



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Consideration of Budget Estimates

THURSDAY, 30 MAY 2002

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Thursday, 30 May 2002

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

Senators in attendance: Senators Bartlett, Buckland, Cherry, Colbeck, Crane, Crossin, Ferris, Hogg, Lundy and O'Brien

Committee met at 9.05 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed from 29 May.

In Attendance

Senator Ian Macdonald, Minister for Forestry and Conservation

Corporate Governance Group

Mr Ken Matthews, Secretary

Mr Peter Yuile, Deputy Secretary

Ms Lynelle Briggs, Deputy Secretary

Information Services and Executive Services

Ms Faye Powell, General Manager, Information Services Group

Economic Research and Policy Co-ordination

Mr Tony Slatyer, First Assistant Secretary, Economic Research and Portfolio Policy Division

Business Services

Dr Leo Dobes, Acting General Manager, Business Services Division

Mr Jeremy Chandler, Chief Finance Officer

Mr John Kilner, Assistant Secretary, People and Performance Branch

Mr Giulio Cerasani, Acting Assistant Secretary, Performance Improvement in Corporate Services

Transport Group

Australian Transport Safety Bureau

Mr Adrian Beresford Wylie, Acting Executive, Australian Transport Safety Bureau

Mr Robin Graham, Director, Safety Investigations

Mr Alan Stray, Deputy Director, Air Safety Investigations

Transport Policy and Infrastructure Division

Dr Greg Feeney, First Assistant Secretary

Ms Sue Elderton, Strategic Transport Planning

Mr Gary Dolman, Logistics and Technology

Ms Judith Winternitz, High Speed Train Project

Mr John Elliott, Infrastructure Investment

Transport Regulation Division

Mr Bill Ellis, First Assistant Secretary

Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards Branch

Mr Robert Hogan, Assistant Secretary, Service Transport Regulation and Reform Branch

Ms Linda Addison, Assistant Secretary, Airport Planning and Regulation Branch

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer

Transport Programs Division

Ms Trudi Meakins, Acting First Assistant Secretary, Transport Programs Division

Mr Andy Hrast, Acting Assistant Secretary, Roads Programs Branch

Ms Linda Holub, Assistant Secretary, Industry Programs Branch

Aviation and Airports Policy Division (including CASA and Airservices Australia)

Aviation and Airports Policy Division

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Policy Division

Ms Merrilyn Chilvers, Assistant Secretary, Safety and Environment Policy Branch

Mr Andy Turner, Assistant Secretary, Aviation Security Policy Branch

Civil Aviation Safety Authority

Mr Mick Toller, Director, Aviation Safety

Mr Bruce Gemmell, Deputy Director

Mr Rob Elder, Executive Manager, Corporate Affairs

Mr Mike Williams, Executive Manager, Aviation Safety Compliance Division

Mr Bill McIntyre, Acting Assistant Director, Aviation Safety Standards Division

Mr Ray Comer, Executive Manager, Corporate Development

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Peter Ilyk, General Counsel

Mr Mike Smith, General Manager, Aviation Safety Promotion Division

Ms Karen Nagle, Risk Manager, Support

Airservices Australia

Mr Bernie Smith, Chief Executive Officer

Mr Andrew Fleming, General Manager, Air Traffic Management

Mr Hisham El-Ansary, Chief Financial Officer and General Manager, Corporate Services

Mr Daryl Cathro, General Manager, Airport Services

Mr Brian Prendergast, General Manager, Infrastructure Support Services

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

Regional Development Group

Regional Policy Division

Mr John Doherty, First Assistant Secretary

Ms Joan Armitage, Assistant Secretary, Regional Policy Analysis Branch

Ms Jane Harriss, Director, Departmental Communications Unit

Mr Daniel Owen, Assistant Secretary, Regional Policy Development Branch

Regional Programs Division

Ms Robyn Beetham, First Assistant Secretary, Regional Programs Division

Ms Wendi Key, Assistant Secretary, Stronger Regions Branch

Mr Leo Kennedy, Acting Assistant Secretary, Regional Assistance Programs Branch

Mr Andrew Tongue, Assistant Secretary, Regional Access Branch

Ms Michelle Patterson, Assistant Secretary, Regional Assistance Programs Branch

Territories and Local Government Division

Mr Mike Mrdak, First Assistant Secretary

Mr Andrew Wilson, Assistant Secretary, Non Self-Governing Territories Branch
Ms Maureen Ellis, Acting Assistant Secretary, Self-Governing Territories, Local Government and Natural Disaster Management
Ms Dianne Gayler, Assistant Secretary, COAG Natural Disaster Review

National Capital Authority

Ms Annabelle Pegrum, Chief Executive
Mr Lindsay Evans, Managing Director
Mr Ross Addison, Chief Finance Officer
Mr David Wright, Director, National Capital Plan
Mr Ted Schultheis, Principal Planner, National Capital Plan

CHAIR—Good morning. We are continuing on from yesterday.

Senator O'BRIEN—We were talking about the NAS model last night. Apart from Mr Smith's criticisms, what criticisms are there of the existing model that we are talking about replacing?

Mr Dolan—The industry comments that the minister sought about the relative merits of NAS and LAMP broadly speaking were equally divided in terms of views about the two.

Senator O'BRIEN—But that is the two proposed models. What about the existing model?

Mr Dolan—LAMP was initially developed, and NAS is currently being developed, on the basis of a view among stakeholders that an improved low level airspace arrangement could be implemented that would both maintain safety and improve the cost-effectiveness of the system.

Senator O'BRIEN—So it is a cost-driven method?

Mr Dolan—Certainly one of the bases for the original LAMP proposal and for NAS is that there is the potential for savings through implementation.

Senator O'BRIEN—So how much will an individual pilot, such as Mr Smith, save in this model that we are looking at?

Mr Dolan—At this point we do not have any figures on individual costs. That will depend on the details of the implementation. Part of the implementation process will be a more detailed cost-benefit examination.

Senator O'BRIEN—How does the NAS model differ from the model that Dick Smith wanted to introduce a few years ago—the Airspace 2000 model?

Mr Dolan—That is not something about which I have any detailed information with me, so I cannot effectively answer that.

Senator Ian Macdonald—Really, Senator, whilst we allow enormous latitude, it cannot possibly be an estimates question. It does not really matter except that we are trying to get through this as quickly as possible. If we confined ourselves to estimates questions, we might get through this quicker.

Senator O'BRIEN—I do not think it is going to be helpful to debate our alternative views in that regard. I think if we press ahead we are going reasonably well, Minister.

Senator Ian Macdonald—I concede that. I have not intervened at all. But we are trying to finish this as quickly as possible. Whilst these are good discussion points, they are really not what the estimates is all about, in my view.

Senator O'BRIEN—Governments and oppositions, when we change positions, always have a different view.

Senator Ian Macdonald—Look, Senator, do not start me on that. As I keep telling our leader, when you guys were in government, the chairman would not allow a second to elapse between questions before shutting the thing down. The ministers would barely allow the public servants to answer anything, so I keep the comparisons in my mind. I lament the day that we did not follow your procedures in estimates. Having said that, we are an open government. We like you to know as much as possible. But comparing things with what might have happened four or five years is hardly an estimates question.

Senator O'BRIEN—The media statement from the minister on 13 May deciding to adopt the National Airspace System says:

The ARG recommended:

- the National Airspace System (NAS) be selected as the preferred model for future airspace reform in Australia, subject to the development and the Civil Aviation Safety Authority's (CASA) endorsement of a comprehensive implementation safety case, specifying an appropriate timeframe for all necessary industry communication and education programmes;
- the ARG establish an Implementation Group to assist it in developing the NAS implementation process;
- as an input to the Implementation Group's work, the Bureau of Transport and Regional Economics undertake a more comprehensive cost benefit study of the NAS plan to identify more clearly the net benefits to be gained from its implementation; and
- work be immediately set in train for the establishment of an Airspace Directorate, separate from CASA or a corporatised Airservices Australia, to progress future airspace reform.

"These recommendations also signal another step towards the corporatisation of Airservices Australia," Mr Anderson said.

"My intention is to proceed towards the contestability of tower and rescue and fire fighting services. To complement this step, I intend to establish also the new Airspace Directorate to oversee the airspace reform process."

It is not clear to me which of these recommendations are accepted by the minister. Firstly, there seems to be qualified support for the NAS model, subject to a safety case. I take it that means no safety case has been conducted.

Mr Dolan—That is correct to this point.

Senator O'BRIEN—Secondly, is the formation of the implementation group to assist in developing the implementation case premised on a positive safety case?

Mr Dolan—No, the group will assist in the preparation of the safety case.

Senator O'BRIEN—Thirdly, in terms of the suggested task for the Bureau of Transport and Regional Economics to do a comprehensive cost benefit study of the NAS plan, has that recommendation been accepted by the minister?

Mr Dolan—Yes.

Senator O'BRIEN—How much will that cost?

Mr Dolan—I do not have any figures available to me at the moment. Since we have not fully scoped the details of the implementation project and we do not have available to us the full information that would be necessary for BTRE to undertake the cost benefit work, it would only be a very rough estimate that we could provide you with.

Senator O'BRIEN—Will it come out of the departmental budget?

Mr Dolan—Yes.

Senator O'BRIEN—Will BTRE require any special expertise to assess the net benefits of the NAS plan—for example, air traffic control expertise and safety expertise?

Mr Dolan—Yes, there is a range of information that they will require from Airservices Australia in particular to enable them to undertake the analysis required.

Senator O'BRIEN—Will safety risk be included in the cost benefit analysis?

Mr Dolan—The standard procedures for considering cost benefit in the industry take account of safety risks, yes.

Senator O'BRIEN—So it will?

Mr Dolan—Yes.

Senator O'BRIEN—In terms of the recommendation that an Airspace Directorate will be established, is that what the minister has decided?

Mr Dolan—That is what the minister has decided. The establishment of such a directorate is part of the process that I referred to yesterday evening in looking at the corporatisation of Airservices and the separation of regulatory functions.

Senator O'BRIEN—So that is effectively the corporatisation of Airservices when we talk about the airspace authority?

Mr Dolan—Described broadly, yes.

Senator O'BRIEN—Is that what Airservices will become—the airspace authority?

Mr Dolan—No, the airspace authority would reflect the broad airspace design and regulatory components of current Airservices activities after corporatisation.

Senator O'BRIEN—So the functional services will remain with Airservices and the regulatory aspects of the function, if any, will go to the authority?

Mr Dolan—Regulatory and policy, yes, that is correct.

Senator O'BRIEN—Including environmental air services and environmental regulation?

Mr Dolan—The environmental regulation role, to the extent that exists, yes. Obviously, the same as any organisation, Airservices would, in a corporatised form, still have to take account of all the relevant environmental regulations that are in place.

Senator O'BRIEN—So that will create Airservices in a form that is easily privatised, won't it?

Senator Ian Macdonald—Is that something Mr Dolan can comment on?

Senator O'BRIEN—I would have thought that it is a conclusion that can be drawn when you take the regulatory functions—

CHAIR—Before we go any further, it is clearly a matter of policy for the government. If you want to ask the minister that question then you can, but it is a policy matter.

Senator O'BRIEN—Do you know, minister? Within that form, is there any impediment to the privatisation of Airservices?

Senator Ian Macdonald—I am not a corporate specialist. Where I can comment on that, whether it is part of Mr Anderson's long-term strategy, I do not know. I will take that on notice and get Mr Anderson to comment, if he wants to.

Ms Chilvers—Senator O’Brien, I just wish to reiterate that it is still the government’s stated intention that Airservices will not be privatised.

Senator O’Brien—Is that still the case, minister?

Senator Ian Macdonald—As I have just said, I will take that on notice for Mr Anderson. But your question was: was it in a form that could be privatised?

Senator O’Brien—Yes, it was.

Senator Ian Macdonald—As I said, I am not a corporate specialist; I do not know. I will put that to Mr Anderson to see if he wants to comment on it. But I take Ms Chilvers’s point that the government’s intention is stated—and, as far as I know, it has not changed.

Senator O’Brien—That was the question I asked you. You may have known of a change that Ms Chilvers did not know of.

Senator Ian Macdonald—No, I do not.

Senator O’Brien—I presumed you might, if there was such a change.

Senator Ian Macdonald—I do not, but I will ask Mr Anderson.

CHAIR—Can I suggest that the minister has said that he will refer this to Mr Anderson to answer. I think we should move on.

Senator O’Brien—Who will be charged with establishing the airspace authority—the department?

Mr Dolan—The department will certainly be charged with advising the government on our most effective approach to setting up such an authority, but in the end it is a decision for government.

Senator O’Brien—How would that organisation retain current air traffic management expertise?

Mr Dolan—It is a matter that is still being scoped as part of our advice to government about implementation.

Senator O’Brien—What is the time frame for developing a proposal on the structure and governance arrangements for the airspace authority?

Mr Dolan—As I indicated last night in reference to the corporatisation of Airservices, our aim was to have something in front of the parliament for the spring sittings.

Senator O’Brien—The agenda for the ninth meeting of the Aviation Safety Forum, the body that provides advice to the CASA board, had an item called ‘Consideration of the ASF’s formal submission to the minister on airspace reform’. Can a copy of that submission be made available to the committee?

Mr Dolan—The Aviation Safety Forum is a body advisory to CASA, and I cannot speak on behalf of CASA as to what can or cannot be made available there.

Senator O’Brien—Can you tell us what they recommended?

Senator Ian Macdonald—Perhaps you had better ask CASA that. Is CASA the appropriate authority?

Mr Dolan—Yes.

Senator O’Brien—The minister announced the appointment of Mr Bruce Byron as a special adviser to CASA on regulatory reform and he describes the role as an advocate for the

industry in the regulatory reform process. Is that an accurate description of the position he will fill?

Senator Ian Macdonald—If the minister said it I am sure it is an accurate description.

Senator O'BRIEN—Thank you for that. Is it a full time position?

Mr Dolan—It is probably a matter again better referred to CASA, Senator. But my understanding is that it is not a full-time position.

Senator O'BRIEN—Okay. Does this position relate to the aviation task force in the department being run by Mr Fisher?

Mr Dolan—I am sorry, Senator.

Senator O'BRIEN—Does this position relate to the aviation task force in the department?

Mr Dolan—No, Senator.

Senator O'BRIEN—In relation to the sale of Kingsford Smith airport, the government has recommended the sale process for Kingsford Smith. What is the timeline for that process?

Mr Dolan—The budget documentation, Senator, indicates the government's plan that the sale documentation will be signed before the end of this financial year.

Senator O'BRIEN—Do you know what the expected revenue for the sale is?

Senator Ian Macdonald—Even if he did I do not think he would mention it.

Mr Dolan—There is a publicly available figure, Senator, and I am relying on memory, but I think it represents the deposit that will be paid this financial year of approximately \$330 million, but the details of this are really handled in the finance portfolio, not in this one.

Senator O'BRIEN—Which minister is in control of this process?

Mr Dolan—The finance minister is principally responsible for the sale process, Senator.

Senator O'BRIEN—Do you know whether there have been assessments given the suspension of the sale last year on the basis of the events of September and their impact on the international markets and on the domestic aviation industry? Have there been studies or the like to assist in making the decision to resume the sale?

Mr Dolan—Yes, Senator. A range of advice was provided to government about the appropriateness of resuming the sale process.

Senator O'BRIEN—Last year the minister said he had studied information that led him to be confident that Sydney airport could handle projected growth up to 2010. Is that still the case?

Mr Dolan—Yes, Senator. To the extent that there has been any variation in projections of traffic, it has been a revision downwards as a result of the events of September last year.

Senator O'BRIEN—Is it still intended, as the minister stated last year, to review Sydney airport's capacity in 2005?

Mr Dolan—That is still the state of government policy.

Senator O'BRIEN—Is it known how that assessment will be conducted, and who will do it?

Mr Dolan—It is not something that I have any knowledge of at this point.

Senator O'BRIEN—Presumably there is some way to compel the new operators of Sydney airport to cooperate in such a study.

Mr Dolan—I am not aware of any compulsion that could be applied to a private company. A private company running an airport would be treated in the same way as a private company running any other business, in terms of a government inquiry.

Senator O'BRIEN—I presume that you would cover that off in sale documentation or something. That is obviously not in the thought-train at this stage. Or perhaps I should be asking Finance.

Mr Dolan—The department of finance is responsible for the sale documentation.

Senator O'BRIEN—Sure, whereas your planning model potentially needs the cooperation of the airport operator when you want to review its capacity.

Mr Dolan—There is provision in the Airports Act for both pricing and quality of service information to be provided, which gives some considerable capacity to seek information from airports.

Senator O'BRIEN—I want to ask about the government's response to the Productivity Commission report on airport charging. Was the department involved in preparing the government response to this report, or was another department responsible?

Mr Dolan—Both this department and the Treasury provided advice to government on the Productivity Commission report.

Senator O'BRIEN—It has been suggested in the media that the government's decision on the pricing and airport charging issues will add about \$200 million to the price tag for Sydney airport. Was this considered in preparing the government's response to the report?

Mr Dolan—The government was responding to the Productivity Commission report and the advice that was provided to government addressed the recommendations that were made in the Productivity Commission report.

Senator O'BRIEN—I understand airports will now have the capacity to negotiate differential charges with airlines that relate to the time of day they are using the asset—for example, off-peak charging. What knowledge does the department have about an intent to take up this capacity, in terms of potential impact on airport capacity, especially at Sydney?

Mr Dolan—The bidders for Sydney airport, as part of the sale process, have to provide details of their future plans for the airport. So it is something we will be taking—

Senator O'BRIEN—Sorry, I cannot hear you.

Mr Dolan—My apologies, Senator. Future business plans for Sydney airport are part of the documentation that bidders have to provide as part of the sale process.

Senator O'BRIEN—In relation to Bankstown, Hoxton Park and Camden, I think you told us at the last estimates that the decision on the timing of these Commonwealth-owned airports had not been yet made, that it related to the sale of Kingsford Smith and that, at that time, the KSA sale was still suspended. What is the current situation?

Mr Dolan—The current situation is that we are in discussions with our colleagues in the department of finance about the timeframe and the work required in relation to the government's announced intention to sell those airports.

Senator O'BRIEN—Is it still the intention to sell them in the second half of this year?

Mr Dolan—That is one of the matters under review—what is achievable.

Senator O'BRIEN—What needs to be done to start the sale process?

Mr Dolan—As I think we have discussed at previous estimates, there are issues of airspace redesign relating to the potential future use of Bankstown as an overflow airport and the broad parameters the government would wish to see in terms of the future use of Bankstown airport, so that a buyer would know what government expectations were.

Senator O'BRIEN—Which minister has responsibility for the decision on timing of the sale of these airports?

Mr Dolan—The decision on timing would be with the Minister for Finance and Administration.

Senator Ian Macdonald—I imagine it would be a whole of government decision, Senator.

Senator O'BRIEN—Could you check that? I understand how you would imagine it, but I want to know.

Senator Ian Macdonald—I am sure it will be discussed in cabinet before any final decision is made. That means everyone contributes to the decision making process. Perhaps you are asking who is in charge of it. As you know and as we have said before, it is the minister for finance under the asset sales area.

Senator O'BRIEN—Is it still the intention of the government to sell them as one lot or is that a matter for future decision?

Mr Dolan—The current stated policy is to sell the three airports together.

Senator O'BRIEN—You have already touched on something in the contract about the government's intentions for Bankstown. Will any other restrictions on use be imposed in the sale?

Mr Dolan—Restrictions on use of?

Senator O'BRIEN—The airports—type of activity, guarantee that they will be maintained as airports, restrictions on the type of airport that it might be.

Mr Dolan—They are matters which obviously have to be taken into account in the decision to proceed. The current arrangements are that there is an existing airport lease for each of the three airports which requires their continued operation as airports.

Senator O'BRIEN—Has the government made any decision which would impose other conditions on those airports, other than the Bankstown situation? You said that would have to be under consideration, given the policy considerations about the use of Bankstown.

Mr Dolan—No. I am not aware of any other decision.

Senator O'BRIEN—With regard to Bankstown and the recent accident in that region, is the department doing any work on the traffic pattern implications for the use of Bankstown as an overflow commercial airport?

Mr Dolan—As part of the consideration—which is my reference to airspace—obviously, studies will have to be done as to the airspace management implications of using Bankstown as an overflow airport. Some preliminary work has been done but, because of delays as a result of the suspension of the Sydney sale, it has not been pursued at this point.

Senator O'BRIEN—I understand Bankstown is one of the busiest airports, by aircraft movements, in the country, if not in the hemisphere. Are there any plans to require a different operation of Bankstown in terms of general aviation?

Mr Dolan—Any future use of Bankstown as an overflow airport for regular passenger transport operations would potentially have an impact on general aviation operations,

although the hours of use that are focussed on by RPT operators generally do not overlap to a huge extent with those of general aviation operators. It is a study that has to be done at some level of detail and has not yet been done.

Senator O'BRIEN—Would the department do such a study or would there be a need to engage other expertise to do it?

Mr Dolan—My expectation is that we will probably need some external expertise, some of which would be available from Airservices, some of which may not.

Senator O'BRIEN—Thank you. At the last estimates, you said that work on air traffic management arrangements for Bankstown had been suspended and we have just been talking about the need to resume it. Will that study involve an assessment of a long-term operating plan? Would it assume that the current long-term operating plan would stay unamended?

Mr Dolan—The government has clearly stated in the context of the sale of Kingsford Smith airport that the long-term operating plan will remain in place. So any consideration of flight paths and air traffic management around Bankstown would have to take account of the continuing existence of LTOP.

Senator O'BRIEN—Presumably, the assessment of changed aviation patterns around Sydney with different airport use will involve all the airports—how they intersect?

Mr Dolan—Yes. They all have an interrelationship and there are matters of priority of one airport over another and so on.

Senator O'BRIEN—Will Airservices be involved in that assessment?

Mr Dolan—It will obviously have to involve Airservices.

Senator O'BRIEN—Which section of Airservices?

Mr Dolan—I am not sufficiently familiar with the internal structural arrangements of Airservices to comment. I can take it on notice and provide the information.

Senator O'BRIEN—Thank you. Do you expect any such study to be concluded this year?

Mr Dolan—As you have probably gathered from my answer, we are in the process of scoping out just what is to be done and the timeframe that will be required to achieve it. At this point, I could not say how long the work will take.

Senator O'BRIEN—Is any scoping study intended to be open for public consultation and comment?

Mr Dolan—That is not a matter, as far as I am aware, that the government has made a decision on.

Senator O'BRIEN—That will be interesting. Mr Turner, can you bring us up to date with the activities of the department with regard to aviation security issues?

Dr Turner—Was there some specific area?

Senator O'BRIEN—Obviously, we have been talking about air marshals, screening and the like.

Dr Turner—In general terms, the department's role is one of advising the government on policy, setting security standards, and monitoring compliance with those standards. Since September we have issued several iterations of what we call additional security measures, a power in the current legislation. The most recent revision of those additional security measures was promulgated on 14 May, from memory. In the principal issues that are on our plate at the moment we are reviewing the regulatory framework. There is a bill for

amendment of the Air Navigation Act currently before the parliament. Staff of the branch are working on a new set of regulations. The other major body of work is undertaking reviews of passenger and baggage screening and access to airports, which will be the basis for further advice to the government on its policy framework. I think those are the major areas.

