Senator O'BRIEN—Well, his staff for that matter, yes.

Senator Ian Macdonald—I would assume that if he wanted information he would get it from the relevant minister.

Senator O'BRIEN—Is that a 'No'? Does that mean that the answer to my question is, 'No'?

Ms Page—I have no knowledge of the Prime Minister contacting the department. But as the minister has indicated, I would not expect him to.

Senator O'BRIEN—Can you take that on notice, just in case your expectation is wrong?

Ms Page—Very well.

Senator O'BRIEN—Today in question time Mr Howard made reference to Bluescope Steel's contribution to the project. What was that contribution?

Ms Page—The total cost of the project is \$105.8 million, made up of \$55,000—sorry, \$105,880, made up of \$55,000 from the Australian government, \$50,000 from the Shire of East Pilbara and \$780 from BHP Billiton.

Senator O'BRIEN—There was momentary elation in the East Pilbara!

Ms Page—I am sorry to have raised the expectations of Newman unnecessarily!

Senator O'BRIEN—In all of the excitement, I am sorry, what was BHP Billiton's contribution?

Ms Page—Seven hundred and eighty dollars.

Senator O'BRIEN—It hardly bears thinking about in that context! According to the funding contract between the department and Primary Energy, the company was due to receive a further payment of \$155,100 on 1 August 2005. Was that payment made?

Ms Page—A fourth payment of \$155,100 was made on 26 August 2005, after the next milestone was met.

Senator O'BRIEN—Am I correct in saying this is milestone 3 in the contract?

Ms Page—That was the fourth payment.

Senator O'BRIEN—Yes.

Ms Page—But I think that is the third milestone, yes.

Senator O'BRIEN—During the Senate regional funding inquiry relating to the intervention of a senior adviser to former Minister Anderson in the departmental assessment of the grant application, Dr Dolman confirmed that he had received a letter from Mr Anderson's adviser but later changed his mind. Have you had an opportunity to reflect on your previous evidence in relation to this matter? Is there any aspect of it that you would like to clarify now?

Mr Dolman—No, Senator.

Senator O'BRIEN—What would you say to a suggestion that Mr Langhorne's letter did not find its way to the department directly but was appended to the letter from Minister Campbell in July last year, directing that the application be progressed?

Mr Dolman—I do not think that there was anything appended to the letter from Senator Campbell.

Senator O'BRIEN—Are you able to check the file?

Mr Dolman—I will take that on notice and check the file, yes.

Senator O'BRIEN—Where is the Primary Energy file now located?

Mr Dolman—I think it is in the filing cabinet in my office.

Senator O'BRIEN—Is there any reason why we could not know the answer to this question tomorrow morning?

Ms Page—We will examine the file and get back to you.

Senator O'BRIEN—I appreciate that. Is there any reason why it would not be something that we could get a quick answer on tomorrow?

Mr Dolman—The practicality is that it would take several hours to look through the file.

Senator O'BRIEN—It must be a big file.

Mr Dolman—There are a number of parts to the file, yes.

Senator O'BRIEN—In the light of the Primary Energy experience, has the practice of ministers and their advisers intervening in departmental assessment procedures ceased?

Ms Page—Advisers do not have a role in the assessment of projects. The minister is the decision maker.

Senator O'BRIEN—There was no doubt about the intervention of Mr Anderson's adviser; in fact, he admitted it on the public record.

Senator Ian Macdonald—I think the response is that with these things it is the minister that makes the decision, not the department. The department gives advice and the minister makes decisions. Naturally, the minister would take his own advice as well.

Senator O'BRIEN—I was asking about the assessment procedures of the department and the involvement of ministers and their advisers intervening. I was asking had that process ceased, or is it continuing?

Ms Page—The way in which the program operates is that the department makes recommendations to the minister and the minister is the decision maker.

Senator O'BRIEN—Does that mean that there is a role or there is not a role for ministers and their advisers in the assessment process?

Ms Page—There is no formal role for advisers of ministers.

Senator O'BRIEN—Given that there is evidence of Mr Langhorne taking it upon himself to communicate with the department about an assessment process, what I am asking is, has there been any change in procedures or determination which suggests that that will not happen in the future?

Ms Page—I am not aware, based on the evidence before the Senate inquiry, that an adviser to Minister Anderson directed the department to undertake a particular form of assessment, nor would it have been appropriate for the department to have followed the direction of an adviser.