Senator O'BRIEN—How many staff of the department are engaged on the policy work on aviation security?

Dr Turner—It is part of the work of many staff, but if you boiled it down into full-time equivalents, it would be about six. That is a bit of an estimate because it is part of the work of several people.

Senator O'BRIEN—What is the budget for those operations?

Dr Turner—The branch budget for the coming financial year will be marginally over \$4 million.

Senator O'BRIEN—Presumably, you do a fair bit of contracting out or seeking assistance from others. With six staff \$4 million is a fairly large budget.

Dr Turner—Not really. A lot of what we do involves working with other agencies and with airports or airlines. As I have said, the branch is a policy advising agency and a standards setting and compliance monitoring authority. We are not a service provider as such. For example, most of the patrolling type activities are undertaken by contracts which are paid for and administered by individual airports to standards that we set.

Senator O'BRIEN—How is the \$4 million expended?

Dr Turner—The great majority of that is on our staff costs.

Senator O'BRIEN—Did you say you have six staff?

Dr Turner—No, I said six staff—

Senator O'BRIEN—I was going to say that it is a pretty well-paid section.

Mr Yuile—I would hate you to get the wrong impression.

Senator O'BRIEN—You are in the wrong place, if it is.

Mr Yuile—I think Dr Turner was answering your question giving an aggregation of full-time equivalent staff who are involved in the policy role. As he said, there are two other roles to the branch, particularly the standards setting and compliance function, with staff both in Canberra and in the capitals. I will let Dr Turner give you the detail, but the \$4 million is for the totality of the branch and not just for the policy function.

Senator O'BRIEN—That is all right. Perhaps my question was wrongly phrased.

Mr Yuile—Communication is always a difficulty.

Dr Turner—In terms of the staff of the branch, in head office in Canberra there are currently 21. Not all of those have arrived. We are in the process of doing a good deal of recruitment work. There are 11 in the regional offices, but there is a good deal of recruitment going on in the regional offices. Our budget has gone up significantly for the coming financial year as a result of a government decision, which is in the measures statement in the PBS, to provide additional resources for further compliance work.

Senator O'BRIEN—Where is that in the PBS?

Dr Turner—On page 22 there is a list of expense measures. The bottom line under Outcome 1—Strengthening of air safety is described on page 25.

Senator O'BRIEN—An additional \$2 million a year through the out years.

Dr Turner—That is right.

Senator O'BRIEN—So your budget has been doubled.

Dr Turner—It has not quite doubled, but there has been a substantial increase—basically a 60 per cent increase.

Senator O'BRIEN—What staffing would you expect your branch to have when you have filled the positions?

Dr Turner—The proposal has been on the basis of eight additional staff in the regions and an increase of about six full-time equivalent in head office, but most of that is going into project type work. For example, we have a team of three or four people working on the regulations at the moment. When that work is completed, within the financial year, we will move on and have people doing other aspects of the reform process. That will boil down to about the equivalent of an additional six people in Canberra, which will take us up to about 24 in Canberra and about 18 in the regions. There are regional offices in Brisbane, Sydney, Melbourne, Perth and Adelaide, and those offices do most of the surveillance and compliance work.

Senator O'BRIEN—Since September 11, there have been additional charges on airports around Australia. The number of charges is an emerging issue, particularly with the tourist industry. Is the department monitoring the number and amount of charges at airports in Australia?

Mr Dolan—The charges at the core regulated airports have been monitored, and will continue to be monitored, under the provisions of the Airports Act with the assistance of the ACCC. There are a range of other charges which are sometimes characterised as airport charges that we try to track. Some of them are really within the control of either the airports or the airlines. There are various things that are characterised as insurance charges, for example, which are just a reflection of the increased costs of doing business because of the terrorism and war risk insurance market. So we are monitoring a range of charges, and we are trying to bring that together in a more coherent way than has been done in the past. That is part of the current work of the division.

Senator O'BRIEN—Are you assembling lists of charges by airport?

Mr Dolan—By airport, but also taking account of the range of costs that are impacting on the aviation sector.

Senator O'BRIEN—Is it intended to publish that?

Mr Dolan—At this point, there has not been a decision to publish that sort of information. We will have to review what we have and the basis on which some of it was provided to us, because some of it reflects commercially sensitive information for operators. But I would hope that something could be made publicly available, yes.

Senator O'BRIEN—When you say 'commercially sensitive', do you mean that these are the sorts of charges which will impact on charges to the travelling public?

Mr Dolan—To the extent that they will be reflected in a total ticket price at some point, yes.

Senator O'BRIEN—I believe Maroochydore has a 'special landing fee'. Is the department aware of that?

Mr Dolan—Maroochydore is not one of the airports that is Commonwealth regulated, and that is part of the problem, because we are talking about charging arrangements that are split in responsibility between Commonwealth, state and local government.

Senator O'BRIEN—So, of the ones you have a list for, could you supply that information to the committee?

Mr Dolan—We can supply the information that is available to us in terms of the core regulated airports, yes.

ACTING CHAIR (Senator Colbeck)—Can we go on to the Civil Aviation and Safety Authority?

Ms Chilvers—Just before we break, yesterday Senator O'Brien asked about the term of Mr Anson's appointment as chair of CASA. I just wanted to confirm that his appointment was from 1 July 2001 and expires on 30 June 2004.

Senator O'BRIEN—Thank you for that.

Mr Turner—Senator O'Brien, yesterday evening when we were discussing air security officers, you asked about the payment of GST. I have confirmed that there is no GST payable, because no cash actually changes hands.

[9.53 a.m.]

Civil Aviation Safety Authority

Senator O'BRIEN—I wanted to get some explanation of the expense trends for CASA, particularly looking at Budget Paper No. 1, page 12-18. I am raising this very early in this departmental area as I was assured that CASA would be able to answer all my questions.

Mr Toller—We always try.

Senator O'BRIEN—It shows that the agency expenses for 2001-02 is \$102 million. They rise to \$105 million in 2002-03; \$112 million in 2003-04; \$114 million in 2004-05; and then back down to \$106 million. Can you shed any light on these trends?

Mr Toller—Senator, you will recall that in the budget process last year under a new policy proposal CASA was given \$36 million over four years for a number of issues: firstly, to increase the staffing in our international cell looking after international airlines operating into Australia; secondly, to set up and implement the regulatory services centre; and thirdly, and possibly most importantly, to fund the CASA improvement program, and particularly the replacement of the legacy IT systems.

So what these figures in the PBS reflect is that \$36 million which is drawn down over the first three years of the out years, in other words, the coming year and the following two out years but not in the fourth year, and hence the drop in the final year on the PBS.

Senator O'BRIEN—How much of those funds, and in which year, represent the information technology project?

Mr Toller—It has not actually effectively been dictated how much is which, Senator. It is worked out on the basis of \$9 million a year over four years. We are looking, as you know, at the CASA improvement program which is funded partly by that new policy proposal and partly by a drawdown on the internal reserves of CASA. That program, which covers predominantly the replacement of the legacy systems, is something in the region of \$33 million to \$35 million over three to five years, but it has not yet been approved in terms of contract.

Senator O'BRIEN—Can you tell me the state of the internal reserves?

Mr Toller—In the bank we have around \$28 million or \$29 million at the moment, but of course that includes working capital and accounts due. We consider our working reserves at the moment to be in the order of \$20 million to \$21 million.

Senator O'BRIEN—The diagram on page 88 of the PBS shows a breakdown of the output expenses for CASA, and I have a couple of questions to clarify its meaning. Could you explain the far left box: it is headed 'Aviation safety standards', the total price of the output is \$23.787 million and the appropriation is \$22.901 million. What does the difference of \$800,000 represent?

Mr Toller—I point you to the big box above that, where you will see that the total price of all our outputs exceeds the departmental outcomes appropriation by, in round numbers, \$4 million. That \$4 million is split up between the four outputs on a relativity basis. That \$4 million is shown at the bottom right corner of page 89, which is the revenue that we get from independent sources as opposed to from the appropriation. Those independent sources are the fees that we are able to charge under the fees regulations and also the money we get at the moment in interest on the money we have got in the bank. So that is the extra \$4 million that we have as income.

Senator O'BRIEN—So in each of those boxes the difference is simply a sharing of that amount?

Mr Toller—Yes. It is the \$4 million shared pro rata across the four outputs.

Senator O'BRIEN—In the boxes where it says the 'admin expense' is nil, how should I understand that?

Mr Toller—I am not quite sure on that. I might ask an expert on that one.

Mr Sheehan—We do not have any admin expenses. We are not an administrative body. We receive our money through appropriation and revenue, so the answer is nil right across the whole of CASA. We do not receive funds for administrative items.

Senator O'BRIEN—'Admin' stands for 'administered', does it?

Mr Sheehan—Correct.

Senator O'BRIEN—On page 92 of the PBS, the price of aviation safety compliance is shown as \$50.75 million for the output of compliance with aviation safety legislation et cetera. I can see a few references to low capacity RPT compliance activity but I cannot see anything on high capacity RPT. Could you elaborate for me, please.

Mr Toller—Yes, Senator. High capacity RPT is taken as a given, in that we ensure that we achieve 100 per cent of the activities that are required to ensure compliance in the high capacity RPT sector. Therefore, it is, effectively, covered—though probably not particularly well in terms of clarity—through item 1 in the first box, which is:

Secure compliance through:

1. Application of national surveillance program based upon a safety systems approach.

We have reflected on our performance measures since they were printed, and recognise that our focus at the moment is on changes within the low capacity RPT sector, where we are introducing the system safety auditing which has already been successfully introduced within the high capacity RPT section. That is why we focused more on the low capacity RPT for our performance measures. I think, with hindsight, it would have been wiser to have left at least

one high capacity RPT measure in there, just to demonstrate that we are complying with our needs in that area.

Senator O'BRIEN—What are your plans and targets to ensure that Qantas and Virgin Blue comply with aviation safety legislation?

Mr Toller—As I say, we ensure that 100 per cent of the required audits are always completed, within the high capacity RPT area. They are by no means under any less surveillance than they would be under any other circumstances. The focus has not changed; the main focus remains on regular public transport. The high capacity RPT is already working fully to the system safety auditing process, and the executive safety committee monitors, on a bimonthly basis, that all the audits have been carried out. If not, it wants to know what the rescheduling arrangements are, for all of those audits. There has been no drop whatsoever in the activity in the high capacity RPT sector, particularly in terms of the major carriers like Qantas and Virgin Blue. In fact, because of the nature of the industry at the moment, which is obviously going through significant changes, the activity if anything has been higher rather than lower.

Senator O'BRIEN—On the sports aviation issue: you made it clear at the last hearing that the new, revised preference was to amend CAR 206. Has that process commenced?

Mr Toller—The actual process of amending CAR 206 has not yet commenced. This was tied up with a review of the whole of the issue of CAR 206 and what constitutes aerial work.. There was a committee set up to review that. That committee made its final report last week, and made certain recommendations regarding the amendments to CAR 206. That report is currently under consideration before those amendments are started.

Senator O'BRIEN—What was the timetable for the conclusion of that matter?

Mr Toller—The report was handed to me last week. It is now under consideration. I would imagine we would take it to the next executive operations policy committee which will make a decision on it. Having made that decision, then a program will be put in place to start the amendments to CAR 206.

Senator O'BRIEN—Thank you for that. Could you tell me where the inquiry into the operations of Vee H Aviation is?

Mr Toller—I will hand that to Mr Williams, who is our executive manager for compliance.

Mr Williams—As a result of the detailed investigations of the allegations about negligent maintenance practices, CASA determined that there was not sufficient evidence for a brief to be sent to the DPP seeking prosecution. A review by the area manager determined that there was insufficient evidence to warrant administrative action. However, there was evidence to support the issue of an admin fine, and two infringement notices were issued to the operator. Subsequently, an investigation has reported deficiencies with another aircraft. Another investigation is being conducted and we think it would be inappropriate to comment about that at this time.

Senator O'BRIEN—In relation to the initial investigation which was triggered, as I understand it, by complaints from Mr Reid—or perhaps more than just complaints from Mr Reid—you say that there was insufficient evidence to sustain a prosecution. Do I understand you correctly?

Mr Williams—That is correct.

Senator O'BRIEN—When did CASA come to that conclusion?

Mr Williams—I believe that was around March of this year.

Senator O'BRIEN—Do you know when in March?

Mr Williams—We will get back to you with the exact date.

Senator O'BRIEN—Thanks for that. This was the matter that I was minded to seek to involve this committee in an inquiry. But we received certain assurances and, as a result of that, did not proceed. You say that arising from that there were two infringement notices issued?

Mr Williams—Yes.

Senator O'BRIEN—What is involved in the issue of these infringement notices?

Mr Elder—Perhaps we could ask Mr Peter Ilyk to answer those questions.

Mr Ilyk—Could you just repeat the question?

Senator O'BRIEN—I just want to know what was involved in the issue of the two infringement notices to Vee H Aviation.

Mr Ilyk—There were two infringement notices. They were both in relation to the same alleged offences, which was failure to certify for the completion of maintenance, which was a breach of regulation 42ZE.

Senator O'BRIEN—Did they involve a prosecution or a warning?

Mr Ilyk—No. They involve the issue of an infringement notice alleging an offence has been committed. Upon payment of the infringement notice, the matter is taken as being disposed of. It is not an actual prosecution, but if the person wanted to challenge the issue of the infringement notice, the matter would go to criminal prosecution.

Senator Ian Macdonald—It is like a speeding ticket.

Mr Ilyk—Absolutely.

Senator O'BRIEN—What resources did CASA put into the investigation of complaints against Vee H Aviation, leading to the view that no prosecution should take place?

Mr Ilyk—In relation to the prosecution, there was an investigator from the Office of Legal Counsel under the manager of enforcement investigations, who required the investigator to conduct an investigation of possible offences for the purpose of launching a prosecution. The investigator came to the conclusion there was insufficient evidence for a prosecution in relation to the negligent maintenance of aircraft, but believed there was sufficient evidence in relation to the offences under regulation 42ZE.

Senator O'BRIEN—The answers I received to questions on notice in relation to Vee H Aviation were interesting. You advised that over the period from January 1999 to March 2000 there were nine airworthiness audits and 19 flying operation audits. Your answer refers to surveillance audits. Can you give me details, for the list you provided, of what was classed as surveillance and what was classed as an audit?

Mr Williams—We have two different triggerings. We have scheduled audits, which are part of an audit plan that ensures that each holder of an AOC and COA is audited once every three years. We also have what was previously termed as unscheduled but has since become what we call risk based audits. Those are conducted as situations arise out of concerns for various situations—for example, intelligence that might be gained about an operator or concerns with the addition of a new piece of equipment.

Senator O'BRIEN—In the response to question on notice CASA 05 from 19 February estimates, on the third page, there is a list of surveillance and audit activities. Which were routine and which were occasioned as a result of intelligence or concern?

Mr Williams—I can give you totals or I can go through the list one by one and tell you.

Senator O'BRIEN—You can go through one by one, please.

Mr Williams—January 1999, which was an airworthiness focused on the certificate of approval, was a scheduled audit. Another one in January 1999, flying operations, was scheduled. February 1999 was the airworthiness, unscheduled—at the time they were called them unscheduled. They subsequently changed the focus to risk based. March 1999, flying operations, was scheduled. July 1999, another flying operations, was scheduled. October 1999 was an airworthiness that was scheduled, and concurrently a flying operations audit was scheduled. March 2000 was scheduled, airworthiness, and then another one scheduled in March 2000 was based on what we call safety trend indicator, which is an assessment made of various indicators which indicates that you should take a look at some aspect of it. April 2000, flying operations, was risk based. There is an entry for April 2000 that says 'airworthiness', but in subsequent research we see that that is not Vee H Aviation but VH-Aviation Pty Ltd, so that is not a correct one for Vee H, the one that we are talking about now. June 2000, flying operations—

Senator O'BRIEN—So that should not appear here?

Mr Williams—No, it should not have been in that one.

Senator O'BRIEN—So it is the April 2000 one?

Mr Williams—That is correct.

Mr Toller—I hope you like the subtleties of that, senators. It is VH-Aviation, rather than Vee H Aviation. It is just that one is spelt Vee H Aviation and the other is VH as in the letters. Hence the confusion.

Mr Williams—June 2000 was flying operations and was risk based.

Senator O'BRIEN—This is for Vee H Aviation, is it?

Mr Williams—Yes, we are back on track. September 2000 flying ops is partially scheduled, partially risk based. In other words, it was conducted for both reasons. October 2000 was airworthiness scheduled. I do not have any indication of the trigger for the October flying operations. November 2000, flying ops risk based; December 2000, flying ops risk based; February 2001, flying ops risk based; April 2001, flying operations risk based; May 2001, air worthiness risk based; June 2001, flying ops scheduled; August 2001, flying ops risk based; September 2001, flying ops scheduled; October 2001, flying operations risk based; November 2001, flying operations risk based; November 2001, airworthiness scheduled; December 2001, flying ops risk based; and March 2002, flying operations scheduled.

Senator O'BRIEN—So from June 2000 through to now there have been at least 11 risk based inspections of Vee H Aviation and we do not know about the October 2000 one?

Mr Williams—Correct. I would have to count. I will have to get back to you on that.

Senator O'BRIEN—Yes, but there have been a lot.

Mr Williams—Yes, Senator.

Senator O'BRIEN—That is a fairly dramatic representation of concerns if you have had to go back there that often in that period of time for CASA to satisfy itself that the safety of

this operator was assured. What was CASA's view with all of this going on? Is this an unusual pattern?

Mr Williams—The trigger for this one was concern about the organisation adding a new aircraft, the Metro III, which was a larger and twin turbine powered aircraft, and concerns about the ability of the organisation to adjust to being able to both operate and maintain the aircraft.

Senator O'BRIEN—If the concerns have been allayed they have taken a long time to be allayed. Does this mean you were not satisfied through all that period that they were actually up to speed on that aircraft?

Mr Toller—Perhaps I could explain it more. The issue here is that you have a small charter company airline taking a big step with an aircraft that is over 5,700 kilos, a new turbine-powered aeroplane. From my recollection about that, at the same time they were also changing their chief pilot. I think it is more an issue that we were monitoring them as they went through the necessary changes to ensure that their standards were up to the required standard for an aeroplane of that nature.

Senator O'BRIEN—Is it usual for there to be 28 separate audits of an operator like this over a period of 40 months, an audit about every six weeks?

Mr Toller—The point about the risk based auditing system, the safety trend indicators, is that it shows us which operators are under stress of some nature. A change to the operator and an increase in the size of an operator or the nature of its operation, as Vee H undertook over this period, undoubtedly will trigger a fairly close inspection under the safety trend indicators. That is the whole purpose of the safety trend indicator and the risk management profiling. It is to ensure that we put the resources where the risks are.

Senator O'BRIEN—When did Vee H Aviation receive authorisation and an AOC or an amendment to an AOC to operate this new aircraft type?

Mr Williams—We would have to take on notice.

Senator O'BRIEN—On what basis did CASA issue such an AOC, given what are obvious ongoing concerns about the company's ability to manage and operate the aircraft?

Mr Toller—I do not think that is a fair assessment. We would not have issued an AOC if we did have the concerns about their ability to operate it. That does not mean to say that we are not going to monitor them to ensure that the changes that have been necessary to that company have been undertaken correctly and continue to be undertaken. I think it is a slightly different slant than saying—

Senator O'BRIEN—If there are risk based investigations, doesn't that indicate that you had concerns about their ability to be able to operate the aircraft? I thought that is what Mr Williams had said.

Mr Toller—The point about the risk based audit is that it recognises the stresses on the organisation. The stresses on the organisation in this case were—from my recollection—a new manager in the chief pilot, plus the introduction of their first aircraft that is in the higher category of above 5,700 kilos. That is the risk that the organisation is under. It is taking a step into a new category of operations.

Senator O'BRIEN—I presume that the AOC was issued sometime around the heightened surveillance pattern—in other words, they got the new aircraft and then the heightened surveillance pattern started.

Mr Toller—We will take the date of the issue of the AOC for the Metro III on notice.

Senator O'BRIEN—You supplied some information. There is a certificate of approval of 10 August 2001. What was the aircraft type we are talking about?

Mr Toller—The Metro III.

Senator O'BRIEN—So that would appear as the manufacturer's name in the AOC? I have a copy of the AOC here dated 10 August. I cannot see Metro under the heading, 'Multi-engine aircraft.'

Mr Toller—We think it is an SA227 for the Metro III.

Senator O'BRIEN—A Fairchild SA227AC.

Mr Toller—That would be it.

Senator O'BRIEN—I have got a copy of the AOC dated 10 August 2001. There had been obvious concerns about the Metro through November, right through to August 2001. You have got a risk based flying operations assessment and the AOC dated 10 August 2001 authorises them to operate, or continue to operate, the Fairchild SA227. Is it usual that an AOC would issue while you were going through a process of satisfying yourself of the capacity of this operator to continue to operate particular aircraft of the category that you have been describing to us?

Mr Williams—There is an entry control process that is gone through before an aircraft is added to the AOC. It involves that kind of surveillance, yes.

Senator O'BRIEN—Presumably, from what you have told us, the actual authority to operate the aircraft—the addition to the AOC of that aircraft—predated August 2001, because of what you categorised as the reason for the risk based audits in, for example, November 2000, December 2000, February 2001, April 2001 and May 2001. Was each of those audits to do with the Metro?

Mr Williams—To back up a little bit here: the Metro III was added to the AOC in April 2000. The reason for the additional risk based audits was that initially it did not have an organic check and training capability but used a contractor. It has taken two years to develop the pilots to the stage where the contractor is no longer required.

Mr Collins—Vee H Aviation made application to add the Metro III to their AOC in accordance with the normal process, and CASA conducted the entry control process in order to be satisfied against the requirements of section 28 of the act. Quite an extensive process was conducted, and eventually I was satisfied—as I recall, Senator, I was the delegate—that Vee H could safely operate that aircraft.

Senator O'BRIEN—So you, as the delegate, signed off that approval?

Mr Collins—That is correct, yes.

Senator O'BRIEN—You also signed off the AOC on 10 August?

Mr Collins—That would be correct.

Senator O'BRIEN—I have it in front of me. You are this 'Robert DG Collins, Executive Manager, Regulatory Services Delegate of Civil Aviation Safety Authority', I take it.

Mr Collins—That is correct.

Senator O'BRIEN—In the process of signing off the AOC, what regard had you had to the history of risk based audits of this operator?

Mr Collins—The area manager, when he makes a recommendation to me, is required to highlight any areas of particular concern, and he is required to highlight any significant

noncompliances which have occurred during the last year. I would have to take that on notice and go back and refer to my records as to exactly what was considered at the time.

Proceedings suspended from 10.30 a.m. to 10.49 a.m.

CHAIR—Senator O'Brien, please continue with your questions.

Senator O'BRIEN—We were talking about the air operating certificate. We have established that an earlier air operating certificate was amended in April 2000 to add the Metro, which appears on the AOC as Fairchild SA227-AC. Am I identifying the right aircraft?

Mr Collins—Yes, that is correct.

Senator O'BRIEN—August 2001. It is actually effective from 29 June, even though it was signed on 10 August. Is it normal to backdate an AOC?

Mr Collins—No, that is not normal. I would have to have a look at the document to fully understand the—

Senator O'BRIEN—I will read it to you, and you can have a look at the document I have got. It is described as an Air Operator's Certificate. It is certainly a CAA type document. It says immediately above your signature—I presume it is your signature, it may be a forgery, but we can check that—'this AOC is effective from 29 June 2001 and expires on 31 July 2004.' And then there is a signature and your name and title and 10 August 2001 is the date which appears under that. Is that not normal? Is that what you are saying; that it is normally dated and operative the same day?

Mr Collins—No. It can be actually dated and take effect at some time in the future. So I do not understand that, really, to be frank.

Senator O'BRIEN—Perhaps this could be shown to Mr Collins just so I am not misleading him. I do not want to mislead him and get into a discussion about something that is not factual. Is that your signature?

Mr Collins—It is.

Senator O'BRIEN—We do not have a forgery. That is a good starting point. I will need that back; it has got my notes on it.

CHAIR—Was it signed by Mr Collins?

Senator O'BRIEN—It is actually the Air Operator's Certificate, and Mr Collins is the delegate for the Civil Aviation Safety Authority. Apparently signed on 10 August but it came into effect 32 days earlier, on its signing. Does that mean that the 10 April 2000 AOC expired on 29 June?

Mr Toller—I think we would probably have to take that one on notice and look at the whole file on this one as to what document that one actually replaced, because it certainly is not normal procedure to backdate, in any shape or form, any certification.

Mr Collins—No. The issue number of the certificate—there is a six-figure number and then there are two subsequent figures. That will be the key to this, I suspect.

Senator O'BRIEN—So NSW204507-11 is the number you are talking about?

Mr Collins—Yes.

CHAIR—It is a photocopy; it is not an original copy.

Mr Toller—We are not contesting that.

Senator O'BRIEN—This was supplied to me under notice, I believe.

Mr Toller—We are not contesting the document.

CHAIR—No.

Mr Toller—What I am interested in is whether it is replacing an already existing document that was due to change and hence the dating, and that is something that we will have to check the files on.

Senator O'BRIEN—Can you supply us with a copy of the preceding AOC which you told us was amended, apparently, in April 2000?

Mr Collins—Yes, can we do that.

Senator O'BRIEN—There must be a document which was signed off in April 2000. Would you have signed that, Mr Collins?

Mr Collins—I think so.

Senator O'BRIEN—Obviously, if you are not sure, you can check that.

CHAIR—Mr Toller, all I was doing for the record was establishing whether it is an original or whether it is a copy. I understand it is a copy.

Mr Toller—Thank you.

Senator O'BRIEN—It is a faxed copy, isn't it? There are several fax numbers on the top of it. I have got seven of the 19 pages, so it is obviously a long document, and I did not receive it all. So Mr Williams, you would have sighted these documents in your role in the investigation of Vee H Aviation?

Mr Williams—Not necessarily.

Senator O'BRIEN—No? Would one of the officers who is part of the investigation have been tasked with checking this aspect of the operator's authority?

Mr Toller—The area manager who is responsible for this airline, which is the New South Wales country area office, would have full knowledge of the AOC history of this operator, and of the COA. Those are his responsibilities.

Senator O'BRIEN—I understand that. I am curious about whether there was contemplation as to whether there was an action afoot against this operator. It seems fairly basic to check what their authorisation was from CASA to see whether they were operating within the terms of it. Mr Williams, you don't think that that was part of the process?

Mr Williams—I cannot tell you for sure. I would have to take that one on notice.

Senator O'BRIEN—Okay. How many investigations of this type have you managed, Mr Williams?

Mr Williams—None directly.

Senator O'BRIEN—So who would have directly managed this investigation?

Mr Toller—The investigation itself really takes two forms. There is the consideration of matters that may lead to administrative action, and that is predominantly taken by the area office and therefore under the responsibility of the area manager. There is also, if requested, an investigation which could lead to criminal action, and that is tasked to the Office of Legal Counsel and the investigation branch. Those two things would go on in parallel and the investigator would be tasked by the manager of enforcement, who is under Peter Ilyk, the general counsel.

Senator O'BRIEN—Mr Ilyk's staff would have been doing the investigation? We had better have Mr Ilyk back again.

Mr Ilyk—Yes, as the director mentioned, there are actually two different investigations. We need to be clear about which investigations we are talking about. There was an investigation undertaken by one of the OLC investigators for the purpose of determining whether a criminal prosecution should be launched in relation to the allegations of negligent maintenance. That investigation was conducted by the investigator and that determined there was insufficient evidence to prove a criminal case beyond reasonable doubt. That investigator was not involved in the administrative investigation which deals with whether to suspend or cancel an AOC or a certificate of approval.

Senator O'BRIEN—Mr Williams is part of the administrative part?

Mr Ilyk—Yes.

Senator O'BRIEN—Do investigators report through you to Mr Williams or direct to Mr Williams?

Mr Ilyk—No, the investigators report to me. That is for the criminal side of the ledger. For the administrative side, they have their own flying operations inspectors and airworthiness inspectors conducting administrative investigations.

Senator O'BRIEN—How many investigators are responsible for a task like this? Would one person be tasked with this?

Mr Ilyk—For this particular one there was one investigator.

Senator O'BRIEN—Would that investigator report directly to you?

Mr Ilyk—He reports to the manager investigations who reports to me.

Senator O'BRIEN—Who is the manager, enforcement investigations?

Mr Ilyk—At the time that this matter was being conducted, I think Neil Enders was acting manager, enforcement investigations. Previously the manager was Peter Boys, who subsequently left CASA.

Senator O'BRIEN—It has been alleged that Mr Reid had a conversation with Mr Enders about this matter I have raised earlier. Have you or someone from CASA spoken to Mr Reid about that matter since the last estimates, since February?

Mr Ilyk—Not as far as I am aware, Senator. I understand that Mr Reid contacted one of the investigators earlier on in relation to the investigation and I think the answer given to Mr Reid was that there was insufficient evidence at that stage for a criminal prosecution but the investigator thought that that there may be evidence for administrative action. But that was a matter that was not being dealt with by the investigator.

Senator O'BRIEN—That was what Mr Enders said, was it?

Mr Ilyk—Yes. Sorry, Senator, did you ask whether Mr Enders said that to Mr Reid?

Senator O'BRIEN—No, to you.

Mr Ilyk—That is what I thought you were saying.

Senator O'BRIEN—He reported that to you. No-one other than Mr Enders from CASA or the investigator had a conversation with Mr Reid?

Mr Ilyk—Not as far as I am aware.

Senator O'BRIEN—Is it Mr Enders who made the determination that there was not sufficient evidence to sustain a prosecution?

Mr Ilyk—No. The original investigator came to that conclusion. He put his investigation report to Mr Enders, and Mr Enders agreed with that decision of the investigator.

Senator O'BRIEN—How many specialist lawyers are there in the enforcement branch?

Mr Ilyk—Specialist lawyers?

Senator O'BRIEN—Well, how many lawyers are there, perhaps?

Mr Ilyk—As of today, two. One of whom is the manager of enforcement investigations.

Senator O'BRIEN—Does he report to you?

Mr Ilyk—Yes.

Senator O'BRIEN—How many other legally qualified people report to you?

Mr Ilyk—Seven.

Senator O'BRIEN—What is the experience profile of the staff that you have in the enforcement area?

Mr Ilyk—Generally the people who are appointed investigators have significant experience in conducting criminal investigations. Generally they come from either a state police force or the Commonwealth police force.

Senator O'BRIEN—Of the legally qualified people, how many have law enforcement or other relevant practical backgrounds?

Mr Ilyk—It depends on what you mean by a relative background.

Senator O'BRIEN—Relevant, not relative.

Mr Ilyk—Relevant to what, Senator?

Senator O'BRIEN—Enforcement aviation, law enforcement type backgrounds.

Mr Ilyk—I think most of them have a background in relation to aviation, and the regulations and the act—how to interpret it, what it means. As to criminal background, they have all got law degrees so they have all gone through the process of understanding the criminal process, the administrative process. Now they have become specialised in administering aviation law.

Senator O'BRIEN—As a result of their employment by CASA?

Mr Ilyk—Essentially that is right, or in other departments. One of the lawyers that we have has had extensive experience working with the department in the legal area, so he has had an extensive background in international and other aspects of aviation law.

Senator O'BRIEN—In terms of your role, Mr Williams, did you simply receive advice as to what the next step in the process was in terms of enacting some administrative breach of regulation action against Vee H Aviation? Is that how you became involved?

Mr Williams—I oversee the division that ensures compliance throughout the country. General aviation branch is one of my branches. The general manager of general aviation branch directly oversees it. I oversee the entire operation.

Senator O'BRIEN—So your staff were responsible for that process?

Mr Williams—Yes, the administrative part.

Senator O'BRIEN—In terms of the risk based audits in August, September, October, November and December 2001, what were the outcomes of those audits? What was found?

Mr Toller—Senator, can you clarify what you mean by the outcomes of the audits?

Senator O'BRIEN—The findings which were recorded as to the operation. September was not but almost all of the others were risk based audits. I want to find out what came from those audits.

Mr Toller—We could take it on notice to show the areas which we were looking at. These risk based audits are not a full audit of the whole company. They are just certain audit tasks that are undertaken and logged therefore as a risk based audit. They will be going along and looking at, say, the check and training system or something like that. We can take that one on notice and come back to you with an indication of all the areas that were audited at that time.

Senator O'BRIEN—I understood that these were to do with concerns about the capacity of the operator to manage the new aircraft type.

Mr Williams—That is a general statement, yes. It was mainly concerned with the operation and maintenance capability for that new aircraft type, yes.

Mr Toller—My understanding is that over this period and over a period of about two years they were moving from a position where they had subcontracted all their check and training, which is permissible, to a situation where they were taking full responsibility for it, and they were doing it over a long period of time. So I think you will find that a lot of these risk based audits were investigating elements of that change process which is really what the risk based audit is all about. It is increased surveillance on operators who are going through periods of change or periods of stress.

Senator O'BRIEN—Do you know if that is a normal pattern for an operator with a new aircraft covered by the AOC, Mr Williams?

Mr Williams—I cannot really call it a pattern. Concerns arise from a number of different things—whether it is specific incidents or demonstrated ability to accommodate the change. I think the term 'risk based' really looks at change and the ability, from that perspective, to manage the change.

Senator O'BRIEN—I am looking at the circumstance where in April, I think of the previous year, the company was authorised to operate the aircraft. That authority was extended in August 2001. Through that period, we had 20-odd audits—some scheduled and some risk based—to do substantially, you and Mr Toller tell us, with issues related to the new aircraft. I suspect it is not an unknown occurrence for an operator to have an aircraft added to their AOC. Is this the sort of pattern that would apply to an operator—whether you choose to use the term 'pattern', 'regular inspection arrangements' or whatever—with a recently amended AOC in these circumstances?

Mr Williams—I would say it is not unusual; I would not necessarily call it a pattern. Maybe the term is misleading, but it is not unusual for this to happen. In fact, it is part of—what I have called—diligence. This is part of what an area manager in an area office does. They watch the operators—within their purview to watch for things like this. So it is not unusual.

Senator O'BRIEN—Were the details of this investigation communicated outside of CASA?

Mr Williams—Not to my knowledge.

Senator O'BRIEN—Other than answers to questions on notice. I wanted to relate that to the company known as GOANA Australian Air Safaris. Can you tell me how many scheduled

and unscheduled audits or surveillance activities were undertaken by CASA of this company from January 1999 to March 2000? I want to make a comparison of how that company was treated compared to Vee H Aviation.

Mr Toller—We would have to take that one on notice.

Senator O'BRIEN—When do you move to issue a CAR 269 notice, as was the case with GOANA? Could you also supply on notice details of the assessment process and review that led to CASA taking that action?

Mr Ilyk—I assume we are talking about Flyer Hire. We have not taken any action against a company known as GOANA.

Senator O'BRIEN—I will double-check that that is the trading name. Flyer Hire?

Mr Ilyk—Yes.

Senator O'BRIEN—GOANA Australian Air Safaris is the name of the company I am told about.

Mr Toller—We will check our records. We could not immediately find any record of that company.

Senator Ian Macdonald—That being the case, we should make it quite clear, subject to checking, that they have never come to the adverse notice of CASA—unless you have some information, Senator O'Brien.

Senator O'BRIEN—I am raising it because the proprietor of the company has written to us about the matter. I presume he was not leading us up the garden path in saying that CASA were on his case. It does not have a trading name.

Senator Ian Macdonald—Sorry; if he has written to you, he takes the consequences. I just did not want the name of the company to be bandied around irreparably to them, if they had not come to the attention of CASA.

Senator O'BRIEN—We will pass on any other information that makes identification easier.

Senator Ian Macdonald—That is not the sort of letter you could pass over to CASA to double-check their records?

Senator O'BRIEN—It may be; I will check that. That is all I have on that issue. With regard to ATSB recommendations, at the last hearing you advised that you were auditing or trawling back through the files to ensure that all ATSB recommendations had been responded to by CASA. Can you let us know what the outcome of that process has been? I think we heard from ATSB that some long-standing recommendations have been responded to since the last estimates.

Mr Gemmell—Yes. As we indicated, we went back through the records and worked with ATSB to see if there was anything in their records that they thought we had not responded to, correlating that with our own information to see if there was anything that we thought we had and they had not got. We found a few instances of all of the above. There were instances where we had responded but it had not been recorded properly in their system, and a few instances where we either had not responded or had thought we had responded—where we could turn up drafts of documents but could not turn up a final document that was sent. Having found all that, we went through and looked at what we had done.

In most of the instances, where it was a bit old, we found that we had actioned the recommendation but had neglected to write to the ATSB and say so. So we wrote a series of

letters to clean all those up and make sure the documents were corrected. We have now correlated all our understandings of anything that is outstanding and we believe we are up to date with the recommendations, with an exception of something that we have not provided a substantive response to yet. I should point out that at any point in time there are a whole series of recommendations coming to us and answers coming back, so it is a fairly fluid process at any particular day. We might have a whole set that became due the day before that we have not answered and are therefore technically overdue.

Senator O'BRIEN—Going back to GOANA Australian Air Safaris, I understand that there were a number of litigations taken against them by CASA. You are not aware of them?

Mr Ilyk—Certainly not against GOANA.

Senator O'BRIEN—GOANA Australian Air Safaris?

Mr Ilyk—There was action taken against a company called Flyer Hire Pty Ltd.

Senator Ian Macdonald—Is GOANA perhaps a trade name for Flyer Hire Pty Ltd?

Senator O'BRIEN—If it was, you would have thought CASA would have heard of it. It does not look to be a trade name on the publicity.

Mr Ilyk—Is that a proprietary limited company?

Senator O'BRIEN—It could be.

Mr Ilyk—It may be that it is a trading name, but we have certainly taken action against a company called Flyer Hire. This is in relation to an aircraft, a Cessna, that had been rebuilt.

Senator O'BRIEN—That would be action under regulation 269.

Mr Ilyk—There was action under 269 and there was a prosecution as well.

Senator O'BRIEN—You lost that action in February?

Mr Ilyk—We did not lose the action—we do not run prosecutions; the DPP runs them.

Senator O'BRIEN—The DPP lost it?

Mr Ilyk—Yes, the case was dismissed by the magistrate.

Senator O'BRIEN—And costs were awarded?

Mr Ilyk—Costs were awarded of \$1,500 against the DPP—the Commonwealth.

Senator O'BRIEN—I think we are talking about the same one. Did CASA learn anything from the failure of those proceedings?

Mr Ilyk—It was not a question of CASA losing those proceedings. A matter was brought by the Director of Public Prosecutions.

Senator Ian Macdonald—Perhaps the DPP learned to get better lawyers or something.

Mr Ilyk—It was dismissed on a technicality.

Senator Ian Macdonald—Without being too restrictive, Senator O'Brien, we are straying from what usefully can be explored with officers at estimates committees.

Senator O'BRIEN—There was obviously money spent by CASA in preparing for this matter. It failed, Mr Ilyk says, on a technicality. I do not know if that meant that CASA had expended money without the outcome that they thought was appropriate and whether they obtained some other outcome from it—namely, more knowledge in terms of regulatory enforcement.

Senator Ian Macdonald—Perhaps it might mean that the DPP did not investigate well enough, in which case you should ask these questions in the justice estimates.

Senator O'BRIEN—Is that the case, Mr Ilyk: should I ask these questions to see if they have learnt something?

Mr Ilyk—In terms of prosecution, CASA puts up a brief of evidence to the DPP. The DPP assesses that evidence and determines whether it is in the public interest to run the matter to prosecution. Clearly in this case the DPP believed it was in the public interest and it ran the case as it saw fit. It is a totally separate organisation that has statutory authority to initiate and continue prosecutions. That is not a role for CASA.

Senator O'BRIEN—So you had no role once you gave them the brief—they did it all?

Mr Ilyk—That is right.

Senator O'BRIEN—Who paid the costs?

Mr Ilyk—I have no idea. The costs were not awarded against CASA. They would have been awarded against the Commonwealth, so presumably, if costs were awarded, the Commonwealth through the DPP would have to pay those costs.

Senator O'BRIEN—It does not come out of CASA's budget?

Mr Ilyk—No.

Senator O'BRIEN—Can you confirm that CASA took a subsequent action against the company for breach of CAR 269?

Mr Ilyk—CASA took several actions in relation to the company under CAR 269: one in September 1998, one in July 2000 and one in April 2001.

Senator O'BRIEN—I am pretty sure we are talking about the same company. I do not think you need to trawl your records about the other company; the facts are lining up pretty well.

Senator Ian Macdonald—Perhaps they have changed the name following the prosecution.

Senator O'BRIEN—Perhaps they did, but I doubt it. At the last estimates there was some confusion about CASA's response in relation to QF1—CASA thought they had to respond to the recommendations but ATSB could not find the response, then neither organisation could find a signed copy. Has that been sorted out?

Mr Gemmell—Yes, it was sorted out. We formally wrote to the ATSB in March to properly record the comments that we thought we had previously provided but that we could not prove. Because time had marched on, we updated the position and sent that across to the ATSB.

Senator O'BRIEN—Mr Toller, you said at the time that you wanted to give the committee a copy of the CASA response but were advised that protocols may not allow that, and you took it on notice to refer that request to Mr Bills. Did that happen?

Mr Toller—The issue was whether the ATSB considered it reasonable for us to release our responses. They have indicated that they are happy for us to release the responses; they consider them to be our documents. Therefore we are quite happy to table that.

Senator O'BRIEN—I thought you were going to supply it on notice, if that had checked out. Are you saying that you did not do that that but you are now prepared to table it?

Mr Toller—We are prepared to table it now.

Senator O'BRIEN—At the last estimates hearing you agreed to provide a copy of the executive summary of the report into CASA public relations, but I do not believe we have received a copy of that report yet. Was it actually supplied?

Mr Toller—To the best of my knowledge, it was.

Mr Elder—It was.

Mr Toller—I certainly saw the letter attached to it that was to send it across.

Senator O'BRIEN—I certainly have not seen it. Did CASA accept all of the recommendations in the report?

Mr Toller—In the end we did agree with all the recommendations.

Senator O'BRIEN—What differences will that make to how CASA conducts its interaction with the media?

Mr Toller—We are looking at a number of areas that come out of that, including the concept of having a media communications strategy plan and more media training for me and others who may be involved. That is being organised at the moment. The one area that we were not quite sure of was whether board members would get involved in any media. We are a little unsure about that. However, the board members said that they were comfortable in going ahead with that. We are setting up a core communications group that will basically focus attention on what we need when we are in periods of high media interest, particularly when there is a lot of media attention on the authority for whatever reason. Consideration of the use of outside help was probably one of the areas where we most went wrong during the Ansett issue. I think we overstressed ourselves in that area.

Senator O'BRIEN—In an answer to a question on notice from the member for Batman, the minister said, 'Funding allocated to the project totals \$45,500-\$47,500. The particulars of the agreed contract between CASA and Gavin Anderson and Co. are commercial-in-confidence. CASA does not believe that it would be appropriate to provide the details.' Why can't you tell us the actual amount spent on it. From your answer, it is obviously no less than \$45,500 and no more than \$47,500.

Mr Toller—It was \$46,000 plus disbursements of \$350.08.

Senator O'BRIEN—Can we have a breakdown of the disbursements in the contract?

Mr Toller—For \$350.08?

Senator O'BRIEN—It will not be a long list, will it?

Mr Toller—I am just trying to work out what it would cost us to make the list. The \$350.08 will be itemised for you, Senator.

Senator O'BRIEN—Was the amount to Gavin Anderson and Co. an agreed figure or an hourly rate charge arrangement?

Mr Toller—It was an agreed figure, subsequent to a tender process.

Senator O'BRIEN—At the last hearing, you explained that the extra effort required to meet deadlines to facilitate Tesna flying virtually involved a rewrite of manuals, with CASA staff working through weekends and Christmas et cetera. Do you have an actual cost to CASA to do that work?

Mr Toller—No, we have not gone through that exercise as to exactly how much was spent on Tesna. It could be done but it would be a fairly major exercise to work it out.

Senator Ian Macdonald—Is there no cost recovery policy in those areas?

Mr Toller—Yes, there is but it is done on an agreed fee beforehand. It is not an actual cost recovery.

Senator Ian Macdonald—So you will be billing Tesna?

Mr Toller—We have billed Tesna for the sum of \$158,015. So far, they have paid \$55,000 of that; so they still owe us \$103, 015.

Senator O'BRIEN—Could you give us a ballpark figure of what it cost you to provide the services?

Mr Toller—I would not be able to guess that.

Senator O'BRIEN—Was it a lot more than that or something like that?

Mr Toller—I would think it was significantly more than that. That is not unusual in any of these matters of entry control where we are bound by the fees regulations in what we can charge and what we can charge for, and it does not cover our costs—there is no doubt about that—by a long way. We will be looking, in the not too distant future, for an amendment to the fees regulations to try to make them more realistic.

Senator O'BRIEN—Is that comparable to the charge you would have levied against Virgin Blue?

Mr Toller—That is a good question, Senator. I will take that on notice. My guess is yes, but we will take it on notice and give you the exact figure.

Senator O'BRIEN—If an international comes into the country, flying internationally, it is not the same?

Mr Toller—No. That is just a recognition of their foreign certificate, along with some audit action on our part.

Senator O'BRIEN—Is there any special rate which applies to regional operations?

Mr Toller—No. We just have the one rate that we can charge anybody and everybody, at the moment.

Senator O'BRIEN—And that is it, is it?

Mr Toller—Yes. It is \$75 an hour.

Senator O'BRIEN—Do you make an assessment before you start?

Mr Toller—Yes, of the chargeable items. We give them a quote on that. If they accept the quote, we expect a little money up front, or sometimes all the money up front. We then get on with the work.