Senator O'BRIEN—They are interesting words but, of course, they were not the words that I used. I asked if they had intervened, not made directions.

Ms Page—There is a role for advisers in advising ministers, as the minister indicated. Those advisers do not have a role in determining the recommendation that the department makes in relation to a particular project.

Senator O'BRIEN—That was probably the position before, so I take it that nothing has changed. Is that right?

Ms Page—I do not believe, as I indicated, that there has ever been a role for advisers.

CHAIR—Thanks very much.

Proceedings suspended from 9.14 pm to 9.36 pm

Senator O'BRIEN—Could you, Ms Page, remind me of what the agroforestry icon project was?

Ms Page—That is the project which we indicated was under consideration.

Senator O'BRIEN—Where is it based?

Ms Page—In Eidsvold.

Senator O'BRIEN—What does it entail? What is involved in the project?

Ms Page—I will defer to some of my colleagues.

Dr Dolman—Senator, you may know this as the Reginald Murray Williams Australian Bush Centre. It is a \$4 million project over three years, essentially to preserve the memory of RM Williams. It also includes a mix of sustainable hardwood agroforestry and bush tourism.

Senator O'BRIEN—When did it become the agroforestry project?

Dr Dolman—The full name that we have is the Eidsvold Sustainable Agroforestry Complex, incorporating the Reginald Murray Williams Australian Bush Centre.

Senator O'BRIEN—Thanks for clarifying that. Any further progress on the Beaudesert Rail project?

Ms Page—There has been no change since the Senate inquiry.

Senator O'BRIEN—On 15 July last year the then parliamentary secretary De-Anne Kelly approved a \$220,000 grant to establish a resource centre and office accommodation in Hopetown in the shire of Ravensthorpe in Queensland. How is that project proceeding?

Dr Dolman—I do not have the details with me but my understanding is that project is yet to be contracted. There are still details to be sorted out.

Senator Ian Macdonald—The shire of what?

Dr Dolman—Ravensthorpe.

Senator Ian Macdonald—I do not think that is in Queensland. I think that is in WA.

Senator O'BRIEN—I might be thinking of Ravenshoe.

Senator Ian Macdonald—Ravenshoe and Ravenswood are both in Queensland but they are not shires. They are towns.

Senator O'BRIEN—Ravenswood is in a few places, including Queensland.

Senator Ian Macdonald—Yes.

Senator O'BRIEN—There is still no money expended, obviously; no contract, no money?

Dr Dolman—That is correct.

Senator O'BRIEN—On the question of rural transaction centres, in the last few minutes of the May estimates hearing Mr Yuile tabled a list of rural transaction centres that had been approved but were not operational. The information he tabled advised that funding under the rural transaction centre reserve could only be accessed until 30 June 2005. He said:

A small number of groups may not complete their RTCs under this Programme.

How many approved RTCs were ultimately denied full funding under the program?

Dr Dolman—I understand there are two projects that did not use all the money that was allocated to them in that time, and there were two further projects that withdrew their claim against the funds that were previously allocated.

Senator O'BRIEN—Can you identify them?

Dr Dolman—The two that did not require all of the money are Captains Flat in New South Wales and Dunedoo in New South Wales. Between them it was less than \$10,000 that they did not require. The two that withdrew from the program were Aurukun in Queensland and Jigalong in Western Australia.

Senator O'BRIEN—Can you outline for me the quantum of funding under the textile, clothing and footwear community assistance element of the Regional Partnerships Program?

Dr Dolman—There is no specified amount under that element of the program. We have an arrangement in place with the industry department that provides funding for any projects that are needed and to fund it through Regional Partnerships.

Senator O'BRIEN—They provide the funds. It doesn't come out of the Regional Partnerships funding?

Dr Dolman—That is correct.

Senator O'BRIEN—Does it come out of funds from the Department of Industry, Tourism and Resources?

Dr Dolman—That is correct.

Senator O'BRIEN—Is the assessment process different?

Dr Dolman—The assessment process is based on the Regional Partnerships project. Essentially what we are providing is a service for the industry department to allow them to access the ACCs to help develop projects in areas that have been affected by the closing down of textile, clothing and footwear companies, and also to use the Regional Partnerships application form as a means of applying for those funds. There is an additional question that is explained on the web site that requires them to demonstrate how they have been affected by an impact relating to the textile, clothing and footwear contraction in that industry.