Senator O'BRIEN—If an operator wanted to run the sort of operation that runs into, say, Flinders Island from Launceston, what sort of charge regime would apply there?

Mr Toller—I will ask Rob Collins. He is the expert on these matters. It is his daily bread and butter.

Mr Collins—Could I have the question again, please, Senator?

Senator O'BRIEN—I was looking at a comparison for regional operations, and I used the example of an operator Launceston-Flinders Island—a 12-seater or something like that. What sort of charge regime would apply to someone wanting to set up that operation, in getting approvals?

Mr Collins—Fees would be levied in accordance with the fees regulations for that activity, at the set rate of \$75 an hour. The process is that, on receipt of an application, CASA assesses

that application and makes an estimate of the cost. That estimate is sent to the applicant, who, in the best-case scenario, accepts the costs. Upon that acceptance of the costs, CASA will commence work, with receipt of some money.

Senator O'BRIEN—Could you supply to us, on notice, the charges and to whom they have been levied over the ensuing year?

Mr Collins—Certainly, we could do that.

Senator O'BRIEN—That will answer the question I was asking. To go back to the Ansett issue—I do this for a purpose, which will become clear: before Ansett was placed in administration, it was grounded twice, at Christmas 2000 and Easter 2001. CASA was investigating matters surrounding these groundings. Have any reports been prepared by CASA on these safety actions?

Mr Toller—I think it is true to say that there were two reports coming out of those Ansett groundings. One was an internal report on the whole matter of how we handled Ansett and Ansett maintenance, which included talking to the FAA and to Boeing. The second report was the one which looked at the whole issue of service bulletins and how they are treated. This was the one on which, if you remember, we informed you of this three-tier arrangement whereby there was a report, it was looked at by a group of industry experts and then it was totally reviewed—over that—by a world expert. Both those reports have been completed.

Senator O'BRIEN—Were ATSB involved in those matters? They were obviously involved in the Ansett matter, in some respect.

Mr Toller—In terms of being involved, they have been provided with copies of both those reports.

Senator O'BRIEN—Have those otherwise been distributed? Have the reports been made public?

Mr Toller—No, Senator.

Senator Ian Macdonald—I think we have been through all this, haven't we?

Senator O'BRIEN—I do not think we have dealt with the issue of the investigation and the reports arising from it. That is the issue that I am raising: not the specifics of the actions against Ansett in 2000 and 2001 but the reports which have subsequently been prepared on these safety actions. When were they concluded, Mr Toller.

Mr Toller—The first one would have been concluded about a year ago. That was a concurrent one to the activity. My guess is that the other one would have been completed about last October or maybe November.

Senator O'BRIEN—Can the committee be supplied with copies of that report?

Mr Toller—I would be very happy to supply the committee with a report of the service bulletin review and its two overviews. I would feel less comfortable about the other one, which was the internal one, in that we were talking to a number of outside agencies, including Boeing and the FAA, without ever making it clear that this might become a public issue and therefore they were particularly frank with us on certain matters. So I would feel a little uncomfortable about releasing that report.

Senator O'BRIEN—Thanks for that. I am sure we will accept what you provide us with. I understand that Mr Comer is not with us this week—he is somewhere more salubrious than Canberra—but I would like an update on the status of the Aviation Safety Regulatory Improvement Program.

Mr Toller—We have now renamed that the CASA Improvement Program, because it is broader than just an aviation safety regulation improvement program. It has been through its initial phase. The business case for the program was put to the board at its last meeting. The scope of the program was agreed by the board, who have approved it to go ahead to negotiating the contract stage, and a proposal will be put to the board at its June meeting.

Senator O'BRIEN—How much is budgeted for the project this year? Is it the \$9 million you were talking about earlier?

Mr Gemmell—This financial year, we have assigned \$5.4 million for it.

Senator O'BRIEN—Where does that appear in the PBS, if it does?

Mr Gemmell—I am not sure you would be able to find it there.

Senator O'BRIEN—If it is not in there, it is not there. I just wanted to know if it is.

Mr Gemmell—No, Senator, it is not separately itemised.

Senator O'BRIEN—Could you give us the out year profile for the program? I guess that is subject to board approval.

Mr Gemmell—Yes, that is very much subject to whether the board agrees to the proposition.

Senator O'BRIEN—I think you told us the number for the whole program, Mr Toller. What was that again?

Mr Toller—Obviously it is still open to negotiation, because we are negotiating for the contract in there, but of the magnitude of the phase that the board has approved the scope for, we believe it will be around the mid-\$30 million mark: \$33 million to \$35 million.

Senator O'BRIEN—Mr Gemmell, did you say \$5.4 million this financial year or next financial year?

Mr Gemmell—I said \$5.4 million this financial year.

Senator O'BRIEN—Is \$9 million the number for next financial year, subject to the board?

Mr Gemmell—Subject to the board, it is in that order.

Senator O'BRIEN—There has been an enormous expenditure on information technology through CASA, as I recall it. I had this conversation with Mr Comer. I do not recall seeing the update on the total spend which went across the Y2K compliance period. There was money from the department of finance for that. There were also programs to upgrade some of the legal database software. How much has been spent in CASA on the IT systems hardware, software and maintenance since 1998? It seems to be an extraordinary amount, if I recall it correctly.

Mr Gemmell—CASA has got a number of IT systems in it, doing all sorts of things. As you say, some are ancient in IT terms and others are more modern.

Senator O'BRIEN—Two years old.

Mr Gemmell—We develop them all the time. We do spend considerable sums of money on them and you would expect that, like any organisation. I do have a figure to give you a flavour for it, but it does not quite fit your dates. My advice is that since July 1997—I do not know what the magic of that date is, but that is what I have been given—we have expended \$10.789 million on IT projects. Does that give you the flavour of the question you are asking?

Senator O'BRIEN—Yes.

Mr Gemmell—I am not sure that really includes all maintenance and every other bean we have ever spent on it, but that is the figure I have got. If you want any more we would have to go and trawl through and see what we can find.

Senator O'BRIEN—We will leave it at the moment. I may come back to that at another estimates when we know what the board has decided in relation to the CASA improvement program. I want to raise the issue of a pilot who had his commercial pilot's licence suspended pending an investigation into the matter. It is related to an accident at Palm Beach on 23 December. No-one was injured in the accident. The aircraft had five passengers. I think Mr Webb was the pilot. The suspension was advised by a show cause letter of 14 February this year that stated, 'This suspension is effective from the date of this letter and shall cease upon the completion of the investigation or 28 days from and including the date of this correspondence, whichever is the earlier.' As at 17 May, Mr Webb said he was not able to get any advice or assistance from CASA about the outcome of your investigation. He said he had a log of calls and correspondence. That is a fair while after the 28 days. Does that mean his licence ceased to be suspended on 14 March?

Mr Williams—Yes, thereabouts. I am advised that the date of suspension was 4 February, so the 28 days would have made it 4 March.

Senator O'BRIEN—Is it normal practice that time elapses and there is no correspondence to say nothing is happening? Do you normally write to someone in those circumstances if you have decided to take no action or do you just let the clock wind down and let life go on?

Mr Williams—With that one, there was a simultaneous show cause that was issued. The suspension did cease after the 28 days. There is no process specifically to do that, although it states in the suspension notice that if no further action is taken then after 28 days it ceases to be in effect.

Mr Toller—Perhaps I can help on this one. I have reviewed this case over the last few days, because it is just coming to a head almost coincidental with the letter which this particular pilot wrote to the minister. Coincidental with that a decision was being taken on actions that we believed should be taken with respect to his licence. It is to be conveyed to the pilot this week what those actions are intended to be. My belief is that there was a breakdown in the process in this case in terms of communication and that we need to learn from it and do something about it.

Senator O'BRIEN—I would agree that it seems that, if a show cause period expires and the investigation continues but the suspension has ceased, it would be reasonable to advise that alternative if the investigation is concluded. That would also be appropriately advised to someone who may well rely upon their licence for their livelihood.

Mr Toller—I agree. There is a breakdown here which needs to be resolved to make sure that processes are put in place so it does not happen again.

Senator O'BRIEN—I wanted to raise the question of some complaints against Aerolink Air Services Pty Ltd by another person. If an individual comes across or observes suspicious or potentially illegal practices by another operator, what should they do?

Mr Toller—Call the CASA hotline, basically. That is what we try to promote. We have done that in the past. We believe it is time that we readvertise that avenue. We will be putting in advertisements in our next flight safety magazine which goes out to all pilots and maintenance licence holders. I am happy to table the copy of that advertisement which just says, 'When enough's enough' and then urges people to call the hotline.

Senator O'BRIEN—Mr Elder, I think you are aware of a number of allegations raised against an operator at Bankstown Airport. I have a letter from an individual who says that the matter was raised with a number of CASA officers including yourself. The individual was very desperate to expose what appeared to be highly questionable ethics and risks being taken by an operator that clearly go to safety matters. They included operating without an AOC, advertising for work that they have no permission or certificate to conduct, conducting unauthorised repairs and painting of an aircraft, flying an aircraft with two bolts missing, carrying passengers, falsifying flight records. Mr Elder, what happened about these allegations?

Mr Elder—The calls from the particular person proved to be a very valuable source of information for us. He has followed up on a number of occasions with additional information. That information has been the subject of considerable action by CASA, but I do not think it would be appropriate for me to divulge that at this stage because of ongoing action.

Senator O'BRIEN—How long has consideration of this matter been proceeding, Mr Elder?

Mr Elder—I think the first call we received was in January this year and I have spoken to that gentleman a number of times subsequently because he is concerned to ensure that we are doing something about it. I have been able to assure him on a number of occasions that we are, and ultimately he will see the result of that assurance.

Senator O'BRIEN—You have now all the information from this person?

Mr Elder—The gentleman concerned has offered additional information if we require it. I have notified the people who are dealing with it that that would be available if they do. At this stage they do not require the information. They have enough as it is.

Senator O'BRIEN—When it is expected that this investigation will result in action?

Mr Elder—It is a bit difficult for me to answer that question because it may well involve another authority.

Senator O'BRIEN—I can indicate that whatever information we have we will obviously provide to assist but I would appreciate being kept informed of the outcome of this so that I know whether I need to pursue it or not.

Mr Elder—We are certainly prepared to do that.

Senator O'BRIEN—This advertisement is going in aviation magazines I take it?

Mr Elder—Yes.

Mr Toller—The *CASA Flight Safety Australia* magazine goes free of charge to all licensed pilots and all engineers in the country. So it has the widest spread of any means we have of communicating with the aviation community.

Senator O'BRIEN—There are plenty of other magazines. Is there any consideration of advertising in some of the other magazines that may be more avidly read—I do not know?

Mr Toller—I think you will find that our *Flight Safety Australia* magazine is probably the most avidly read aviation magazine in the country. It is something that has a very high rating with the aviation community.

Senator O'BRIEN—Is that the result of study?

Mr Toller—Ninety-four thousand go out each distribution. We have surveyed and it is widely read. It goes not only to the list I gave but also to air traffic controllers, flight attendants and the like.

Senator O'BRIEN—That is very good. Hopefully you will not be deluged with calls because there are not the problems there to warrant them, but we shall see. I wanted to ask questions about one of your officers. I will not name him but I know that you know who I am talking about. This officer is currently suspended from his position on full pay and has been suspended for seven months. On what date was he suspended?

Mr Williams—On 24 October, Senator

Senator O'BRIEN—I understand there is an internal investigation of charges against this officer.

Mr Williams—There was that, Senator, and also an external one.

Senator O'BRIEN—Okay. When was the internal process commenced and when was it, if it was, completed?

Mr Williams—The original incident took place on 13 July 2001. We detailed an informal examination of 6 and 13 September. An attempt to resolve the situation, based on the results of that, occurred on 18 October. The unsuccessful resolution of that triggered the suspension and subsequent investigation.

Senator O'BRIEN—Has the investigation concluded?

Mr Williams—We have finished it and are now in the process—I believe there is a meeting today—of resolving the entire situation. It would not be appropriate for me to comment any further at this point.

Senator O'BRIEN—What time today?

Senator Ian Macdonald—Long after CASA have left the table.

Senator O'BRIEN—Pretty convenient.

Mr Toller—It is by nature of a phone hook-up this afternoon and, if it cannot be resolved by the phone hook-up, a face-to-face meeting tomorrow.

Senator O'BRIEN—I believe CASA has sought external legal advice on this matter.

Mr Toller—Yes.

Senator O'BRIEN—How long ago was that?

Mr Williams—On 9 May.

Senator O'BRIEN—This officer has been suspended since October. There has been an investigation afoot for that period, at least, seven months.

Mr Williams—The investigation concluded in January.

Senator O'BRIEN—Why did you seek legal advice in May?

Senator Ian Macdonald—Senator, Mr Toller has said that he expects the matter to be resolved once and for all very shortly. I do not know that much is going to be gained from going into this at this stage. I have no idea what is happening. These questions might be—with respect to you—better left till the next estimates. Perhaps whatever happens will make everything clear to everyone. With the sensitivities involved, there is not a lot to be gained by pursuing this at this late stage of the game. You have made your point that it has been a long investigation and you are wondering why.

Senator O'BRIEN—Someone has been suspended and on pay, as I understand, for seven months, many months after the investigation was concluded, and legal advice was sought some months after the investigation was concluded. I am trying to understand the process. If the matter is resolved today and suspension is lifted, that will mean that it will not continue further.

Senator Ian Macdonald—Even if the suspension is not lifted today—I hasten to add that I have no idea, as you would expect—whatever the outcome, it may explain why there has been such a long period of investigation. It might all become clear when the final decision is reached. Given the sensitivities, I am not sure that it is appropriate for the officers, or of interest to any of us, to discuss it further. You have made the point that it has been long, complicated and costly. Perhaps there is a reason for that. Until we can look at the outcome, it is not appropriate to speculate about whether it has been unduly long. Perhaps it has not been long, depending on the outcome.

Senator O'BRIEN—There might need to be questions put on notice through the parliamentary process, so it would save you money if I asked them here.

Senator Ian Macdonald—You people would know more about it than I do, but I think what I am saying is probably appropriate. Put them on notice anyhow, Senator, and if does not all become clear tomorrow to all of us we can try and answer them on notice. Certainly you can question it very fully next time. I am not being obstructive. I just do not think you can take it much further, in fairness to the officers.

Senator O'BRIEN—I was going to find out when the matter came to Mr Toller's attention.

Mr Toller—I would probably have to take that one on notice, so we are probably not getting very far. All I know is that, as with all these things, it is never black and white. This was one which was very much in the middle of the grey area, and therefore it takes longer to resolve, to make sure you have got it correct and that procedural fairness and natural justice are afforded to all parties.

Senator O'BRIEN—I guess I would have to say that my concern is that it may be that there are other issues that underlie this as well. But we will just wait and see what comes out of it.

Senator Ian Macdonald—Until you know the outcome, it is a bit hard to pursue those.

Senator O'BRIEN—Yes. I want to ask some questions which have been referred to CASA by the department because they did not know the answers. This relates to the CASA appointment of Bruce Byron as a special adviser on regulatory reform.

Mr Toller—That was actually a minister's initiative, Senator.

Senator O'BRIEN—Yes. Is it a full-time position?

Mr Toller—As I understand it, no. I think the details are still being resolved, but my understanding is no, it is not a full-time position.

Senator O'BRIEN—Do we know what the salary level and term of appointment are?

Mr Toller—As you would know, Mr Byron is already the chairman of the Aviation Safety Forum. In that role he gets paid a daily sum for each day's work that he does. My understanding is that the proposal is that he will continue to receive the same daily sum for the days of work that he then does in this role.

Senator O'BRIEN—Who will pay that—CASA?

Mr Toller—My guess it will be CASA, yes.

Senator O'BRIEN—It is pretty open-ended.

Mr Toller—I think we are still at the stage where the final details are still to be resolved.

Senator O'BRIEN—Where does he fit into your structure?

Mr Toller—He does not fit into our structure at all. Even as chairman of the Aviation Safety Forum he is not part of our structure; he is chairman of a body that is advising the board.

Senator O'BRIEN—The minister's release says that the Aviation Safety Forum supplements the work of the Standards Consultative Committee chaired by Patrick Murray. Where does that Standards Consultative Committee sit?

Mr Toller—The role of the Standards Consultative Committee is to bring all the representative bodies who have an interest in the regulatory reform program together to consult and to discuss the various issues that are being undertaken. That sits at the detail level of that program. The Aviation Safety Forum gives strategic advice, and my understanding is that Bruce Byron's role as advocate is to try and seek the views of those who are not necessarily represented by organisations that are sitting on the Standards Consultative Committee but who would still have views of how this may affect their business.

Senator O'BRIEN—The Standards Consultative Committee—I believe it is chaired by Patrick Murray—

Mr Toller—That is correct, Senator.

Senator O'BRIEN—What is his background?

Mr Toller—He was an ex-Air Force officer—Royal Air Force followed by Royal Australian Air Force, then a commercial pilot, 747 captain and, for a period, the regional chairman of the Guild of Air Pilots and Air Navigators in Australia. He now is retired and running an aviation consultancy business.

Senator O'BRIEN—How does this group fit in with the airspace reform group?

Mr Toller—I do not think it has any connection whatsoever with the airspace reform group.

Senator O'BRIEN—So they have no consultative role for that group?

Mr Toller—I have not been made aware of any consultative role for the airspace reform group from any of the bodies that we have been discussing or from Bruce Byron. It was purely the regulatory reform program for CASA that those appointed to the SCC and Bruce Byron are involved in.

Senator O'BRIEN—So airspace reform does not fit into the category of regulatory reform.

Mr Toller—No, Senator, because it is not a regulatory reform. It is a question of how we use the resources that are defined by a regulatory reform that has already been undertaken. This is not about the regulations of how you fly in the airspace nor is it about what the classifications of airspace are. It is how you allocate those resources and which classification of airspace you put in which area.

Senator O'BRIEN—What is happening with regard to ATSB recommendations to CASA and your response regarding the 1998 Sydney to Hobart yacht race? You say in your response

that the extent of the problem as an ongoing issue for AMSA is unknown. Has CASA asked AMSA about this matter?

Mr Gemmell—Which response?

Senator O'BRIEN—It is R19990200.

Mr Gemmell—We have undertaken to explore the issues raised by that in consultations with AusSAR, AMSA and Airservices, which we have done. We have had discussions with those groups and the search and rescue regulations are set out in proposed CASA part 138 which has gone out as a discussion paper so you can actually see how we propose to deal with search and rescue regulation, as a discussion paper, in that part. That is out now.

Senator O'BRIEN—When did that go out?

Mr Gemmell—It went out on 28 March this year.

Senator O'BRIEN—Will that arrangement see the putting in place of a system of vertical separations as well as horizontal separations in those circumstances?

Mr Gemmell—It is proposed to create a system to ensure separation. As I understand it, it does not go as far as the ATSB had recommended in that original report back in 1999.

Senator O'BRIEN—Can you tell us why not?

Mr Gemmell—I cannot give you technical detail on that. In broad terms, the concern is that if we went as far as the ATSB wanted to go we would destroy the efficacy of search and rescue operations.

Senator O'BRIEN—Is this set out in the discussion paper or is this an argument that underlies the position in the discussion paper?

Mr Gemmell—I will get someone more expert to answer that.

Mr McIntyre—The discussion paper does not go into any detail about separation of aircraft during searches. CASA already prescribes separation standards for the separation of aircraft and they are 500 feet vertically and 600 metres horizontally. They are also carried over in the new part 91 for the future.

Senator O'BRIEN—Are you saying that there is no need to put in place anything in that regard in relation to aircraft search operations because they are already there in general terms?

Mr McIntyre—CASA has no power under its act to prescribe how searches will be conducted. This is the province of those bodies like AusSAR, the police authorities and the SES. We aware that AusSAR already has protocols in place which provide for vertical separation of aircraft in searches. The proposal, in all likelihood, would have meant that an ATC type of separation would have had to be put in place. AusSAR, in consultation with Airservices, decided that this was impracticable to conduct searches. Most of these searches occur outside controlled airspace.

Senator O'BRIEN—There is reference to CASA and AMSA working towards an MOU to clarify respective responsibilities and interactions between the agencies. What has happened with that?

Mr Gemmell—I do not know. I am certainly not aware of anything in recent times, nor am I aware of a MOU with AMSA.

Senator O'BRIEN—According to ATSB, you responded on 6 April 2000 and stated in part, and I quote:

CASA and AMSA are working towards an MOU to clarify respective responsibilities and interaction between the agencies.

This is in the generated response on OASIS, which was printed on 7 March this year.

Mr Toller—We will have to take that one on notice, Senator, because it is not in our response—that we can see—to the ATSB. We will have to take that on notice to see what the reference material for that one is.

Senator O'BRIEN—Perhaps you could supply us on notice with a copy of your response to ATSB so we can have a look at this issue.

Mr Toller—Yes.

Senator O'BRIEN—So there is no such pursuit towards an MOU and it was never started and is not going to happen?

Mr Gemmell—Senator, we will go back and look at it. I am being told here that there is an MOU being worked on. It is about a relatively small matter, it seems to me, of access to our LARP information. I had perhaps misinterpreted it. I thought you were talking about a general MOU.

Senator O'BRIEN—I actually used the words that were in the ATSB OASIS print-out which I think are attributable to CASA's response.

Mr Gemmell—I am sure they are, Senator. The information I have there was subsequent to all that. There was further correspondence between the ATSB and CASA on that topic, which is the stuff I have. I do not have whatever the original one was.

Senator O'BRIEN—So we are not contesting now that that was the response—?

Mr Gemmell—Well, I—

Senator O'BRIEN—Do you want to check that?

Mr Gemmell—Most of the stuff I have ever seen coming out of OASIS recording our responses have been accurate but we will check and find out where we are.

Senator O'BRIEN—Okay. I look forward to that. R20000249 in the ATSB report relates to the carrying of life jackets on aircraft flying over water. I understand you have accepted that recommendation and you are in the process of amending CAO 20-11. What has happened in that regard?

Mr Gemmell—Only partly correct, Senator. I think your number—

Senator O'BRIEN—I am looking at the wrong number. It is R20000248.

Mr Gemmell—R20000248 is to do with life jackets, which we have accepted. We have amended CAO 20-11 to have effect from 1 July. The director has signed that order.

Senator O'BRIEN—What is 249?

Mr Gemmell—249 was a recommendation further to that that suggests CASA ensure orders provided 'adequate emergency and lifesaving equipment for the protection of fare paying passengers during over-water flights where an aircraft is operating beyond the distance from which he could reach the shore with all engines inoperative.' So 248 was specific about life jackets in particular circumstances, and 249 was somewhat more of a catch-all of having adequate emergency and lifesaving equipment. We have produced a discussion paper covering both 248 and 249. The discussion paper which covers 249 closed on 1 March 2002 and we are assessing the responses now.

Senator O'BRIEN—When did you respond to 239, the QF1 Bangkok issue—when was that lodged?

Mr Gemmell—Sorry, which one?

Senator O'BRIEN—Two three nine.

Mr Gemmell—What did you call it?

Senator O'BRIEN—I think it is QF1.

Mr Gemmell—On 14 March this year.

Senator O'BRIEN—How long had it taken to lodge that response?

Mr Gemmell—I think we went through that one. It took too long, because, although we had done the work on and indeed drafted the response, we could not demonstrate that we had sent it to anybody. So we updated it, cleaned it up, sent it and checked that it was received.

Senator O'BRIEN—Regarding R195 and R196, you lodged responses on 17 April 2002—they were due in August 2000—and you accept the recommendation. Is it one that fell through the cracks? You may have mentioned this earlier; I am just going through this for completeness.

Mr Gemmell—Could you give me a bit more information? What was the reference?

Senator O'BRIEN—It was 1999, 0195 and 0196.

Mr Gemmell—When we trawled through we discovered that, between the two of us, we could not confirm whether we had closed those off. We found that we had taken action but had not told the ATSB and we wanted to take a subsequent action, so we wrote the letter of 20 March recording what we had done back in 1998 and what we had done more recently when we updated it.

Senator O'BRIEN—Is it 1998 or 1988? It says 1988 on Oasis, but it might be 1998.

Mr Toller—It is 1998.

Mr Gemmell—The immediate action we took following the recommendation was taken in 1998 and then there was a subsequent reminder put around this year.

Senator O'BRIEN—What is the status of 130 to 133 and 186, the fuel contamination problem recommendations—that is, 2000?

Mr Gemmell—We have responded to the ATSB indicating that we will not be putting a substantive response to those matters until a government response—

Senator O'BRIEN—A government response to the Senate committee.

Mr Gemmell—is developed.

Senator O'BRIEN—Why is that?

Mr Gemmell—Firstly, because we do not see a major safety issue involved here. If we did, of course we would act immediately. There are some very broad ranging recommendations in amongst that suite, not just to CASA. For us it involves being back in a major regulatory role in respect of fuel production, and there are significant resource and other implications. There are also recommendations to us about our relationships with other bodies—state government bodies and so on and so forth. The recommendations in that report are very wide ranging and need a whole of government response—indeed, bigger than a whole of Commonwealth government response.

Senator O'BRIEN—How many other responses are subject to a ministerial response to the Senate inquiry?

Mr Gemmell—Very few.

Senator O'BRIEN—Are there any?

Mr Gemmell—That is the only one we have got outstanding at the moment; there would be very few. There are some pretty wide ranging issues involved in that and some big issues for government if they wish CASA become re-engaged with the regulation of fuel production—which is, as a general rule, simply not done in the aviation world internationally.

Senator O'BRIEN—Are you saying that CASA has formally sought direction from the government on that issue?

Mr Gemmell—No. We are awaiting the production of the response to that—and contributing to that as well, of course. That will then guide how we respond to the ATSB. We are going to deal with the bigger picture issues first and then the ATSB detail will have to flow from that. I am told that the ATSB agree that that is a sensible approach. We are not being pressed for a response. As I say, we do not see a major outstanding safety issue here—otherwise, we would have had to act more quickly.

Senator O'BRIEN—That is all I have for CASA today. Thank you.

[12.33 p.m.]

Airservices Australia

ACTING CHAIR—We now move on to Airservices Australia.

Senator O'BRIEN—I understand that Airservices was forecasting a loss for the current financial year. Was it in the order of \$90 million?

Mr Smith—No. That figure, I think, refers to the deficiency in revenue rather than the loss situation we were projecting at that time.

Senator O'BRIEN—What is the current forecast?

Mr Smith—The current forecast is that we will certainly be in the black—that we will be profitable—but not nearly to the extent of last year. We have not, as yet, put any of that information to the minister. I am not sure whether we can go into full detail on the figures, but suffice to say we will be profitable for the year.

Senator O'BRIEN—So you were never forecasting a loss?

Mr Smith—Yes, we were. On the day the Ansett failure occurred—as you know, that was within a day or so of September 11—and in fact prior to that, we could see that Ansett was going so we looked ahead a bit and built up some likely scenarios. The total loss of revenue was about \$140 million a year at that time. But we were in September so, for the balance of the year, the revenue shortfall was around the \$90 million mark if we did nothing about it and if there was no return at all in terms of traffic growth. So our management team got together and took on a number of activities aimed at instantly reducing our costs for the year. Out of that, we project to be saving \$45 million up to the end of this financial year. That, coupled with a bit of growth—the market has come back to some degree—means we are looking at turning some form of profit at the end of this year.

Senator O'BRIEN—These are the estimates. If you are projecting a profit, I think we are entitled to know it. It is not advice; it is financial projection.

Senator Ian Macdonald—An interim report has been given to the minister and the minister has not ticked off on it yet, so it should not be made public. The minister may have suggestions.

Senator O'BRIEN—There has been an interim report on the financial position but, because the minister has not ticked off on it, it is not going to be revealed at estimates?

Senator Ian Macdonald—He might find an error in it.

Senator O'BRIEN—Then the final figure might change, but the interim one will not.

Mr Smith—It is a report to the minister; that is all.

Senator O'BRIEN—I am not asking for details of what you reported to the minister; I am asking for the financial details of Airservices. The fact that there is some communication between Airservices and the minister about that is irrelevant to these considerations.

Senator Ian Macdonald—I might take the question on notice and see what Mr Anderson thinks about it.

Senator O'BRIEN—Frankly, I do not believe that Mr Anderson enters into it. These are the estimates. You have been chastising us for raising matters that are not related to the financial issues arising from the budget. This is clearly one that does. I do not see the sensitivity in telling us what the interim figure is. There are figures all over the PBS forecasting different outcomes of the operations of organisations, I would have thought.

ACTING CHAIR—Senator O'Brien, perhaps we could work out a situation where Mr Smith and his team take it on notice now and may be able to add something to it after the lunch break.

Senator O'BRIEN—That may take us forward. What is the average price increase for Airservices charges this year?

Mr Smith—There has been no increase for this financial year. That was another policy decision we took at the time of September 11. Perhaps you are referring to next year's pricing. We propose putting our prices up by an average of about 5.1 per cent, but that is yet to go through the processes.

Senator O'BRIEN—It is zero this year and possibly 5.1 per cent next year. Is there a profile of an average movement in charges over the years?

Mr Smith—Over the past four or so years, we made a commitment to our customers to reduce our prices by 20 per cent over a period of five years. We achieved a reduction, in real terms, of nearly 25 per cent over about a 2½- to three-year period. Now we are proposing a 5.1 per cent increase for next year, which recognises the issues of September 11 and the Ansett collapse.

Senator O'BRIEN—What is the amount of charges negotiated for provision of services to the military?

Mr Smith—We have not yet reached agreement with the military on any form of charging. Sorry: 'any form' is misleading. We have one arrangement which relates to the briefing office in Brisbane. That is a contractual arrangement with the Department of Defence.

Senator O'BRIEN—So they lease office space from you or you from them?

Mr Smith—What we have done in past years is to have Air Force officers working within our own briefing office to carry out liaison work, but now we will do that work for them and that will release their officers.

Senator O'BRIEN—What fee do they pay for that?

Mr Smith—I would have to look at the contract. It is in the order of hundreds of thousands of dollars; it is not millions of dollars

Senator O'BRIEN—Hundreds of thousands is a significant amount.

Mr Smith—Yes, certainly to the Smith family.

Senator O'BRIEN—Has the Airservices budget been finalised?

Mr Smith—We are going through the budgeting process at the moment and we have submitted documentation to the minister in relation to next year.

Senator O'BRIEN—Can you give me the current staff numbers breakdown by classification group?

Mr Smith—Yes. Staff numbers at 30 April 2002 are 2,784. We are projecting that they will increase a little over the next month to about 2,794.

Senator O'BRIEN—What is the projected establishment over the coming financial year?

Mr El-Ansary—We expect the average next year will be about 100 over where we will end up this year and, from memory, that would be 2,900, in odd numbers.

Senator O'BRIEN—Where is the growth going to come in staff numbers?

Mr El-Ansary—Again from memory, it would be pretty much across the board. One of the initiatives outlined earlier by Mr Smith in terms of our response to the events of September last year was to defer and delay recruitment wherever we could. That can be done for only a certain period of time. Next year, there will be that slight increase.

Mr Smith—We have growth plans for our non-core business. We will need new and different skills to perform that work.

Senator O'BRIEN—I am not exactly certain why you mean by 'non-core' business.

Mr Smith—Our normal core business is air traffic control in Australia, airport rescue and firefighter services and the ancillary activities that go with that. Other work that we can perform using those skills relates to other air traffic providers where—given that we have genuine world leadership in the provision of these services—we can provide support to others, and in the ancillary areas that I was talking about.

Senator O'BRIEN—In terms of your world leading position, particularly with TAAATS, what is happening with the provision of advice or services to other nations about that? Is that the sort of thing that is leading to ancillary income?

Mr Smith—Yes, that is certainly one area. We have been reasonably successful in doing that. We provide training, assistance with project management or with establishment of the concepts, and with installation, maintenance and all those sorts of things.

Senator O'BRIEN—What sort of income stream is generated by that?

Mr Smith—We started off with a five-year plan for revenue growth in that non-core area. Over the five years we went from about \$5.6 million in year one, a figure we were projecting, to about \$50-odd million a year at the end of that. We are pretty much on track to achieve that. We are projecting quite a reasonable year this year. I must say that the work also includes some of our mapping and some of the more traditional stuff.

Senator O'BRIEN—Is it possible to get a breakdown where the non-core business income streams come from?

Mr Smith—It is possible. The hesitation I have is that we are entering into a period of competition very shortly and in those particular areas we are already competing with a number of other organisations around the world. This sort of information, if reverse engineered, can become very useful to our competitors. If it becomes public, it is a problem. It will make us go backwards.

Senator O'BRIEN—Let's consider that at this stage. What portion of your staffing is dedicated to non-core activities?

Mr Smith—A very small percentage at the moment. We draw upon the various areas to utilise capacity that is not being fully utilised at the moment. We do not have a separate group of staff per se dedicated to this sort of work. That may happen in the future, but at the moment that is not necessary. I must say the other advantage—if you do not mind a bit of a plug—is that it keeps our people refreshed. They are seeing different things and different methods of achieving end results. While they are helping others they are learning. We see that as being equally as important as the revenue side.

Senator O'BRIEN—What is the current situation of the plan to break Airservices into separate entities, subsidiaries and principal, however it is going to be done?

Mr Smith—That is in the early stages of development at the moment. We are looking at that. We see some advantages in a competitive environment in putting a ring fence around some of these organisations. But that has not yet been approved by the board and we are still in the preparatory stages.

Senator O'BRIEN—So there is no change then to the answer to the question on notice previously where you said the government has not received a formal proposal seeking agreement for the creation of subsidiaries and, accordingly, the government is unable to respond to the question at this time.

Mr Smith—I think there was one question that I did read about that was not as we said.

Mr Grant—Are you talking about question AA11?

Senator O'BRIEN—Yes, I am.

Mr Grant—The department advised me yesterday that there had been a change. I thought you had been advised of a change to that answer. There was actually an error in putting that together.

Senator O'BRIEN—Okay. When did the change come through?

Mr Smith—Very recently.

Mr Grant—Very recently.

Senator O'BRIEN—It is one of the ones that gets caught up in the last-minute preparations for estimates I take it, because I am not aware of it.

Mr Grant—The answer says the government has not received a formal proposal. That should have stated that the minister has been told that we are considering the concepts. It was pretty much what Mr Smith has just told you—that that was advised to the minister. So we just wanted to make sure that you did not have a misunderstanding on that.

Senator O'BRIEN—So when was that advice to the minister? Prior to the last estimates, was it?

Mr Grant—I think the last estimates was 13 March and the letter was dated 14 March. The letter went from me as acting chief executive at the time. We just wanted to make sure

that that was corrected. There was a misunderstanding between ourselves and the department over that answer.

Senator O'BRIEN—Okay. What is meant by corporatisation of Airservices? What changes would that make to the operation of Airservices Australia?

Mr Smith—At the moment, Senator, Airservices is pretty much in no man's land as an entity. We are not a statutory authority. We are not a corporation under Corporations Law. But we are defined under the Air Services Act as a body corporate. So we are a corporation under a special act of parliament, which, given our commercial focus, is problematic for us.

Senator O'BRIEN—In what way?

Mr Smith—Because of the confusion about how much we should be involved in things that the Commonwealth needs done by authorities. It might be legal issues. You know, we get requests from the Auditor-General's Department to do something. Those requests do not apply to GBEs, but they do apply to statutory authorities or to departments and so on, and we are neither. We are sort of in the middle of that. Each time we have to sort that out.

Also, we are trying to inculcate a culture in the organisation that is customer focused, that is commercial and that is safe. And very clearly all those things are easier when you have a clear fence around the organisation and people know where they are heading and how they are getting there.

The major benefit, to answer your question, that we see is one of significant cultural change and I have got to say that the change to date under the present setup has been quite significant but we see that we can go much further and that is the intent. So we will become a corporation under companies law rather than a corporation under the Air Services Act if this all goes ahead. That is the intent of it. So there will not be much change physically, but a lot of change mentally.

Senator O'BRIEN—I am struggling with your explanation of why there will be a lot of mental change. You are already a corporation in effect; it is just that you are not under the Corporations Law but under a separate law of the Commonwealth.

Mr Smith—We are trying to move on to a commercial focus. The traditional method of an air traffic controller performing his or her duties was, as part of the DCA or CAA, to be part policeman and part service provider. We are now a service provider. We are separate from CASA and we want to be very sure that when we deliver service to our customers we do it in a way that says, 'Is there anything else I can do to help you? Is there some way else that I can assist?' It is much easier to achieve that sort of mentality under Airservices Pty Ltd than it is under Airservices government or semi-government department but we do not know exactly what we are. That is the point I am trying to make.

Senator Ian Macdonald—Dare I say that Telstra have the same problem in a slightly different way?

Mr Smith—I am sure they do.

Senator O'BRIEN—I understand the arguments about the culture of organisations. I do not understand how making it a corporations law company will change those, necessarily, unless you are saying that the operations will go into a market where there is full competition and that there is a restriction placed on your monopoly control of particular aspects of your operation—the market that you serve, in terms of providing directed traffic information and the like. I am not sure how the ethos that you want to create will be created just by a change of the law in terms of what sort of corporation you are.

Mr Smith—It is a little difficult to explain. It is better explained by examples. If you look at the old SECV in Victoria—a very large organisation—you could say, ‘Why couldn’t you fix the culture as it was?’ The fact is that, because it was seen as being government owned and as being able to dip into the tin whenever things got a bit rough, that was the mentality that permeated the organisation. When it was split up into corporate entities, each with its own ethos and culture, we were much better able to focus on what was important to the vision of that organisation, and, with much shorter lines of control and so on, we were able to generate much more efficient organisations. There are many examples of where that situation has arisen. We are talking here about a government business enterprise, and that is all we were before we went to this current situation.

Senator O’Brien—So you have made significant progress in this form?

Mr Smith—We have, but progress should not stop now because we have achieved the results we have.

Senator O’Brien—Are there signs that progress is stopping?

Mr Smith—No. I am saying that the fact that we have got this far should not prevent us from going further.

Senator O’Brien—I am just trying to understand the link that you say exists, but perhaps we are having a debate that we can have otherwise than in this forum. The minister has said that he wants to establish an airspace authority separate from a corporatised Airservices and CASA. What impact will that have on Airservices’ responsibility for airspace management regulation?

Mr Smith—We have very little responsibility for regulation per se. My recollection is that we have only one responsibility, which we have never actually had to exercise.

Mr Dumsa—I think you are referring to the exercise of delegations under the Airservices regulations. We exercise delegations under section 204 and 207 of the regulations in respect of declaration of airspace either as a class of airspace or as restricted airspace, danger airspace and so on. If Airservices was to lose that authority and move to an airspace directorate or airspace authority, it would have little impact on our operation. It is an embedded day-to-day activity as far as we are concerned. It is just a role that we fulfil because it was within our regulatory function.

Senator O’Brien—So if someone else was doing it, it would not matter?

Mr Dumsa—Not particularly. There are some aspects of the declaration of temporary restricted airspace that we would need to deal with. For instance, we often get calls in the middle of the night or over weekends if there has been a jailbreak, and the police will ask us to set up a temporary restricted area around the airspace concerned. But we think that can be managed through an airspace authority, however that is established.

Proceedings suspended from 1.00 p.m. to 2.00 p.m.

CHAIR—We shall resume.

Mr Smith—I have checked our ability to state the profit figure and that is okay. The profit figure currently forecast is \$20 million after tax.

CHAIR—Thank you.

Senator O’Brien—Is this because of cost savings and a better than expected income stream?

Mr Smith—That is correct. The projected cost savings are \$45 million. The income stream has increased a bit beyond our expectations.

Senator O'BRIEN—I have asked some questions about the previous chief executive officer with regard to remuneration. That is a matter we will come to. But I want to ask about ongoing additional contracts for Mr Pollard which we were not told about at the last hearing. Was Mr Pollard given a contract for any period after the end of his contract in Australia?

Mr Smith—Yes, he was.

Senator O'BRIEN—What was the period of that contract?

Mr Smith—Three years.

Senator O'BRIEN—What is the payment arrangement?

Mr Smith—It is slightly over \$A50,000 per annum; that is about \$US26,000.

Senator O'BRIEN—What is nature of the payment? What is the payment for?

Mr Smith—It is to act as our representative over there. We have a number of commercial opportunities, the largest of which was the bid for the American Oakland oceanic facility. It was a turnkey contract that the FAA were letting. They have now let it. We were not successful in that, but ARINC is an organisation that we teamed with and a couple of other organisations. Bill was very useful in acting as the liaison for that. Having been the ex-head of air traffic in the FAA, he also has a good entrée into the system over there and, through his years of experience representing the FAA offshore, also has a good contact base in other countries. That was the intention of the contract.

Senator O'BRIEN—Is it a purely fee based contract? Are there no other benefits attached to it?

Mr Smith—No, there is not. It is a retainer that is paid on an annual basis.

Senator O'BRIEN—A retainer implies that he is paid extra for work he actually does. Is that the case?

Mr Smith—No, that is not the case. He would be reimbursed for expenses that are incurred, like air travel or whatever.

Senator O'BRIEN—How much has been paid to reimburse him for expenses?

Mr Smith—A minimal amount. The only one that I can recall was travel to the ATCA conference, which was held in Ireland.

Senator O'BRIEN—So that covers international travel. What was the conference he was paid to attend?

Mr Smith—The ATCA—Air Traffic Control Association—conference.

Senator O'BRIEN—Did anyone from Airservices Australia go to the conference?

Mr Smith—Yes. I went to that, and so did the chairman.

Senator O'BRIEN—Why was it necessary for Mr Pollard to go?

Mr Smith—Because he is a fellow who is well known and respected amongst his peers in the industry. It is very important to me that I develop a network internationally to achieve the kinds of aims I talked about earlier, and it is very important to the organisation that we use Bill's contact base to do what we need to do.

Senator O'BRIEN—How much was involved in the air fare, accommodation and expenses?

Mr Smith—Off the top of my head, I do not know.

Mr Grant—You are correct in that they were the categories of expenditure.

Senator O'BRIEN—What period of time was involved?

Mr Grant—It was a number of days—it was less than a week.

Mr Smith—Yes, probably about seven days.

Senator O'BRIEN—What was it—ballpark—\$2,000, \$3,000 or \$4,000?

Mr Smith—It would be in that order, but I do not have it.

Senator O'BRIEN—Was it a first-class air fare?

Mr Grant—Yes.

Senator O'BRIEN—It would have been more than that, would it not?

Mr Grant—It was not from Australia.

Senator O'BRIEN—No, it was North America.

Mr Grant—I am sorry, but I do not know what the amount was. We would have to look at that.

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

Mr Grant—Yes. It was a first-class air fare, probably from Atlanta. We will get you that information.

Senator O'BRIEN—The air fare, the accommodation and any other expenses.

Mr Grant—Sure.

Senator O'BRIEN—Is this the first time Airservices, or its predecessor, has entered into an ongoing contract with the outgoing CEO?

Mr Grant—As far as I am aware, the answer is yes.

Senator O'BRIEN—Who, in Airservices, is responsible for the management of the contract?

Mr Smith—I am, as chief executive.

Senator O'BRIEN—Who initiated the contract arrangement?

Mr Smith—I am not sure. I was not involved in that at the time.

Mr Grant—It came out of the board remuneration committee.

Senator O'BRIEN—When you say that, did it come out as a post-contract arrangement whilst Mr Pollard was under contract?

Mr Grant—I am not sure I understand.

Senator O'BRIEN—Was it arranged whilst Mr Pollard was still CEO?

Mr Grant—Yes, it was, but it did not take effect until after he had resigned from Airservices. So there was no doubling-up, if that is what you—

Senator O'BRIEN—No. I was just interested to see whether it was part of the contract. When he terminated the contract, how long had it been part of the contract that he would get this second retainer contract?

Mr Grant—It was not part of the contract; it was a second contract. It would have been signed before he left, to take effect from the day he left, basically.

Senator O'BRIEN—When did the board remuneration committee decide that he should be given this contract?

Mr Grant—My recollection is that it would have been about April 2000.

Senator O'BRIEN—When did Mr Pollard leave?

Mr Grant—In October-November 2000.

Senator O'BRIEN—I take it it was known in April that he was leaving in October.

Mr Grant—That is correct, because six months notice of his departure was provided.

Senator O'BRIEN—Basically, when he gave notice, this was arranged—or at about the time he gave notice?

Mr Grant—Yes, it was about the same time. That is right.

Senator O'BRIEN—Who placed the matter before the board remuneration committee?

Mr Grant—I think it was the committee members themselves. I was secretary of that committee but at this meeting I was not actually in the meeting. In any event, I am not sure it is appropriate for me to comment in detail, but my understanding is that it was initiated by the committee itself.

Senator O'BRIEN—To propose that he be contracted on retainer, following termination of his services? Did they propose the amount?

Mr Grant—That is correct.

Senator O'BRIEN—It all happened at a meeting, and it was not on the agenda?

Mr Grant—I do not believe it was on the agenda, but I cannot be absolutely certain.

Senator O'BRIEN—Does Mr Pollard's travel outside the US indicate that his work involved other non-US based work?

Mr Smith—It could do.

Senator O'BRIEN—When was the minister made aware of his contract—if he was made aware?

Mr Grant—He was made aware. I do not know the precise timing, but the chairman advised the minister of the proposed arrangement. I think it was before a contract was signed.

Senator O'BRIEN—Can you check that and let us know when that occurred?

Mr Grant—The actual date?

Senator O'BRIEN—Yes, please.

Mr Grant—We will take that on notice.

Senator O'BRIEN—And the date the contract was signed.

Mr Grant—It was signed by—

Mr Smith—That was the letter. We will take that on notice.

Mr Grant—It was towards the end of the year.

Senator O'BRIEN—Did you say that it was a letter, Mr Smith?

Mr Smith—Yes. It was a letter of agreement, which forms a contract in law.

Senator O'BRIEN—Was there simply an offer from Air Services proposing that that arrangement will be entered into?

Mr Smith—You are testing the memory, Senator. My recollection is that it was a statement of the duties, what was expected, remuneration and that sort of thing. It was only a two- or three-page letter.