Senator O'BRIEN—There is no cap on expenditure?

Dr Dolman—My understanding is there is an amount of money in total that is available from the industry department. I could provide the actual amount to you on notice.

Senator O'BRIEN—Thanks very much for that. Mr Macfarlane is the decision maker for those?

Dr Dolman—I will take that on notice. My understanding is there is a role for both the industry minister and for Minister Truss.

Senator O'BRIEN—Have any applications been lodged under this element of Regional Partnerships?

Dr Dolman—No, they have not.

Senator O'BRIEN—How does the department review the effectiveness of the Dairy Regional Assistance Program?

Dr Dolman—There was an evaluation of the program by Deloitte Touche Tohmatsu which was undertaken in 2004.

Senator O'BRIEN—So if I asked how many jobs were created from the grant to the Beaudesert polocrosse field, could anyone in the department tell me?

Dr Dolman—I would have to check for that particular project. Under the program as a whole, there were 2,642 full-time equivalent jobs created during the funding period, which actually rose to 3,513 full-time equivalents after the funding period for the projects. On average, for each \$50,000 it works out that there were about three jobs created in the short term and those projects went on to create a further one job, or four jobs in total, after the completion of the projects.

Senator O'BRIEN—I have been very interested in the polocrosse project. Can you get me some job numbers on that?

Dr Dolman—Yes. I can find out the details of that particular project.

Senator O'BRIEN—On the Sustainable Regions Program, in May Ms Gosling told us that in 2005-06 the department was expecting expenditure of \$48 million but just \$25 million was actually committed, which I believe means approved at that time. What is the situation now?

Ms Page—In terms of funding committed, Senator?

Senator O'BRIEN—Yes.

Mr Elliott—The spend so far for this year has been approximately \$4 million. We have commitments from October through to June of approximately \$22 million and we have approvals, but not contracted funding at this stage, of around about \$5 million.

Senator O'BRIEN—Is that \$5 million in the \$22 million?

Mr Elliott—No. That is contracted payments of roughly \$22 million and \$5 million in approvals but not yet contracted.

Senator O'BRIEN—Is the \$4 million that is paid included in the \$22 million or additional to that?

Mr Elliott—That is additional.

Senator O'BRIEN—Is it the case that the operation of the Sustainable Regions Program will end in the eight initial regions on 30 June 2006?

Ms Page—That is correct.

Senator O'BRIEN—Have any sustainable regions advisory committees sought an extension for the program beyond 30 June 2006?

Ms Page—The program has already been extended by a period of 12 months, and I am not aware that any committee has asked for a further extension.

Senator O'BRIEN—Have all sustainable regions advisory committees submitted final project recommendations to the minister?

Ms Page—The committees were required to submit their final applications for projects by today, 31 October, and I do not have any advice to indicate whether all of those have been received. This was to enable projects to be considered, approved and contracted so that money could be paid by 30 June 2006.

Senator O'BRIEN—Does the appropriation on page 32 of the 2005-06 PBS for sustainable regions in 2006-07 and 2007-08 relate solely to the new sustainable regions announced during the election campaign?

Ms Page—Yes.

Senator O'BRIEN—In relation to those two regions, have they released regional priorities?

Ms Page—They have, yes.

Senator O'BRIEN—In answer to a question on notice from May estimates, I inquired about the basis for selection of the boundary lines for the two new regions and was referred to data from 2000 or 2001. Do I correctly understand that the boundaries were determined for these two new regions based on data which was at least four years old?

Ms Page—Those latter two regions were announced as election commitments.

Senator O'BRIEN—The question was, 'I am using this process to inquire of the government the basis for selection of the boundary lines,' and the answer was, 'The government decided the boundaries for the two new sustainable regions. Information provided by the department on a number of regions included the following indicators as a possible measure of disadvantage: annual population change 1996-2001, mean taxable income 1999-2000, unemployment rate 2001 and regions that are five to 20 per cent or more below the non-metropolitan average for the index of social and economic disadvantage 2001.'

Ms Page—I understand that was the latest available data that the government would have had available to it. The regions were chosen as part of the process of announcing election commitments.

Senator O'BRIEN—So there was not any more up-to-date data at the time?

Ms Page—I do not believe so.