Senator O'BRIEN—Can the committee have a copy of that letter?

Mr Smith—That is a board issue. We would probably have to take that back to the board for consideration. I do not have the right to release board data.

Senator O'BRIEN—I take it that you will take it on notice and check that.

Mr Smith—I certainly will.

Senator O'BRIEN—Who is Mr Pollard reporting to?

Mr Smith—To me as chief executive.

Senator O'BRIEN—And you monitor his performance in the terms of his contract?

Mr Smith—Yes.

Senator O'BRIEN—Did he represent Air Services at the conference?

Mr Smith—Yes, he did.

Senator O'BRIEN—So he is engaged to represent Air Services in whatever forums he chooses, or you choose?

Mr Smith—No, we choose. And it is not necessarily forums; it is in the activities. We have used Bill Pollard for a number of other activities as well—researching information for us, getting market intelligence that we cannot access through other means. He has been quite helpful with that.

Senator O'BRIEN—Did the existence of this contractual relationship surprise you, Mr Smith?

Senator Ian Macdonald—That is not appropriate.

Senator O'BRIEN—I think it is.

Senator Ian Macdonald—These people are not here at estimates to indicate whether they are surprised or otherwise by things.

Senator O'BRIEN—Was there an investigation into how this came about?

Senator Ian Macdonald—An investigation into what?

Senator O'BRIEN—Into how this contractual relationship came about.

Senator Ian Macdonald—Why would there be an investigation?

Senator O'BRIEN—I am asking Mr Smith if there was one.

Mr Smith—No. There was no investigation into the contract.

Senator O'BRIEN—I take it, from what has been said, that there was no proposition put to the remuneration committee by any other individuals or consultants in relation to this contractual relationship between Airservices and Mr Pollard. Is that correct?

Mr Grant—That is right. We were retaining an individual because of the expertise and the contacts that he had. It is hardly something that you would go to other people for.

Senator O'BRIEN—I am thinking about the initiation of it. What you are suggesting is that it came up at a board meeting and was not on the agenda. There was no other involvement pre that particular meeting?

Mr Grant—Not that I am aware of. I handle the papers for that committee as the secretary of the committee. I would like to clarify an answer I gave before. I found the date of the letter of agreement. It was 10 October 2000 and was signed by the chairman, not by Mr Smith. I mistakenly thought it was Mr Smith who had signed it, but it was the chairman.

Senator O'BRIEN—Is that after the termination date?

Mr Grant—No, he left after that date.

Senator O'BRIEN—Will the details of Mr Pollard's new contract be included in the annual report.

Mr Grant—It is not proposed to do that.

Mr El-Ansary—My understanding of the relevant reporting requirements is that, where there is a related party transaction—in other words, were Mr Pollard to have continued to occupy an office in Airservices and during currency of that office there were other relationships of a financial nature between him or a related entity—that would be required to be disclosed. As Mr Pollard is no longer an employee of Airservices in any respect, it would fall under the normal contractual arrangements we have with a wide range of organisations. I do not believe there would be a requirement to record it.

Senator O'BRIEN—Is it not relevant that the contract was entered into while he was employed but took effect after he left?

Mr El-Ansary—I am not sure of the specifics of that. Clearly, we will be talking prospectively about the 2001-02 financial year. He left prior to that period, as was previously mentioned. So it will not be an issue for the financial year which is about to end.

Senator O'BRIEN—Does Mr Pollard report in an itemised way on what he does for Airservices?

Mr Smith—No, Senator.

Senator O'BRIEN—How does he report to you?

Mr Smith—It is a fairly loose arrangement. Most of the interaction between Mr Pollard and Airservices is through our director of marketing. He tasks Mr Pollard with the sorts of things he needs generally. I have utilised him in a couple of situations where I have needed a bit of market intelligence or information on things which I thought he would have access to, or wanted his opinion on things happening in other countries. There is no formal method of reporting to say, 'I did this this week and did that last week.' That has not been considered necessary.

Senator O'BRIEN—What was the term of Mr Pollard's last contract, not the one we are talking about now but the CEO contract?

Mr Grant—I believe it was two years.

Senator O'BRIEN—When was it entered into last? Did it run its full term?

Mr Grant—Yes, it did. I think it was entered into in about November 1998 and it went through to the end of October 2000.

Senator O'BRIEN—At the last estimates hearing we were discussing a breakdown of Mr Pollard's termination payment. You said one of the things in that termination payment was long service leave.

Mr Grant—That is correct.

Senator O'BRIEN—Is it normal for someone to have accrued long service leave and have it paid out after five years service?

Mr Grant—It is if they are over 55.

Senator O'BRIEN—So would any officer employed by Airservices be in the same situation?

Mr Grant—I believe anybody employed under the long service leave act would be covered by that arrangement.

Senator O'BRIEN—The Commonwealth long service leave act?

Mr Grant—Yes, that is right. Public servants would have the same rule applied.

Senator O'BRIEN—In terms of the remuneration committee, you were the secretary at the time. Who else was a member at that time?

Mr Grant—The chief executive and two of our board members, including the chairman of the board.

Senator O'BRIEN—So it was Mr Pollard and—

Mr Grant—Mr John Forsyth, the chairman, and Mr Ron Entsch, one of our board members. That was at the time that that particular decision was made.

Senator O'BRIEN—For completeness, could you tell us what the costs of Mr Smith and Mr Forsyth's attendance at the Irish conference were?

Mr Smith—Not offhand.

Senator O'BRIEN—Perhaps you could take that on notice.

Mr Smith—Yes.

Senator O'BRIEN—Thank you. We touched on this briefly before: I understand that Airservices is performing work for revenue in countries other than Australia. Can you give us a brief outline of the countries and functions?

Mr Smith—That is a bit of a memory test. We have certainly done work in Scandinavia, China, East Timor, Papua New Guinea, Fiji, the United States, Greece. We have won a contract for Greece to install our NAIPS system. I do not know whether we have started the work there yet, but we have won that contract. We have also done work in Singapore, Cambodia, Nepal, the Middle East, Honiara and the Solomon Islands, Indonesia.

Senator O'BRIEN—Are these predominantly air traffic management systems, installation, training et cetera?

Mr Smith—Yes, it is a mix, but the sort of things I talked about before: project management, training, consultancy, installations, maintenance. With the Greece contract, that is supporting them to install the same system as we use here for our Internet flight planning.

Senator O'BRIEN—Is it fair to say that many countries that Australia provides foreign aid to do not provide their own aviation and air traffic services? Maybe you do not know the extent of that.

Mr Smith—No, I do not know the answer to that question.

Senator O'BRIEN—Has Airservices ever been approached by the Department of Foreign Affairs to participate or tender for work as part of Australia's aid programs?

Mr Smith—I am not aware. My colleague Tom Grant is saying that some of them may have been in that. It is a question of whether they approached us or we approached them. We

certainly keep in touch with them on these countries. Possibly in Papua New Guinea, I am told.

Senator O'BRIEN—I expect it to be a win-win: you would give the Australian government a good rate and they would be providing a valuable service through you to some of our neighbours and the countries in need.

Mr Smith—I am not sure that we have actually utilised Australian aid money to date. I would have to check that out, Senator.

Senator O'BRIEN—Do you see any technical barriers to that?

Mr Smith—None at all.

Senator O'BRIEN—What is happening with the negotiation of the certified agreement?

Mr Smith—We have now reached agreement with most of the unions, with the exception of CivilAir. The agreement goes to the vote within the next couple of weeks for those unions. We intend, if all of that is successful, to start the payments from 1 July. With CivilAir we are still going through a process with them to try and find out what their problems are. We have been in the arbitration commission this week with that. There is no resolution; it was adjourned this week. We are still working that through.

Senator O'BRIEN—I presume you have negotiated with them and that that would be the way you would find out what the disagreements are.

Mr Smith—Yes, Senator. We have been negotiating for some 18-odd months with them.

Senator O'BRIEN—What is the purpose of the proceedings before the Industrial Relations Commission?

Mr Smith—To either suspend or terminate the bargaining period and move on to arbitration, if no agreement can be reached in the meantime.

Senator O'BRIEN—How many staff would be balloted? That is excluding the CivilAir group.

Mr Smith—Roughly 1700.

Senator O'BRIEN—Thanks for your answers to questions you took on notice about the last CHOGM meeting in Brisbane. I have some additional questions on these matters. The cost to the Prime Minister's Department for revised air space arrangements for CHOGM was advised as \$633,914 including GST, which I believe included your costs plus profit. Is that correct?

Mr Smith—Correct.

Senator O'BRIEN—Have you been paid for that invoice?

Mr Smith—I believe so; I would have to just confirm that. I did check that out last week and I am pretty sure it has either all been paid or part paid. I am advised it has all been paid.

Senator O'BRIEN—I had asked questions about incidents during CHOGM and you have provided the details of those incidents. On 1 March the first incident during CHOGM was an air ambulance aircraft infringing the designated air space when flying from Bundaberg to Brisbane. You say no breakdown of separation occurred. The aircraft was where it was not meant to be, as I understand it. Did you investigate why the pilot was not aware of the new designated air space?

Mr Dumsa—Yes. All of the incidents were investigated and the pilots were canvassed. The pilot made a mistake.

Senator O'BRIEN—Were they aware that there was designated air space and they just made a mistake flying into it?

Mr Dumsa—Yes, they were aware.

Senator O'BRIEN—On the breakdown in separation between the military Hercules and an air ambulance on 2 March, your answer says they were 'exposed to potential conflict'. What does that mean, precisely. There was not going to be an air war, was there?

Mr Dumsa—Where two aircraft are spaced by less than an appropriate separation minimum, it is deemed to be a conflict or a potential conflict.

Senator O'BRIEN—A crash, a collision, coming into contact?

Mr Dumsa—Potential for a collision.

Senator O'BRIEN—How many passengers were in the air ambulance?

Mr Dumsa—I do not know. I could take that on notice.

Mr Smith—That is probably a better question for CASA or the ATSB. They investigate these things. We do an internal investigation only, which is aimed at making sure our air traffic system is okay.

Senator O'BRIEN—Do you know if it was the same air ambulance pilot as in the 1 March incident?

Mr Dumsa—I cannot answer that.

Mr Smith—I think that is also a CASA issue.

Senator O'BRIEN—Were all the military aircraft in the designated area under Airservices control and not military control?

Mr Dumsa—I cannot answer the question. I cannot tell you the exact circumstances. Certainly all of the civil aircraft would have been under Airservices jurisdiction and control. There may have been rules within which the military aircraft were operating under their own separation. I can take that on notice.

Senator O'BRIEN—Thank you. Was that a problem? Was there a problem about who controlled which aircraft in the designated airspace?

Mr Dumsa—No. In fact we regularly exercise this type of procedure: the designation of airspace. We do it on about six or seven occasions per year during military exercises, and this was no different.

Senator O'BRIEN—On 2 March, three F18 aircraft violated the controlled airspace. Your answer says they 'inadvertently strayed beyond the assigned area'. During that deviation from where they were meant to be, a civilian aircraft was under threat. You say:

A potential infringement of separation with a civil aircraft was monitored and managed by air traffic control.

What sort of civilian aircraft was it?

Mr Dumsa—I do not know what the civil aircraft was. I know that there was no breakdown of separation between the military aircraft and the civil aircraft. The military aircraft had entered the restricted airspace. Air traffic control took control of the situation and kept the aeroplanes from coming into conflict.

Senator O'BRIEN—Can you find out what sort of civilian aircraft it was? I am interested to know whether it was a general aviation Cessna, a 747 or something in between.

Mr Dumsa—It was not a 747; it was a general aviation aircraft. I can find out the exact aircraft.

Senator O'BRIEN—On 3 March, we are told:

A military Falcon VIP flight and a Qantas 737 came into potential conflict within the temporary restricted airspace ...

What was the time of this incident?

Mr Dumsa—Again, I can get that information for you. It was daylight, but I am not sure exactly what time.

Senator O'BRIEN—Who was on the VIP flight?

Mr Dumsa—Again, I do not know. We would not be privy to that information.

Senator O'BRIEN—Do you know where the flight was going to and coming from?

Mr Dumsa—The VIP flight was going to Maroochydore. I am not sure where it was coming from. The 737 was leaving Maroochydore.

Senator O'BRIEN—What was the flight number.

Mr Dumsa—I can find out for you.

Senator O'BRIEN—Thank you. It was leaving Maroochydore, and if you can find out the flight number you can find out where it was going to, I imagine.

Mr Dumsa—Of course.

Senator O'BRIEN—It was RPT, I take it?

Mr Dumsa—Correct. It was a Qantas 737 scheduled flight.

Senator O'BRIEN—Your answer advised that all these incidents were under investigation in accordance with Airservices Australia procedure. What is the status of those investigations?

Mr Dumsa—We will get David Adams to respond to that question.

Mr Smith—We will have to take it on notice.

Senator O'BRIEN—You could let me know if there is any disciplinary or other action resulting or proceedings pending and whether there has been any need to change procedures as a consequence of these experiences.

Mr Dumsa—Yes.

Senator O'BRIEN—When the minister announced in December 2000 the use of Bankstown Airport as an overflow airport for Sydney airport, Airservices was tasked with investigating the implications for air space around Sydney, was it not?

Mr Smith—We were asked to give some advice on the matter, which we did provide, but it was a fairly superficial look at that time.

Senator O'BRIEN—So there was not a lot of work done on that?

Mr Smith—No.

Senator O'BRIEN—Did the work cease when the sale of Sydney airport was suspended, or had it been completed?

Mr Smith—It ceased after we gave that advice. That was some time before.

Senator O'BRIEN—Was that conducted by Airservices in-house?

Mr Smith—It was.

Senator O'BRIEN—Did it canvass options to change flight paths or air traffic management for Sydney Airport?

Mr Smith—We did not get that deeply into it, as I recall. We were looking at what might happen and whether it was physically possible to do what was proposed. We did not look into changing flight paths and that sort of thing.

Senator O'BRIEN—Is it sensitive material or could the committee have a copy?

Senator Ian Macdonald—That is advice to the minister. I can check with the minister whether he minds his commissioned work being made public.

Senator O'BRIEN—Thank you. It is obviously of great public interest. Does Airservices keep statistics on aircraft movements at airports?

Mr Smith—Yes. We keep them and publish them on our web site.

Senator O'BRIEN—Do you do projections?

Mr Smith—That varies. We do in some areas; in the smaller airports, no.

Senator O'BRIEN—Are they published as well?

Mr Smith—Yes, they are.

Senator O'BRIEN—On your web site?

Mr Smith—Do you mean the projections?

Senator O'BRIEN—Yes.

Mr Smith—I beg your pardon. No, they are not.

Senator O'BRIEN—Is there any reason that the committee cannot see those projections?

Mr Smith—We do not have a projections book. If there is a specific need to do projections, we will do them. Sometimes they are done at the macro level where we look at tonnage, for instance, for the next year. I do not think we would be able to put our finger on exactly what you are looking for.

Senator O'BRIEN—You do not record that for historical purposes?

Mr Smith—We deal in tonnes landed, not movements.

Senator O'BRIEN—That would be a revenue based statistic?

Mr El-Ansary—Yes.

Senator O'BRIEN—I understand that Airservices owns land at Shanes Park in the Blacktown area of Sydney. You do not know?

Mr Smith—I have no idea. We have hundreds and hundreds of lumps of land all over the country.

Senator O'BRIEN—This block that I am asking about is a long way from any airport.

Mr Smith—Many of them are a long way from the airport. By the very nature of the beast, they are navigation aids that have to be put on, and so on. So we have to buy a block of dirt to put the antennas and transmitters on.

Senator O'BRIEN—Perhaps you could check and let me know what the purpose of the Shanes Park in Sydney and Cranebrook in Penrith on the outskirts of Sydney.

Mr Grant—I can confirm that we do have a block of land at Cranebrook. I did not associate that with the other address. Are they three different addresses?

Senator O'BRIEN—No, there are two. Shanes Park is in Sydney in the local government area of Blacktown.

Mr Grant—I believe Cranebrook is in Penrith.

Senator O'BRIEN—Yes. That is the other one.

Mr Grant—Yes, I can confirm that one.

Mr Smith—We will take it on notice.

Senator O'BRIEN—What is the purpose of the Cranebrook site? Do you know, Mr Grant?

Mr Grant—It was for an antenna farm, which has since ceased operating. For many years, it was high frequency.

Mr Smith—It was a HF site.

Senator O'BRIEN—Do you have any active plans, or studies, into future uses of any of these sites? If you do not know, you can take that on notice.

Mr Grant—There have been a number of examinations of that, including by Airservices predecessor, the Civil Aviation Authority, going back to about 1992. So we certainly have had various plans for that land.

Senator O'BRIEN—Are there now active plans?

Mr Grant—We would have to take that on notice.

Senator O'BRIEN—Do you keep a register anywhere of the uses all the land you have is put to—whether there is surplus land?

Mr Smith—We certainly have a register of our sites. Yes, we have that detail.

Senator O'BRIEN—Is it able to be supplied to the committee?

Mr Smith—Yes.

Senator O'BRIEN—Who owns the land? Is it designated a Commonwealth asset or an asset of Airservices?

Mr Smith—It is an asset of Airservices.

Senator O'BRIEN—I have some information about the future of the AusFIC Air Services—the Australian Flight Information Centre. Can you give me a description of the types of pre-flight information services currently provided from AusFIC?

Mr Fleming—Briefing services to pilots and filing of flight plans, pre-flight. Also in the AusFIC there is communication provided through HF to pilots.

Senator O'BRIEN—Is it the intention for pre-flight information services, currently provided from AusFIC within Airservices, to continue into the future?

Mr Fleming—Yes, it is.

Senator O'BRIEN—It is going to stay with the Airservices function?

Mr Fleming—Yes.

Senator O'BRIEN—Do you have any projections on staffing levels for that service?

Mr Fleming—We have projections for the following year. I am not sure beyond that. For budgeting purposes, for next year, yes.

Senator O'BRIEN—Is it normal that there are projections beyond that? What is the significance that you have projections only for next year?

Mr Fleming—The projections are more detailed for next year. Subject to any further change in direction, those projections would vary only depending on changes in workload.

Senator O'BRIEN—How many staff are there in AusFIC now?

Mr Fleming—I would have to check, but around 80 or 90 staff. I will check that and take it on notice.

Senator O'BRIEN—Can you tell me what the training budget is for AusFIC, for this year and next year?

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

Senator O'BRIEN—What is the staffing profile? Are there many temporary staff in that area?

Mr Fleming—I do not believe so, but I can check that.

Senator O'BRIEN—If you could. Is there any problem with staff accessing leave because of staff shortages?

Mr Fleming—Not that I am aware of. In fact, this year, as part of our cost mitigation efforts, we have been very successful in encouraging staff to take their leave and acquit previous accrued leave.

Senator O'BRIEN—I understand you have circulated a document on air traffic management, a strategic plan, 2001. Does that plan pick up any other developments or proposed changes which would impact on this area?

Mr Fleming—Are you referring to the *Australian Air Traffic Management Strategic Plan 2001-2015 and Beyond*, which has been endorsed by several stakeholders, including CASA and airlines, covering the next 20 years?

Senator O'BRIEN—I think we are talking about the same thing.

Mr Fleming—No, in detail it does not point to any necessary changes in AusFIC; it talks more about strategic articulation of services that will be provided in the future but not down to the level of detail of the current services provided through AusFIC.

Senator O'BRIEN—What are the implications of the Dick Smith model for the NAS with that air traffic management strategic plan?

Mr Fleming—I am not sure we know in detail the NAS proposal. We know it in general terms and are prepared to be able to be in a position to implement it, should that be agreed.

Senator O'BRIEN—The chairman of Airservices is on the minister's Aviation Reform Group, as I understand. What is Mr Forsyth's experience in airspace management?

Mr Smith—The chairman's background is in business. He is a helicopter pilot and flies and operates his own helicopter. I am not aware of qualifications he might have beyond that.

Senator O'BRIEN—Beyond the chairman, how else was Airservices involved in the considerations of the Aviation Reform Group?

Mr Smith—Airservices was not involved in the formation of that group.

Senator O'BRIEN—Did you provide working group assistance to the chairman?

Mr Smith—The chairman is on the group in his own right—as an individual, not as a representative of Airservices.

Senator O'BRIEN—So the answer is no. Did any of the remuneration arrangements for the chairman relating to Airservices lead to extra payments for his attendance at meetings of the ARG?

Mr Smith—Not that I am aware of.

Mr Grant—The two things are totally separate.

Senator O'BRIEN—The reason I asked that question is that we had a parallel example in another circumstance from CASA's point of view where someone was receiving a sitting fee for attending a meeting and, because they were appointed to something else by the minister, his sitting fees, which were going to be paid by CASA, were being paid for that person attending other meetings.

Mr Grant—I am not saying that that is not the case; it is just not administered by Airservices, so we would not know.

Senator O'BRIEN—So who does make the payments to the chairperson of Airservices?

Mr Smith—That payment is made by Airservices Australia, but if—

Senator O'BRIEN—If there are any other arrangements, you are not paying them and you do know what happens?

Mr Smith—That is correct. In the case of the ARG, that is between the minister and the chairman.

Senator O'BRIEN—Are you familiar with the proposed new airspace model that the ARG has recommended to the minister?

Mr Smith—In a limited sense we are. Not much information is available on that as yet.

Senator O'BRIEN—So I take it that Airservices has not done any work in terms of its impact on your function, staff needs, costs, revenue et cetera?

Mr Smith—Only superficially. As I said, we do not have enough information to know what to do the sums on.

Senator O'BRIEN—From the point of view of Airservices, is there anything wrong with the current airspace model?

Mr Smith—That is similar, in a fashion, to what I was saying about where we are as an organisation. We are quite happy with where we are but that is not say we cannot do it better. We are quite happy to support the people doing that work and to see where that takes us. If there is a better way of doing the job then we would be happy to look at it.

Senator O'BRIEN—Is the safety of the model the prime issue to be considered?

Mr Smith—That is always the first and the last issue for us, so we will make sure that it is safe before it goes in.

Senator O'BRIEN—I believe Airservices is considering a SAP system. Is that right?

Mr Smith—That is correct.

Senator O'BRIEN—What does that stand for? It is yet another of the many acronyms.

Mr Smith—It is a brand of software for our business information systems.

Senator O'BRIEN—This is for someone who is not very adept at using computers, is it?

Mr Smith—It is just among friends.

Mr Grant—It probably means something in German.

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

Mr Grant—I cannot answer that question because we are still completing a tender process as part of the selection.

Senator O'BRIEN—Is this the same platform that Telstra bought and discarded?

Mr Grant—I do not know what Telstra has.

Mr Smith—As part of the process for evaluating this, we had a team go out to a number of companies that are operating the same software to investigate how they were feeling about it, how it went in and what the issues were. We did that for the competitive software as well.

Mr Grant—I can tell you the NSW Roads and Traffic Authority has successfully implemented the SAP system.

Senator O'BRIEN—What process was used to select this system?