Senator O'BRIEN—Has the @GIS project complied with all conditions of its grant, including funding, cash and in kind?

Ms Page—It is has to date.

Senator O'BRIEN—Is the department aware of the claims of financial irregularities related to the administration of this project?

Ms Page—We have heard various allegations. There have been allegations published in the *Cairns Post* suggesting that the Queensland Audit Office was investigating the Atherton Shire Council and the @GIS project in relation to claims of inappropriate use of funds. We have been advised that the Queensland Audit Office is undertaking a routine annual financial and compliance audit of the council. This covers council's business units, which includes the @GIS project. We have made our own investigations and we do not have any evidence of misuse of government funding, and we have been assured by the Atherton Shire Council, who is the sponsor of the project, that the issues raised in the *Cairns Post* are not accurate. We are monitoring the audit by the Queensland Auditor-General and we will follow up with council if there are any issues raised in relation to that audit.

Senator O'BRIEN—This may not be the most appropriate place, but tell me if there is a better place. I want to ask about the Remote Air Services Subsidy Scheme.

Ms Page—We can answer those questions, I think, that relate to our involvement in that scheme.

Senator O'BRIEN—I only have one question really. Have officers responsible for this program received any communications from the member for Leichhardt, Mr Entsch, or from the minister's office in response to representations from Mr Entsch on Aero-Tropics and/or TransAir?

Ms Page—We are not aware of any contact. We will take that on notice.

Senator O'BRIEN—If there had been, I would like to know when, in what form, what it was about and how the department responded.

Ms Page—Certainly.

Senator O'BRIEN—During our estimates hearing in May, I asked the department whether it had learnt anything during the course of the Senate regional funding inquiry. Ms Riggs said, 'Yes, we have,' but did not really elaborate. Can you tell me what the department has learnt and outline the administrative practices that have changed, please.

Senator Ian Macdonald—We probably learnt that Senate inquiries are a waste of time and money.

Ms Page—The government is considering a response to the inquiry. I do not think it would be appropriate for the department to comment further.

Senator O'BRIEN—I take it senior officers in this section of the department have read the report?

Ms Page—I have read the report, and I assume my colleagues have.

Senator O'BRIEN—Are officers engaged in providing a response for Mr Truss's consideration?

Ms Page—I do not think that we should comment on the nature of correspondence to the minister.

Senator O'BRIEN—Has the Australian National Audit Office commenced an audit or indicated it intends to commence an audit of these regional programs to the department?

Ms Page—No, Senator.

Senator O'BRIEN—I want to ask about area consultative committees. The New England North West ACC chair, Mr Kevin Humphries, was preselected as the National Party state candidate for Barwon earlier this month. Can the committee be assured that no publicly funded ACC resources were used in the course of his preselection campaign?

Ms Page—Certainly that would be contrary to the contract that we would have with the ACCs, but we can take that on notice. He has since resigned.

Senator O'BRIEN—The web site lists him as chair, but Mr Hugh Harris as acting chair. Do you know when the resignation took effect?

Ms Page—No, I do not. We can check on that.

Senator O'BRIEN—I take it that Mr Hugh Harris is the acting chair, as the web site indicates?

Dr Dolman—I think that is correct.

Senator O'BRIEN—Does Mr Humphries maintain his position as an ACC board member or did he resign from that position as well?

Dr Dolman—I can double-check that, but my understanding is that he resigned from the board in addition to resigning as the chair.

Senator O'BRIEN—It appears that Mr Anderson's former media adviser Ms Clare Siddins has been appointed funding and programs project officer at New England North West ACC. Do you know when that took place?

Ms Page—We do not. We would not ordinarily know about appointments made by ACCs in relation to their own staff.

Senator O'BRIEN—I take it the department played no direct role in her appointment?

Ms Page—We have no direct role in the employment of staff by ACCs.

Senator O'BRIEN—Does the department have any concerns about the politicisation of the New England North West ACC?

Ms Page—I do not have any comment to make about that.

Dr Dolman—Senator, I have a little bit more information. I understand that the chair, Kevin Humphries, stood aside during the process of, or any involvement that he had during his candidacy for, the preselection. I also understand that Hugh Harris has not formally been appointed as deputy chair, that he has taken on that role, which is his normal role within the committee, but it has not been confirmed by the minister.

Senator O'BRIEN—How does the government determine funding for each ACC in this financial year?

Ms Page—That process has been described in the course of the Senate inquiry. It has not altered.

Senator O'BRIEN—Ms Riggs said in August that the government has established a key performance indicator for ACCs that requires them to achieve a minimum of four times their

operational grant in Regional Partnerships funding for their region. Is that KPI in place for all ACCs this year?

Dr Dolman—Yes, it is.

Senator O'BRIEN—Does that measure include funding awarded under the SONA principle?

Ms Page—No, it does not.

Senator O'BRIEN—Is the SONA money excluded from the KPI calculation entirely, whether you have had it or not?

Ms Page—Yes. It refers to funds generated by the ACC or projects generated by the ACC.

Senator O'BRIEN—With regard to this particular KPI, Ms Riggs said in May that some are comfortable with this measure, while others are less comfortable. Are there any reasons that you can elaborate upon as to why some ACCs are not comfortable?

Ms Page—Some of them, as I understand it, have concerns that it may cause a disincentive for them to generate relatively small projects in smaller communities that may not necessarily have job creation outcomes, such as small infrastructure projects and projects that require an enormous amount of effort by the ACC but may not necessarily deliver a large economic or jobs result.

Senator O'BRIEN—Can the committee be advised of the operational funding details for each ACC on notice, please?

Ms Page—We can provide that, yes.

Senator O'BRIEN—Has Minister Truss, Minister Lloyd or the department had any discussion with any ACC or group of ACCs about a role for them in the administration of the Connect Australia program?

Ms Page—I am not aware of that.

Senator O'BRIEN—Can you check that for us? Thank you.

Ms Page—We have not provided any formal advice that I am aware of.

Dr Dolman—I understand there has been some discussion within the chair's reference group about the Connect Australia program—I guess that is the best way of describing it—and that some ACCs have had an interest in that because they are interested in getting improved telecommunications for their regions, but there is no formal role for ACCs in that program.

Senator O'BRIEN—Minister, could you inquire of Ministers Truss and Lloyd as to whether there has been any discussion with any ACC or group of ACCs about a role for them in the administration of the Connect Australia program?

Senator Ian Macdonald—I could, yes.

Senator O'BRIEN—Thank you. And in relation to the disbursement of funds from the communications fund, will there be any role for ACCs?

Ms Page—I think you have to direct those questions to the department of communications, who would have carriage of that program.

Senator O'BRIEN—I am taking from that answer that there has been no discussion between the department of communications and this department about that matter.

Senator Ian Macdonald—There used not to be in the days when I was with this department and the Networking the Nation program was being delivered. That was done entirely by the communications department. I would assume it is the same now.

Ms Page—The delivery arrangements for that program, I think, are still at a very early stage. As I have said, you should direct those questions to the department of communications.

Senator O'BRIEN—How many applications have been received under the Rural Medical Infrastructure Fund program?

Dr Dolman—It is still early days in that program. Only three applications have been received to date.

Senator O'BRIEN—Have they been approved?

Dr Dolman—No, none of those projects have been approved. Some of them are still under assessment.

Senator O'BRIEN—In May, Ms Gosling told us the department expected 20 Bank@Post facilities to be installed by the end of June, as per the department's contract with Australia Post. The answer to REGS 19 shows—that is in answer to a question on notice—that 13 facilities were installed as at 9 June 2005. Were seven more installed by the end of the month?

Dr Dolman—Yes, 20 sites were installed by the end of June.

Senator O'BRIEN—Can we have the updated list? I have the list of 13, but not the others.

Dr Dolman—Yes, on notice we can provide the updated list. I understand that at the end of September there are now 48 post offices with the service.

Senator O'BRIEN—I would appreciate it if you could supply us with the updated list for that. The East Kimberley COAG Indigenous site was announced in July 2003, with this department as the lead Commonwealth agency. In May the department told this committee that performance indicators to monitor outcomes of the East Kimberley trial were 'a pretty vigorous work in progress'. A subsequent written answer to this committee advises that these performance indicators are still 'in the process of being developed'. When announcing the COAG trials, the government said that the initiative would be evaluated by an independent expert within two years of commencement. More than two years have passed since this trial was announced. Why has the development of performance indicators for this site been so delayed?