Mr Grant—A number of tenders. The project is more than just the selection of software; it is also the acquisition of hardware, getting a contractor to implement the software and the hardware, training and any modification to the software to interface with legacy systems—all those sorts of things. It is a very large project; I think we have had something like four or five tenders along the way. One of the tenders was for what is called a blueprint process, where we employed a company to work out the way in which the SAP software would be implemented most efficiently. That is being used as the basis for the current tender, which is for the implementation of the software. The software is actually a very small part of the project.

Senator O'BRIEN—What precisely does it do?

Mr Grant—It is an integrated set of software so it includes things like a finance system, a payroll system, a full human resource system, asset management systems and project management systems.

Mr Smith—It is the business IT system as distinct from the operational IT system.

Mr Grant—I think there are about 10 different modules that we are implementing. When you buy the SAP suite you buy a fully integrated system which includes things that you may or may not switch on.

Mr Smith—And you do not pay for them unless you do switch them on.

Mr Grant—You pay for the whole package. You do not pay any more.

Mr Yuile—It is one of the major providers around Canberra to public service departments.

Senator O'BRIEN—We will see how it goes. The TAAATS system was commissioned in March 2000. How has the system been performing? Are you satisfied? Are there any glitches?

Mr Smith—Very satisfied. It has met or exceeded expectations.

Senator O'BRIEN—Is there a formal ongoing process of post implementation review?

Mr Smith—No. That is not required. We have done a post implementation review. Our entire system is one big post implementation review in a way because we review operational data and business data on a monthly basis.

Senator O'BRIEN—Has it been necessary to upgrade the system?

Mr Smith—Yes. We are in the process of an upgrade now.

Mr Fleming—Our board approved an upgrade of the TAAATS system last August, I believe. That is to upgrade several of the processes in terms of processing power, including some of the networks involved to ensure that the system will cater for further traffic growth over the next few years, as well as provide additional functionality that we have commissioned since TAAATS was originally put in such as, for example, traffic management flow software that we have installed and potentially other functionality that we will need over the next few years to deliver improved services.

Senator O'BRIEN—How much is the upgrading cost of the software and the hardware, separately?

Mr Smith—The successful tenderer there is not very keen to have their price revealed publicly. Could we ask your indulgence there? That tells their competitors what they bid.

Senator O'BRIEN—Is there one tenderer for the whole package?

Mr Smith—For the upgrade, yes.

Mr Fleming—The supplier of this particular turnkey project was the supplier of the original TAAATS system to us and there was not an open tender for it. We had an independent review done of all the costing and the work by an outside company to give us assurance that the price and the functionality was indeed good value for money, which they did.

Senator O'BRIEN—If it is published, the competitors might come in and say, 'We would have done it for that minus X'.

Mr Smith—What Mr Fleming is saying is that because this is brand X equipment, it needs brand Y software. However, if we reveal the costing then there are about four other major competitors in this marketplace and it gives out a bit of intelligence that they would rather not have shopped around. They were not competing in this tender but they are competing worldwide in a multiplicity of tenders.

Senator O'BRIEN—I very much doubt that these sorts of things remain commercially-in-confidence as you would have us believe. I am not saying that you are necessarily hiding it for any reason but these companies find out, particularly in the commercial world, if they do not find out through this process.

Senator Ian Macdonald—It is a good debating point but I think we are not going to make it available.

Senator O'BRIEN—Will the NAS system impact on the TAAATS system?

Mr Smith—Again, it is a bit early to tell. We have very superficial information on the NAS system at this point in time.

Senator O'BRIEN—I understand Airservices has been doing a lot of work to allow electronic access to aeronautical information like charts and manuals. Can you tell me what has been happening and the cost of the program?

Mr Fleming—We have been following a trend. Providers internationally are providing more of this information online as the technology is available rather than just in paper form. At the moment, you may be aware, we have a retail publication centre in Melbourne. As a result of moving much more to online delivery, we are proposing to move that centre to Canberra and combine it with our Aeronautical Information Service Centre in Canberra to provide a more efficient delivery of the information and also to leverage off the online delivery of documents, particularly to provide additional levels of safety for pilots. At the moment, it is not proposed to do that for charts and maps but we will be exploring that in the coming months to see whether that is possible as well. It is really a trend, we believe, that is

producing better information for pilots and probably follows on from making the briefing services available electronically from November of the previous year. That has been extremely successful and a very high proportion of pilots are now accessing flight plans and briefing services electronically.

Senator O'BRIEN—I take it that the intention is to retain the availability of material in hard copy for people who do not have access to electronic means?

Mr Fleming—That is correct.

Senator O'BRIEN—Thanks for that. Would the VHF radio upgrade project be sufficient for the extended class E airspace under the NAS proposal?

Mr Smith—Again, until we know exactly what the NAS proposal is, it is a bit hard to say.

Senator O'BRIEN—Okay. We will come back to that. What is the cost of the HF rationalisation and modernisation program?

Mr Smith—That has not yet been determined. We are still looking at what method we are going to use to modernise it.

Senator O'BRIEN—So Airservices is going to do its own thing? It is not going to pursue joint use of military facilities?

Mr Smith—That has not yet been determined. We are looking at that amongst other options.

Senator O'BRIEN—Is there a risk of going with a provider of the HF asset, such as Boeing, that they may end up in a commercially powerful position which will obviously put Airservices at a disadvantage?

Mr Smith—There is always that danger, but we have not decided to do that yet, and that factor would be taken into consideration if it proves to be of concern.

Senator O'BRIEN—What is the rate of failure of the controller pilot data links?

Mr Smith—I will have to take that on notice.

Mr Fleming—It would be very small, but we will take it on notice.

Senator O'BRIEN—I want to find out how many times a year pilots and controllers have to revert to HF radio to maintain communication.

Mr Smith—I am not sure we would have that detail.

Mr Fleming—Where our controller-pilot data link is available, you mean, in the first place.

Mr Smith—The pilots have at their disposal number of different communications media, and they will use the most appropriate for the area in which they are operating.

Senator O'BRIEN—Does more traffic use HF rather than VHF?

Mr Smith—No, it is the reverse. Certainly, in the domestic scene, there are different classifications of aeroplanes, some of which are required to carry HF and some of which are not. Light aircraft tend not to use it as much as heavier aircraft, but even heavier aircraft are not required to use it unless they go into remote areas where VHF is not useful. HF is noisy and annoying to use, so they would rather use VHF if they could.

Senator Ian Macdonald—Senator, this is all very interesting and I would love to allow the conversations to carry on, but we are trying to finish an estimates committee so I wonder if we might confine more it to estimates questions.

Senator O'BRIEN—I think they are, because they are about the cost of rationalising HF and they are going to the area of need, I would have thought. I understand Airservices on some occasions has had electronic access cut by cable faults, and operational servers, such as NAIPS, were badly hit. I understand that had a significant effect on the briefing and flight planning services.

Senator Ian Macdonald—This was two years ago, wasn't it?

Mr Smith—It was some time ago.

Senator Ian Macdonald—I think it was when I was acting transport minister; that would be Christmas of the year before last.

Mr Smith—I do not think it was that long ago. We had an occasion where a backhoe cut a cable about 12 months ago in Canberra.

Senator O'BRIEN—Have there been any claims for compensation from aviation operators?

Mr Smith—Not that I am aware of.

Senator O'BRIEN—Has Airservices sought compensation from Telstra or Optus?

Mr Smith—It was not Telstra or Optus that caused the problem. It was a backhoe operator, to my knowledge.

Senator O'BRIEN—Have you sought any compensation from the backhoe operator?

Mr Smith—No.

Senator O'BRIEN—Can you confirm that there was an incident on Cairns airport runway last Saturday in which a Qantas 747 nearly collided with a light aircraft and that an air traffic controller on duty at that time has been suspended, which I understand is standard procedure?

Mr Smith—There was an incident. I cannot guarantee it was on Saturday.

Senator Ian Macdonald—I hope it was not on Thursday; I think I was there then.

Senator O'BRIEN—On a jumbo, were you?

Senator Ian Macdonald—No.

Senator O'BRIEN—You were in a light aircraft, then?

Senator Ian Macdonald—No, I was coming back from Darwin.

Senator O'BRIEN—Then you were safe. Is it the case that the light aircraft was instructed by air traffic control to track along the coastline?

Mr Smith—It is much too early to be definitive about that. That matter is currently under investigation by the ATSB and our own officers and, until that is complete, we could not comment.

Senator O'BRIEN—Are there two procedural standards at Cairns airport?

Mr Smith—I am not sure what you mean by that.

Senator O'BRIEN—Are there standard and non-standard procedures that are regularly applied there?

Mr Smith—We have standard procedures that are applied all over the country. They are called SIDs, standard instrument departures, or STAs, that are standard arrivals, or the controller may give a specific heading. He will cancel the SID and give a heading and altitude.

Senator O'BRIEN—So that is common around the country?

Mr Smith—Yes.

Senator O'BRIEN—We will come back to that or deal with it in some other way. The matter that is outstanding is, of course, the answer to question on notice AA07, which relates to the provision of information about the breakdown of a payment of \$1.221 million to Mr Pollard.

Mr Grant—I have been advised that I am required to attend an in camera session of the committee to discuss that in June.

Senator O'BRIEN—Who gave you that advice?

Mr Grant—The secretary of the committee. Just to clarify, I am not saying that it is this committee. But another committee is going to hear my evidence on that in June, in camera.

Senator O'BRIEN—I shall leave that until then. I do not have any more questions for Airservices other than those that have been taken on notice and a couple I said I would place on notice.

ACTING CHAIR—We will break for a few minutes.

Proceedings suspended from 3.12 p.m. to 3.32 p.m.

ACTING CHAIR—We will now proceed with 3.1, Regional Policy Division.

Senator BUCKLAND—At the last estimates hearing on 19 February 2002 Mr Bogiatzis, at page 183, indicated that the current allocation of staff for the Regional Policy Division was 88, and for the Regional Programs Division, 181. Is this still the case?

Mr Doherty—Senator, our budget arrangements really are driven by dollars rather than staff numbers. Our current allocation for the Regional Policy Division will allow us to staff at around the 65 level, which was where the numbers were at at February. I think Mr Bogiatzis indicated at the time that the staff number in the division at that stage was 65.

Senator BUCKLAND—He indicated that there would be 88 for regional policy and 181 for regional programs. He did, at a later stage, indicate that the current number was 65, as you say, and that the number assigned to the regional women's agenda was about 15 to 20.

Mr Doherty—That was within the 65, I understand.

Mr Yuile—Senator, I have not got the *Hansard* in front of me. I can check it. My recollection was that there was a discussion about not only people in the women's advisory committee but also work being undertaken, sort of research and analysis. I think that number might have been aggregated together. I do not think there are 15 people working on the Regional Women's Advisory Council alone; in fact, I am sure there are not.

Mr Doherty—No. It is less than that number.

Senator BUCKLAND—What are the numbers now? You said they are dollar driven but what are the actual numbers now? Are they still the same?

Mr Doherty—There are 65 people; 64.4 if you look at it in terms of full time equivalent. The reason for that is we have got two part-time staff.

Senator BUCKLAND—As I understand it, when Mr Bogiatzis referred to research issues, he was specifically talking about staff who administered the three programs, Understanding Rural Australia, Regional and Rural Development Grant and Regional and Rural Research Information and Data. Are any other functions undertaken by the research area?

Mr Doherty—Absolutely. I need to identify the way that the research function is now handled in the department. We have in the Bureau of Transport and Regional Economics a resource now to handle in-house research tasks. There are currently five people in that unit and they are aiming to staff that to a level of eight people. Those people will actually be involved in conducting professional research in relation to regional issues. That is outside the Regional Policy Division.

Within the Regional Policy Division in Ms Armitage's branch, we have a group of people who are involved in a range of policy work and management of those three research programs that you mentioned. There are probably about 1½ people attributable to management of those three research programs.

Senator BUCKLAND—And those people are within the 65?

Mr Doherty—That is right.

Mr Yuile—To explain further, at the additional estimates we were discussing staffing figures and functions and were indicating that obviously we were settling a new organisation down; and it had also been the intention of the secretary to, as it were, put the R into the BTE—in other words, put a regional analysis and a regional research dimension into the work of the Bureau of Transport Economics. When we were here in February I am not sure that we clarified exactly what resourcing we could put to that function at the time in terms of the BTRE. I am apologising that it was not clearer then, but that was a function of being at the early stages of that reorganisation and still settling how we would manage the research analysis and policy work between the bureau and Mr Doherty's division.

Senator BUCKLAND—How do these people function? Do they function from a central location or have they got a roving working role going around the regions?

Mr Yuile—In terms of the research work of the bureau, it is in the process of establishing a research program now. Typically there is a lot of desktop research done but, depending on the project and the budget for it, researchers might either travel to regions or hold workshops. It will depend on the nature of the project and on the budget for that project as to how much travel either they or others might undertake to work with us in the department—so that will vary a bit.

Mr Doherty—In relation to the 1½ staff in our division who are involved in that, they are also based in Canberra and they would be largely working on managing the process from Canberra. It would be rare that they would need to travel to the actual site of a research task.

Senator BUCKLAND—I am reasonably tender on things when it comes to desktop research: I do not understand, I cannot use my computer, someone else does it. What are they researching—programs or proposals or projects that have been sent in for analysis? Is that what they are doing?

Mr Yuile—No, it is not program driven in that sense. When I say desktop I mean that they are based in Canberra and the research—just like that of a university—would be through a library or material that might come through the Internet, through interviews with folk they might either meet here or elsewhere. In terms of what the research will be, that is a process of discussion with Mr Doherty's division, with our Regional Programs Division, and in conjunction with other parts of government. We are wanting to make best use of the resources that we have relative to work that might be being undertaken in the Bureau of Agricultural and Resource Economics or in the Productivity Commission, for example.

There are other government research organisations, so part of what that new regional group within our department is doing is establishing contacts with other government and non-

government research organisations. They are endeavouring to see where the gaps might be in terms of our knowledge about regions and where they can make the best contribution to the research projects. They are working up a research program right now for the new financial year. That will also go to ministers for endorsement.

Senator BUCKLAND—So they interface with other bodies who are in the field.

Mr Yuile—Yes.

Senator BUCKLAND—Do they interface with state bodies at all?

Mr Yuile—I would have to check.

Senator BUCKLAND—State development authorities?

Mr Yuile—I would have to check that. I know that when the Bureau of Transport Economics develop their research program there is a wide range of interested parties with whom they consult in both state based research organisations and universities and others. Perhaps Ms Armitage could comment on who exactly is being consulted.

Ms Armitage—Through the Standing Committee on Regional Development we have an agreement for the Commonwealth and states and territories to get together to look at the mechanism for coordinating research and evaluation as a means to reduce duplication, to share results, and to identify priorities and who might actually follow those priorities through. Obviously, the regional part of the Bureau of Transport and Regional Economics will be part of that process. So we are going to be moving forward working quite closely with state and territory authorities in the development of a research agenda.

Mr Yuile—I think the short answer is that there is a lot of effort being put in by the old Bureau of Transport Economics and the new bureau to link very comprehensively with state, territory and other organisations to make sure that the dollar we spend on research is as well placed as it can be. That has been a practice for quite a while now.

Senator BUCKLAND—I am one who would like to see the system streamlined. Maybe we will come to that later on. Mr Chandler indicated at the last estimates hearing that the operating expenses budget for regional policy is \$13.9 million and for regional programs it is \$8.1 million. Is that still the case or has there been a change in those figures?

Mr Doherty—Our Regional Policy Division budget allocation for the coming year 2002-03 is a total of \$12,311,721. That is slightly down from the figure you were given in February. I do not have the final regional programs figure by comparison.

Ms Beetham—Our budget for the coming year is \$14.171 million. The figure that was quoted for the last year, referred to funding allocated to our division up to 30 December, as I recall. It did not take into account the funding brought into the department from DEWR when staff were transferred over to us following the machinery of government changes. Our budget at that time was \$8.147 million which you mentioned—that was in January—but the annualised figure of that is closer to \$15 million.

Senator BUCKLAND—Could we get a breakdown of how the allocations were arrived at?

Mr Yuile—You mean the allocation for the coming financial year?

Senator BUCKLAND—Yes.

Mr Yuile—I think we can give you the figures now—proposed budgets.

Ms Beetham—In terms of how the figures are arrived at, they are derived from staffing costs for each of the divisions and their estimates of funding needs looked at in the context of overall departmental funding and a judgment made about what is an equitable distribution of funds. It is a combination of our staffing and other operating needs looked at in the context of overall departmental funding. We can provide you with figures of what we ended up with for staffing and then supplementary operational costs.

Senator BUCKLAND—I would appreciate it if you could do that for us, thanks.

Ms Beetham—Yes.

Senator BUCKLAND—Page 50 of the 2002-03 portfolio budget statement indicates that the regional policy division is only responsible for regional development policy advice. Is this division not responsible for any other outputs?

Mr Doherty—Senator, the regional development policy advice has to be read quite broadly. The areas that the division works probably encompass some project related policy work as well as the provision of advice to the minister. The work in establishing the Regional Development Council and Standing Committee On Regional Development, which is the officials group which reports to the council, is an area where the policy division has direct carriage of the development of that process. That is going to be the vehicle for cooperation between Commonwealth and state ministers in the regional area. It has very much a policy flavour, but the nature of our work is similar to a project—similarly, in relation to the regional business development analysis—that will be carried from the regional policy division. In other areas of our work, we are looking at influencing other Commonwealth departments in the way they administer their programs to ensure that there is proper consideration of the regional element of those programs. In line with the policy directions set by the minister and the government, we are trying to work cooperatively with other agencies to ensure that their programs operate appropriately in regional Australia. They probably do not fit easily into the direct expression of providing policy advice to the minister, but they are part of working on the minister's policy agenda.

Senator BUCKLAND—Does it contribute at all to the regional research and data?

Mr Doherty—Does the policy division?

Senator BUCKLAND—Yes.

Mr Doherty—As I mentioned previously, we have a staff resource of perhaps one and a half people who are involved in managing elements of the regional research programs. Those were the three programs that you mentioned earlier.

Senator BUCKLAND—Does the regional policy division provide any services to Australians, other than policy advice to the minister?

Mr Doherty—I need to separate out the communications functions from the other work of the regional policy division. We have two branches which are involved in the policy work that I described. They are policy advice and program work. I cannot think offhand of any aspects of the work of those branches where we are providing services directly to regional Australians or to other Australians. The impact of that work is indirectly through government initiatives and government programs. In relation to communications, we are involved in tasks which do go to the distribution of information to the public. So I guess in that sense there is a service to the public role.

Senator BUCKLAND—But you do not have a direct interface at all with the community?

Mr Doherty—We do through the communications unit. For example, there are Internet phone call interfaces where the public would be making inquiries which are fielded in the communications unit. The communications unit would be involved in the preparation of advertising material which goes direct to the public. But they are not involved in the development of funding programs or shopfront services in the nature of some other agencies.

Mr Yuile—Just to add to that, one of the functions, which I think Mr Doherty mentioned, was the work of the Regional Business Analysis Unit, development analysis division, which Ms Armitage's branch will be servicing. The work of that unit will be very directly interacting with people in all parts of regional Australia, as it undertakes that analysis. If behind your questions is a concern about whether people are engaging with their fellow Australians in rural and regional Australia, then I assure you that they certainly will be in a very direct way on that analysis work. We have contact with people all the time through workshops and conferences, as well as particular visits.

Mr Doherty—I should clarify that. In the realm of policy development, there is an aspect of consultation and working with the community in that sense but not in the actual delivery of services to the community.

Ms Armitage—We are looking at the development of an evaluation framework for evaluating Commonwealth programs and, as part of that, we are working quite closely with the sustainable regions. As a result of that, I have spent time with the sustainable regions people. So we do consult as part of the development of policy and also evaluation.

Senator BUCKLAND—I guess my concern was: how far do we go before we actually get out there and talk to people? I am not being facetious in saying that. I think that is a genuine concern that should be held.

Mr Yuile—Others can speak about this. Both the regional policy division and the regional programs division are working with each other. For example, when we had a recent consultation of all the chairs of our area consultative committees. When we had the consultation this week with the chairs of our sustainable regions committees, people from the policy division were there, along with our programs division. It is a very clear commitment of the government that our regional policy is about partnership and that our regional programs are about partnership. That is where we start. The consultation is where we start; it is not an add-on at the end. I am sure the minister at the table can verify the extent to which we have gone in the past—for example, through all the northern forum processes—to ensure, to the best of our ability, that we can give advice to the government based on a very thorough consultation process with people in rural and regional Australia.

Ms Armitage—A good example is regional tourism. As part of the tourism paper, the area consultative meetings will be working with the policy division to consult and ensure that there is input from regional Australia into the regional tourism green paper. The policy division is actively working with the ACCs to ensure that advice is actually put through.

Senator BUCKLAND—Mr Yuile, you said you spoke with all the heads of the ACCs. Was that in a forum here?

Mr Yuile—Yes, it was. It was a forum convened by the minister. We had all the chairs of the ACCs together with a large number of executive officers, and there were others as well. It was held down in Old Parliament House. It was a day conference with a dinner the evening before. Not only were the chairs there, but ministers were invited to join that dinner and, indeed, there were a number of backbenchers who participated during the day as observers and contributors to that process. Similarly, with the calling together of the chairs and

executive officers of the sustainable regions committees a dinner was held where only ministers were invited. There was also a workshop. It was very much about not only ourselves but ministers having the opportunity to interact directly with those chairs. Minister Macdonald was one of those who participated, albeit briefly, because of this committee. Participants were able to hear first hand about the issues confronting their regions and the portfolios. At that dinner, we had the Minister for the Environment, the Minister for Education, the Minister for Agriculture, Forestry and Fisheries and the Minister for Children and Community Services. It was a good range of ministers who participated.

Senator Ian Macdonald—The whole process interlocks and the elements feed off each other. You can be assured that the ministers in the portfolio area—forever since the Howard government has been there—have all been ministers who actually live and work in rural and regional Australia, so they have initial oversight and last say on all of the policy work that is done by the department. At conferences in country Australia, which take place regularly across all fields, departmental officers come out from Canberra and interact with local people over the course of two or three days at times.

In addition to that, backbenchers who represent rural and regional areas—and senators—are amongst the most forceful in approaching the minister's office and the department directly even, and making their views known. In nearly every case, when the message gets to the public servants, they follow them up by investigation, by consultation, by phone calls out to the bush. Whilst years ago, when I first came here, I shared your cynicism for Canberra public servants, I have to say that having been invited—

Senator BUCKLAND—Do not interpret my comments as cynicism. That is unfair.

Senator Ian Macdonald—I had that cynicism 12 years ago and, perhaps, in the former government, it might have been correct. I do not think they had much interest in rural and regional Australia.

Senator BUCKLAND—Maybe I should be cynical in that case.

Senator Ian Macdonald—I can tell you, since I have had anything to do with the ministry, that the public servants are very well aware. They spend a lot of time interacting through backbenchers, through ministers, and through direct contact. It all fits together and it does work.

Senator BUCKLAND—How often do you have these meetings of heads of ACC?