Mr Owen—The evaluation of the COAG trial in the East Kimberley area is being undertaken by the Office of Indigenous Policy Coordination in the Immigration, Multicultural and Indigenous Affairs portfolio. The evaluation has two stages, the first of which is being undertaken now, 2005-06, which is effectively a formative evaluation. The subsequent evaluation stage, which will be 2007 and 2008 will be summative evaluation, which is

essentially about outcomes and achievements. Key performance indicators are being established at the moment across a set of the COAG trial sites, the majority of the sites, and those are being negotiated at the moment, or finally being negotiated, with all the partners in all of those trials to keep consistency across that.

Senator O'BRIEN—I am not entirely clear from that answer why there is a delay.

Mr Owen—The process has been one of ensuring that there is consistency across the trial sites. I think that is what has determined the timing with various sites at different stages. The Office of Indigenous Policy Coordination have taken responsibility across those sites.

Senator O'BRIEN—Is this something that has occurred since the May estimates and the answer on notice from it?

Mr Owen—The more comprehensive approach across the sites certainly has developed further since the May hearings.

Senator O'BRIEN—When will this, what sounds to be a fairly long and complex assessment process, be completed?

Mr Owen—The initial assessment will be completed in 2005-06 and a subsequent assessment two years later, which will be much more comprehensive.

Senator O'BRIEN—So sometime before the end of June 2006? You cannot be any more specific than that?

Mr Owen—I cannot, because it is, as I say, being negotiated across a range of the COAG trial sites, which are at different stages.

Senator O'BRIEN—And a final assessment after another two years?

Mr Owen—That is right.

Senator O'BRIEN—So five years in the project?

Mr Owen—Yes.

Senator O'BRIEN—When does the trial end?

Mr Owen—The initial commitment to the COAG trials was not a defined period commitment.

Senator O'BRIEN—How many officers are currently working on the East Kimberley trial site?

Mr Owen—There are some part-time arrangements involved and I would prefer, if I could, to take that on notice.

Senator O'BRIEN—Thanks for that. Departmental expenditure on the East Kimberley trial site in 2004-05 was \$646,336 to 29 April. Estimated actual expenditure by the department was \$1.147 million. What was the total expenditure for 2004-05?

Mr Owen—Total expenditure for 2004-05 was \$1,027,181.

Senator O'BRIEN—Can we get a breakdown? How was that expended?

Mr Owen—Yes. In terms of salaries and operational expenses, that totalled \$679,621, made up of \$169,819 for Halls Creek based staff and operations and \$509,802 for Canberra based staff, and projects directed into the site of \$347,560.

Senator O'BRIEN—When you say 'projects', they are things happening on the East Kimberley site?

Mr Owen—I would classify the majority of the activities in that total as relating to things happening in the COAG trial site, and in particular the Halls Creek based operation as being a very significant factor in that.

Ms Page—That is just the DOTARS own expenditure. That does not include other expenditure which DOTARS coordinated as part of the whole-of-government exercise.

Senator O'BRIEN—Do you know the total expenditure of all agencies?

Mr Owen—In terms of the total quantum of investment into the area, we do not have those figures.

Senator O'BRIEN—From the figures that you have just given us, there is about \$120,000 underspend for 2004-05. Have those unspent funds been rephased to 2005-06.

Mr Owen—All of the expenditure on the COAG trial site is departmental expenditure and not formally phased. It is notional allocations.

Senator O'BRIEN—What precisely does that mean? Not phased, is it?

Ms Page—Senator, we do not have to apply to the budget process to move those funds. They return to the department and we can continue to retain those funds and reallocate them as we see fit.

Senator O'BRIEN—Thank you for that. The expenditure you have just outlined seems to roughly break down into 50 per cent of the expenditure for Canberra based staff and depending on the nature of the \$347,560 expended on projects, about the same in the regions. Can you tell me how this is Indigenous expenditure?

Mr Owen—Expenditure on the COAG trial by DOTARS meets the classification of Australian government Indigenous expenditure as established by OIPC.

Senator O'BRIEN—So as long as it is allocated to this pot of money, it meets the OIPC guideline?

Mr Owen—That is correct.

Senator O'BRIEN—Thank you for that. In May Ms Riggs told us the department had made no decision about whether it would support CrocFest in 2005-06. According to Ms Riggs, a decision was dependent on the outcome of an audit by the Department of Finance and Administration. Can you tell us what the outcome of the audit was and how or if it has influenced the department's decision on CrocFest funding?

Dr Dolman—My understanding is that the audit is yet to be completed, so we are still waiting for the completion of that audit before we take a decision.

Senator O'BRIEN—When is CrocFest scheduled to be held?

Dr Dolman—We are unsure when the next CrocFest is, Senator.

Senator O'BRIEN—Are we able to be assured that a decision will be made in time for the organisers to take that into account?

Dr Dolman—As you are aware, CrocFest is a whole-of-government activity that is coordinated at the moment through the Department of Health and Ageing. My understanding is that all departments would be in the same situation awaiting this audit before they take a decision. Our expectation is that the audit would be completed in time to make a timely decision on further support for CrocFest. It probably would be more appropriate to ask the Department of Health and Ageing for details on that matter.

Senator McLUCAS—I have some questions about the mail contract for remote areas; I am not sure of the name of the program. Someone suggested it might be called RAS, but I do not know what RAS stands for. In particular I am interested to know which company won the contract for the Cape York mail run.

Ms Page—Lip-Air Pty Ltd trading as Aero-Tropics won that part of the tender.

Senator McLUCAS—When was that contract agreed to and signed?

Ms Page—October 2004.

Senator McLUCAS—For how long does the contract run? If that is not readily available, Ms Page, you can just provide that on notice.

Ms Page—No, I do not have that, but I am happy to take that on notice.

Senator McLUCAS—Is it true to say that the Cape York mail run requires the operator to have an RPT approval?

Ms Page—The service is not exclusively for mail. The RAS scheme provides Australians in remote and isolated areas with access to a service for the carriage of passengers and goods including medicines, fresh food, spare parts and educational materials and Australia Post happens to utilise the RAS service to assist it in fulfilling its CSOs.

Senator McLUCAS—Thanks for that, but does the contract require the successful entity to have an RPT?

Ms Page—A criterion of the tender was that tenderers were required to demonstrate that they either hold an RPT AOC or demonstrate to the satisfaction of CASA and DOTARS that they are capable of upgrading to an RPT AOC authorising operations into and out of all specified RAS communities within a reasonable time frame.

Senator McLUCAS—Does Lip-Air have an RPT?

Ms Page—We do not have that information, Senator, and that is a question that perhaps should be directed towards CASA, but we can probably get that for you on notice.

Senator McLUCAS—Given that your contract requires an RPT or demonstration to achieve an RPT, I would have thought you would have known. I did ask CASA earlier today and no, they do not have an RPT. What actions have you undertaken between October 2004 and now to see if Lip-Air will demonstrate that they can achieve an RPT?

Ms Page—We are currently putting in place monitoring arrangements to check the progress against that criterion in the tender documentation, so we can get regular reports in.

Senator McLUCAS—So essentially we have gone 12 months without anyone checking anything about whether that company is in fact compliant with its contract?

Ms Page—I cannot comment on that, Senator. I do not know.

Senator McLUCAS—Can you find out if the department has done anything to see if there has been any move toward compliance by Lip-Air?

Ms Page—Yes, I can check on that.

Senator McLUCAS—What are the monitoring arrangements?

Ms Page—The department is proposing to write, as I understand it, to the various operators, setting in place arrangements requiring reporting.

Senator McLUCAS—So all RAS contracts?

Ms Page—Yes, presumably those that do not have an air operators certificate at the moment.

Senator McLUCAS—An AOC is different from an RPT?

Ms Page—Yes; sorry, an RPT.

Senator McLUCAS—Are you aware that as part of that process you might find out whether the 72 properties that receive mail are listed on Lip-Air's AOC?

Ms Page—I can check that for you, Senator.

Senator McLUCAS—Earlier this year in May estimates I asked CASA if the Cape York mail run was a regular public transport operation. In part this is the answer:

CASA is informed by Lip-Air that the whole capacity of the aircraft operating these flights is chartered by Cairns Business and Leisure Travel, and Cairns Business and Leisure Travel determines which passengers, cargo and mail are carried when and between what ports.

If Cairns Business and Leisure Travel are determining what mail, passengers and cargo are being carried, is that compliant with the contract that you have with Lip-Air?

Ms Page—I do not believe there would be anything to prevent the operator from contracting presumably the carriage of cargo and passengers to another operator but I can check on that.

Senator McLUCAS—Cairns Business and Leisure Travel do not have an AOC. They do not have aircraft.

Ms Page—But they might not be providing the air service.

Senator McLUCAS—Just so that you understand the arrangement, Cairns Business and Leisure Travel sell tickets on the mail run in what CASA describes as a closed charter. The point I am asking you is not necessarily about whether passengers are travelling and how they are travelling and whether these passengers are in fact rural and remote people or tourists, which is another question all over again, but your contract is about the delivery of mail and cargo into rural and remote areas. I am interested to know how the contract with Lip-Air can be compliant if they are providing the power to make decisions about what mail goes, and what mail does not, to a booking agency.

Ms Page—I can get further information on that but it seems that it could be quite possible for an operator to further contract to another organisation to assist it to fulfil its contractual obligations.

Senator McLUCAS—I would be interested to know if you have had a look at that and, in terms of this particular contract, whether that is in fact what has happened. My assessment, admittedly from a little bit away, is not that that is the arrangement. Does the contract between DOTARS and Lip-Air refer to Cairns Business and Leisure Travel?

Ms Page—I am not aware of the details of the contract but we can check on that.

Senator McLUCAS—Thank you. Is the contract for mail runs a fairly generic contract so that all other mail runs would be required to have an RPT as well?

Ms Page—I am not sure I understand the question, Senator.

Senator McLUCAS—Sorry. You have a range of contracts around Australia into rural areas.

Ms Page—There are six.

Senator McLUCAS—Is that all?

Ms Page—There are six operators with RAS contracts.

Senator McLUCAS—The contracts for each of those six require them to have RPT status?

Ms Page—The criteria are the same as I explained to you in relation to Aero-Tropics.

Senator McLUCAS—Could you tell me, on notice probably, how many of them didn't have an RPT at the time when the contract was signed?

Ms Page—Yes. I do not have that information.

Senator McLUCAS—I understand for a company to have a contract with DOTARS, or in fact any government department, it has to have some sort of quality accreditation in place. Can you tell me if Lip-Air had aviation type QA? I am sure it is called something—

Ms Page—What Lip-Air and the other five operators had to do was fulfil the eligibility criteria for the RAS tender.

Senator McLUCAS—Did that include quality assurance?

Ms Page—I think we have provided advice in questions on notice on both the tender documentation and also in terms of the assessment process for the tender.

Senator McLUCAS—Do you have the numbers with you?

Ms Page—Yes. There was question 1071 where we indicated to you that the conditions of offer for the tender stated that the department must be satisfied that offerers have the experience, technical capacity, financial management, quality system and necessary infrastructure to meet the requirements of the department. Then it said:

To assist in this regard, offerers should ensure they address the evaluation criteria.

The evaluation criteria set out how those broad requirements are satisfied. The criteria were set out in answer to question REGS 30 in the Senate Estimates session of May 2005.

Senator McLUCAS—In terms of the quality assurance that is required, it is at quite a technical level, isn't it?

Ms Page—It did not require quality assurance, Senator. It said the department must be satisfied that offerers have the experience, technical capacity, financial management, quality system. It does not require a specific quality assurance standard or system.

Senator McLUCAS—How do you assess the quality system?

Ms Page—There were probably a range of issues in relation to the bids that people put forward. They had to be able to demonstrate that they had a business plan, a budget, evidence of financial viability, the ability to conduct RAS services in accordance with sound commercial business practice. They had to demonstrate a strong aviation safety record, provide evidence of adequate insurance cover, demonstrate their operational expertise. There was a range of qualitative criteria in the tender documentation that would have contributed to that broad requirement.

Senator McLUCAS—I have been led to understand that it requires a more technical aviation type of assessment of their quality systems.

Ms Page—It does not say 'quality system', Senator.

Senator McLUCAS—Would a tenderer usually provide documentation from another entity about their quality systems as part of their tender application?

Ms Page—I do not see why that could not be accepted, provided it was relevant to the tender itself.

Senator McLUCAS—I am thinking about normal practice. I can see that any tenderer could fulfil that themselves.

Ms Page—It is difficult to generalise about tender processes.

Senator McLUCAS—All right. I might have to come back to you on that one.

Ms Page—Thank you.

ACTING CHAIR (Senator McEwen)—We will adjourn until nine o'clock tomorrow morning.

Committee adjourned at 10.36 pm