Ms Beetham—That was the first we had convened with the chairs. Earlier in the year, we had a meeting with the reference group of chairs of the ACCs so that is two meetings we have had this year. The other point that I think is worth making is that we have 56 area consultative committees throughout Australia and we have 13 regional offices. People from those regional offices, as best they can, attend every meeting of the ACCs. So there is a tremendous network of contact, and people from Canberra regularly visit the area consultative committees. Similarly, with the sustainable regions committees, we endeavour to attend every meeting and there is regular contact with them—more informally than just at meetings of their committees.

Senator BUCKLAND—I am not critical at all. In fact, I know of some very successful ACCs and very proactive ones. I do not want to be interpreted as critical of the system. I want to understand how it all operates.

Ms Beetham—For further meetings, there is a need for us to strike a balance between the regularity of those meetings and the demands on the time of the members of the ACCs. They are voluntary participants. We probably will have another meeting later in the year. One of the considerations is not overdoing the demands on their time.

Senator BUCKLAND—Does the regional policy division consider the impact of infrastructure on regional development?

Mr Doherty—Yes. We are certainly interested in that. It is one of the broad policy issues which we recognise as having a significant regional element. We are looking to contribute strongly to the debate within the department more broadly, and outside, on infrastructure issues.

Mr Yuile—There is quite an effort being put into making the connections—certainly within the portfolio and then beyond it, as Mr Doherty has said. One of the things Ms Briggs and I mentioned on Tuesday night was the work of the group executive teams—the transport and regional services teams—across the department. This is demonstrably one of the issues on the agenda—that we do connect and make sure that ministers are getting the best advice they can on the connections in terms of transport, infrastructure and regional development.

Ms Beetham—We are also seeking to engage ACCs and so on in transport, in a way. This was raised the day before yesterday in the meeting of the sustainable regions committees chairs—that they have transport issues. They are going to be bringing their issues forward to us. We are getting it at the grassroots level as well, to feed into that debate within the department.

Senator BUCKLAND—The infrastructure would be mainly through transport networks and—

Ms Beetham—Primarily transport, but the sort of thing Minister Anderson has raised as something he wants to engage the ACCs in is in thinking a little more about even transport logistics—to the extent that they may be able to facilitate investments in distribution centres inland and provide a basis for some hub and spoke-type operations in some of our transport. There is potentially a role for them there, to help influence where infrastructure goes, and identifying commercial opportunities for infrastructure.

Mr Doherty—We see telecommunications infrastructure as very important as well, in the regional context. Also, through the regional development council and SCORD, we are looking at infrastructure issues. So we are looking at an environment that extends beyond the Commonwealth into interstate-provided infrastructure as well.

Senator BUCKLAND—What you are saying, Ms Beetham, about the transport networking is that it is more like hubs of transport into an overall system.

Ms Beetham—It is just part of the broader structure we are pursuing. There is the minister's AusLINK plan, coupled with a logistics program that we are trying to promote and promulgate throughout Australia—and we are making cross-modal efforts. We are trying to make it all link up and make much better sense out of it. In the Camden/Campbelltown area, for example, there is an inland port. Cargo brought into Sydney Harbour is shipped out there. It becomes a basis for the distribution throughout Australia. It is that sort of thing—a more linked-up approach to the provision of infrastructure—that we are interested in.

Senator BUCKLAND—Given that resources from within the division liaise with other government departments on policy issues affecting regional and rural Australia, has discussion taken place with any other government department or within the Department of Transport and Regional Services about recommendation 15 of the House of Representatives Standing Committee on Primary Industry and Regional Services report, *Time running out—shaping regional Australia's future*—I think that was the name of the report.

Mr Doherty—I understand that recommendation relates to tax provisions as they would affect private sector investment in public infrastructure. As such, it is probably broader than a

regional policy issue. I am not aware that the Regional Policy Division has had any input to that. It is primarily a Treasury portfolio issue to carry. I am not sure whether the department may have had some broader involvement on the infrastructure side.

Senator BUCKLAND—Has there been interaction or discussions with the taxation department or Finance regarding this?

Ms Beetham—I have just been handed a copy of the press release on budget night that talks about this issue. It was released by Treasury and it says, in relation to this matter:

Although there is broad agreement with the states and the private sector on a framework to replace the existing section 51AD and the associated division 16D provisions, significant boundary and implementation issues remain to be resolved.

So progress would appear to be being made, but there is still some way to go. It goes on to say:

Further consultation on these issues will be undertaken through the course of 2002-03 and it is expected that legislation will be introduced in the autumn 2003 sittings.

Senator BUCKLAND—It would appear that one of the major impediments to that would be private investment in public infrastructure.

Ms Beetham—I think that has been an ongoing issue for some considerable time, given the program that we were running for a while—that the tax issue has been a strong disincentive. But I have not been involved with that now for some time. It is a Treasury issue, and it does seem that they are looking at introducing legislation in autumn 2003, so they are optimistic that something is going to come of it.

Senator BUCKLAND—So there has been no discussion at all regarding this issue?

Ms Beetham—Not to my knowledge of late.

Ms Briggs—We have raised this issue as well, as you would expect, in the context of AusLINK. As we indicated—I think it was on Tuesday night—Treasury will work with us as we develop our green paper arrangements. Some of these discussions will take place as part of that process.

Mr Yuile—As you said, it is a bigger issue than just regional Australia—it is a bigger infrastructure issue—and it is certainly one where both the regional and the transport side of the department have a very key interest.

Senator BUCKLAND—In your liaison with other government agencies, have you been involved in the current population debate in any way?

Mr Doherty—It is an issue, again, we recognise as being one which has a lot of interaction with regional issues. I think there have been elements where we have been consulted or we have looked at population issues, and Ms Armitage can elaborate on those. It is not necessarily an issue on which we see ourselves as a main player.

Ms Armitage—Our major work has been with DIMIA to look at the Regional Migration Scheme and to work to ensure that any alterations to the Regional Migration Scheme will be very positive and result in good outcomes for regional Australia. That has been the extent of our work.

Senator BUCKLAND—Within the context of what you have just said, have you done anything—which could include commissioning some type of research—to determine the levels of population that Australia's regions can sustain?

Ms Armitage—No. We have not commenced any research on that.

Mr Doherty—We have commissioned research in the area of identifying some indicators of wellbeing in regions to try to get a sense of the comparison and difference between different regions. We are expecting that population in regional areas will be one aspect that will be covered in that research, but it is trying more to identify a basis upon which population is important in the success of regions.

Senator BUCKLAND—Have you liaised with the Department of Immigration and Multicultural and Indigenous Affairs about the level of immigration to regional Australia?

Ms Armitage—There have been some discussions in the context of the reform of the Regional Sponsored Migration Scheme. We have not been talking about the quantum in that, but just putting in place incentives to ensure that people who are thinking of migrating to Australia will see the benefits and go to regional Australia. It is also to enable regional businesses who may be facing a skill shortage to more easily fill those jobs through the migration scheme.

Senator BUCKLAND—Has the nature of those discussions centred on the needs of the region?

Ms Armitage—It has centred on the needs of the businesses within those regions, rather than just from a regional population aspect—so it is in order to meet the skill needs of businesses. Obviously, as you bring additional people into regions and into jobs, they contribute to the economic wellbeing and the social diversity and wellbeing of those regions.

Senator BUCKLAND—You say that there will be research done. Have you used information derived from the skills audits conducted in many of the regions to determine the level and nature of immigration to those regions?

Ms Armitage—Can I clarify that, Senator: are you referring to the skills audits done by the Department of Employment and Workplace Relations?

Senator BUCKLAND—They are the audits I am referring to.

Ms Armitage—We understand that the Department of Employment and Workplace Relations has also been working on this; they are on the committee that is involved in looking at regional migration. There is a tie-in between that and the immigration levels. Basically, it is the states who in the end determine the immigration levels and which regions and work. It is done at a state level, on that basis.

Senator CROSSIN—There was some comprehensive work done by the Australian Chamber of Commerce and Industry, looking at a skills audit and the skills shortage around this country. Have you utilised some of the work that they have been doing?

Ms Armitage—We are aware that ACCI has been involved in the National Industry Skills Initiative, which is part of the DEST portfolio. A lot of the work that they have been doing is fairly national. We have been having discussions with DEST, in the context of the regional business development analysis, to see whether we can move some of the work that ACCI, the Australian Industry Group and the National Farmers Federation have been doing to a more regional level. That will also enable us to work in that context with DEWR on regional skills shortages. It will be an area that is looked at as part of the regional business development analysis.

Senator BUCKLAND—How are you describing regions? I talk about ‘rural’ and ‘regions’; my own city falls into four regions, depending on who you are talking to, when you draw the map up. We talking about regions in what sense—is it a landmass area that we are drawing a circle or line around?

Mr Doherty—I think the term is used imprecisely. ‘Regional Australia’ is often used to indicate essentially all of those areas outside the metropolitan centres. I am not sure that that is consistently applied either because, in a couple of programs, we have regions—including the ACCs—which include metropolitans. Under the Sustainable Regions Program we have a couple of areas which are at least fringe metropolitan. Even if you could identify the area generally referred to as regional Australia, there are then different ways that it is divided up for different purposes. For example, for the national action plan for water it is on a basis of catchments, and for other areas it is on a basis of local government areas or a whole range of different divisions. To some extent, those divisions are imposed by governments in identifying regional development areas; in others, communities tend to start developing their own perceptions of region. I think we accept quite readily that, at the moment, there is inconsistency in how regions are defined and it may be that that is quite appropriate for different purposes.

Senator BUCKLAND—I do not think that I am going to lose sleep over that. But, if I could just take regions as being non-metropolitan, one of the difficulties we have in many of the regions is that they have shrunk to the extent that there is no industry there. That also creates problems in addressing that when you are looking at immigration and population. I am not sure how you address that; you may well be able to help me.

Mr Doherty—I think the broad approach to development of regions was set out in the stronger regions statement last year. It revolves around the role for government being to get the settings right and to be in a position to act as a catalyst for the communities to lead their own development. It is really avoiding a top-down approach of saying, ‘There should be people in this region,’ or, ‘There should be X activity in this region,’ but rather looking at ways to help the people there to identify how they can make a sustainable future for that community. That is probably the general direction.

Senator BUCKLAND—Does the division keep abreast of international trends in regional development policy?

Mr Doherty—We certainly try to, and our major vehicle for that is our participation through the OECD work. Ms Armitage can certainly provide you with more information on that, if it would be useful.

Ms Armitage—The OECD has a territorial development policy committee, which has members from all OECD countries and three working groups: the urban development, regional development and the territorial indicators and also an economic and employment development committee. We attend the meetings and so provide input to the work of that committee. This gives us the opportunity to learn about leading practice, to share our practice with other member countries as a means of looking at some of the most effective ways for regional development, and also to look at how one supports not only non-performing regions but performing regions to ensure that there is some sort of equity across them. So we do work quite closely by not only attending the meetings but also inputting to the literature.

Senator BUCKLAND—Could you outline the trends that the international community is taking in relation to regional development—and perhaps at the same time compare that with where we are going.

Ms Armitage—The issue that is facing all of the countries, including Australia, is a movement from sectoral policies which are national to policies that may be sectoral but also that take into account particular regions and the impact on regions—what they are calling a ‘space based policy’. Also, in terms of the European policies, there is movement from subsidies to competitive enhancing policies.

They are also looking at governance issues: what impact globalisation has on policy frameworks that government put in place. Essentially, the conclusion they have come to at the moment is that there needs to be national policy frameworks put in place that allow for local action. Our Stronger Regions, Stronger Australia policy is a national framework which allows for local action and local policy making, which is particularly what the prototype regions of sustainable regions is all about. In essence, it has been recognised by the committee that Australia, with its stronger regions focus and with its national and local policies, is in line with some of the cutting edge policies through the OECD countries. Participating in that OECD forum is particularly important to allow us to learn from other people who are facing similar challenges and also to allow them to learn from us.

Senator BUCKLAND—Is there one particular country that stands out as a role model?

Ms Armitage—No. Canada, which is very similar to Australia in geography and culture, has many similarities. Having spoken with the Canadians, particularly the people responsible for some of their evaluation and research, they are at about the same position in terms of moving towards place based or locational based policy. We can learn quite a bit from some of the areas they have been moving on and they feel they can learn from us.

Mr Yuile—I have recently had the opportunity to travel in Europe with Minister Anderson. We met with people in the OECD and with people in Brussels. To back up what Ms Armitage has said, they are grappling very much with the issues of drift of population to major centres and away from regions and the best way to develop sustainable policy. We made some very strong representations, as you would imagine, about not using indirect policy for regional purposes, in other words, agricultural subsidies to address a community and regional issues. Those discussions were interesting to me, certainly the issues around how you build social capital and leadership in communities. One of the factors about the success in a range of communities relates to how communities perceive themselves, which sounds a bit soft and qualitative—but how a region perceives itself, its hope and pride, can be quite powerful and can drive a whole range of initiatives. We have found the same thing in Australia in some of the work the Regional Women's Advisory Committee has done.

To back up what Ms Armitage has said, that partnership approach—the idea of trying to drive, encourage, develop and sustain a local orientation with local communities—is very much the way international thinking is going, and now they are thinking about governance around that. That is important for the Europeans when you look at the amounts of money they are doling out around the European Community. They now have the added challenge of enlargement and what that is going to do to their budget in terms of regional development and agriculture.

The only other comment I would make about Canada is that the fundamental difference between them and us is that they sit on a market of 280 million people; we do not. That changes your whole psyche when it comes to regional development. We share many things with the Canadians, but we do not share a market of 280 million people in such close proximity.

Senator BUCKLAND—From what Ms Armitage said to me, I can guess the answer to my next question. Is the department represented on any OECD committees that look at regional development? If it is, would you tell us which ones?

Ms Armitage—Yes. As I said, the department is represented on the major committee, the Territorial Development Policy Committee, and on two of its working groups, the Rural Development Working Group and the Working Party on Territorial Indicators.

Senator BUCKLAND—Have you been approached by any others to join?

Ms Armitage—No, not the urban one. We have been approached by the LEED committee and we are having discussions with Employment and Workplace Relations and Family and Community Services about who will be on that committee.

Senator CROSSIN—What liaison do you undertake with the Office of the Status of Women regarding the Regional Women's Agenda?

Mr Owen—We liaise regularly with OSW through the regional women's unit in my branch in relation to general issues and specifically in relation to the phase we are in at the moment, looking to the future of the Regional Women's Advisory Council and the make-up of that council. We have been discussing with them ideas for membership of that council.

Senator CROSSIN—Is there an intent to continue that council?

Mr Owen—A formal decision has not yet been taken, but we are preparing to provide advice to the minister on that.

Senator CROSSIN—Has this department taken some of the research that came out of the recent projects done by the advisory council?

Mr Owen—Yes. The report *The success factors: managing change in regional and rural Australia*, which was done under the auspices of the council and launched in September 2001, has been utilised in a range of our work. We are also looking at opportunities to build on that work, which goes to the essence of what was discussed before about what makes communities more able to manage their future and meet the changes going on in smaller communities.

Senator CROSSIN—Is that a style of research that the department might adopt more?

Mr Doherty—It is certainly one that we will consider. It seems to be an approach that is going to be effective in some circumstances and deserves weighing up against other approaches.

Senator CROSSIN—With *The success factors*, do you have a mechanism in place to ensure that the research that was done in some areas will now be picked up by local community councils or local bodies in that area? Do you have some follow-through to ensure that all that work does not land on the back of a truck somewhere?

Mr Owen—We do. There have been a range of activities to try to do that. Firstly, based around an action research methodology, we have put a lot of effort and care into making sure we go back to those people who have had input to the process and feed back to them. Those are obviously people living in those communities. For each of the action research sites, there was a coordinating group helping locally in those communities. We have had the coordinators of each of those groups brought together in the last couple of months and workshopped with them what sorts of things might carry forward and how some of the ideas might be better ingrained in the communities in a sustainable way. We are also looking at opportunities to promote that work further and more broadly, and to build on it in terms of how some of the findings might inform other research. We also took the opportunity to brief the Sustainable Regions committees on the outcomes and findings of that work, trying to feed those ideas into the people who will be guiding one of our larger programs locally.

Senator CROSSIN—Are you aware of any other advisory councils like this that meet directly with the minister and have undertaken the work that this council has done?

Mr Owen—With our minister or with ministers?

Senator CROSSIN—Across departments.

Mr Owen—There is a women's unit operating within the Agriculture, Fisheries and Forestry portfolio that we liaise with quite a lot. I do not think they have the same structure in terms of a formal council independently advising their minister. But we certainly engage those people when our council meets and work with them quite a lot in terms of exchanging ideas.

Senator CROSSIN—For the record, I have had a lot of positive feedback about the advisory council and the work they have undertaken. Perhaps it is a nice change at estimates to pass on something positive to you.

Mr Yuile—That is good to hear.

Mr Owen—Thank you, we will pass that on.

Senator BUCKLAND—Ms Armitage, my train of thought broke. I think you have answered my question but, just to be sure that I did get the answer I was seeking, we are talking about the LEED program that you are looking at joining.

Ms Armitage—The LEED program, of the OECD.

Senator BUCKLAND—Have you talked to other departments—and I think the answer was that you had—about joining that as well?

Ms Armitage—Yes, we have.

Senator BUCKLAND—I thank you for that, and I apologise for losing my train of thought. Mr Doherty, earlier on we were talking about regions and boundaries. Is there any serious thought about redrafting very solid boundaries for regions? I ask that because, as I say, depending on who you talk to, I am in four regions where I live. We talked about water catchment and things like that, but—

Mr Doherty—The work that we are doing in relation to indicators will inevitably involve some sort of approach to defining the regions for which you are measuring that indicator, and I think that means we have to face that issue very squarely. The sort of approaches that you might consider involve trying to focus on quite small building blocks so that you can assemble those into different patterns if it is important for different purposes. I think the smallest statistical unit is the statistical local area and, if you can structure some of your collections on that small basis, you may be able to aggregate your collections into different regional definitions. Through that process, we will need to look at whether it is feasible to end up with one common definition of regions, but I am concerned that it may be quite impractical or counterproductive to try to have a single definition of regions because, whichever way you do it, you are getting a collection of communities within a region. The sort of issues that you are trying to look at for, say, an environmental purpose or a community purpose may be quite different between those communities. I think you may need to retain some flexibility, but it is an issue that is very much in our mind for future thinking, particularly as we go ahead with that indicators exercise.

Senator BUCKLAND—It is in your mind for future thinking. Is there any research being done on it now or is there a committee or working party that is trying to define regions as such?

Ms Armitage—There is some very early research being done at the University of New England in Armidale on a small part of northern New South Wales, looking at how people see their communities or regions. It is very early, and it is quite expensive research too because you have to send out a lot of questionnaires to a lot of people. People tend to see their regions in different ways. They see a region from a social perspective. They might see it differently from the economic perspective—from an environmental perspective. So, in some ways, I am

not sure whether people in regions would like us to tie them down. Some of the OECD workers indicated that regions start to come together from a coalition of interest, and those that come together from a coalition of interest are likely to be stronger than ones that have a definition placed upon them.

Mr Yuile—From where I sit, I am not sure that I would want to be spending a lot of money on that sort of research because, as Ms Armitage has just said, I am not quite sure what return you would get from it—apart from having a nice academic definition which people in regional Australia would tell you ‘might be interesting for you but does not help me’. That is part of the problem.

Senator BUCKLAND—Is there an actual definition held within the department, in its own thinking, that determines what ‘regional Australia’ means. If you are in South Australia and you go past the inner suburbs, you are generally thought to be in regional Australia.

Mr Yuile—When we were doing the Stronger Regions statement the simplest definition was ‘non-metropolitan Australia’. We did not waste a lot of time trying to put greater precision into it than that.

Senator Ian Macdonald—I would add that it has always been the government’s view that we should not get hung up on any precise definitions of ‘regional Australia’. It is not the regions that you spoke about within Adelaide, which the former government was very keen on and used to call ‘regional Australia’. What we have always accepted is that it is ‘regional Australia’ in the context that most regional Australians accept it as being regional Australia. As Mr Yuile says, broadly speaking it is those areas of Australia outside the metropolitan area.

Senator BUCKLAND—I do not think it is something that we need to get hung up on, but it is nice for people to understand what government determines as ‘regional Australia’. The answer has been given, and I think that is probably what most people would determine it to be as well. I suppose is just clarity.

Senator CROSSIN—How then does your policy analysis and development incorporate what someone like me might call ‘rural and remote’. ‘Regional Australia’ is quite foreign to me. I would actually think I live in ‘rural and remote Australia’.

Senator Ian Macdonald—You live in a capital city, don’t you, that happens to be about as remote from Canberra as where I live in a country town in Australia?

Senator CROSSIN—But if you drive 150 kilometres south of Darwin, I would not call that ‘regional Australia’; I would call that ‘rural and remote’. I would certainly call someone who lives on Groote Eylandt ‘remote’. How does your policy development analysis capture people who live in that section of this country?

Senator Ian Macdonald—There is common referral to and, I think, some work done on ‘remote Australia’. ‘Remote Australia’ would usually conjure up places like perhaps the Kimberleys and Central Australia. Again, while understanding your question—and the officers can answer how they deal with it—one of the things the government never wanted to do was to get tied up in technical definitions of what is and what is not ‘regional Australia’. The department of course is the Department of Transport and Regional Services, so it is really all about providing services to what is commonly thought to be ‘regional Australia’.

Senator CROSSIN—I understand what you are saying. I suppose that people in Darwin will probably not consider it to be a major city until we get a David Jones or Myer store—or a fresh fruit market would be heaven, I suppose. I understand that you cannot have a department of regional, rural and remote Australia—that would be from the sublime to the

ridiculous—but in your policy development and analysis, what emphasis do you give to also looking at what is happening in rural and remote Australia?

Mr Doherty—When we use the term ‘regional’ we are encompassing all of those. I think there is also acceptance that there is a difference between a significant town in a regional area and, going right through, a very remote community. I think the ABS does some collections and has a broad definition of areas. As far as I am aware, there has never been a very big reliance on that in our portfolio programs—

Senator Ian Macdonald—There is. Sorry, carry on—I am just mumbling to myself.

Mr Doherty—on the basis that the policy framework at the moment is that there may be differences in the range of issues affecting a community, even if it is within that same categorisation. So I am not sure that we have a rigid approach to that differentiation in our program.

Ms Armitage—But, for example, in the project, we are getting the Bureau of Research Sciences to map access to services based on road distance. We are mapping outside the metropolitan areas, including rural and remote, as a means of developing indicators of wellbeing, which brings us back again to the work that John has mentioned.

Senator CROSSIN—I think one of the interesting developments in recent years has been that indigenous people in the territory are moving from their remote communities into the major cities. Darwin is having some enormous problems in terms of access to public housing and services for traditional indigenous people who are choosing to come into the major centre now. When you talk about an urban drift, it is not necessarily happening in regional Sydney, New South Wales and Victoria. Has your policy analysis also looked at that sort of impact?

Ms Beetham—I am not going to answer your question, regrettably, but I have a couple of points that are worth making. One is that in terms of regional areas and the definition of, say, the sustainable regions we have chosen, we were relying on a number of indices, one of which is the Australian remoteness area index. That takes account of distance and categorises different communities. That was part of the consideration in defining the regions we chose to support.

Secondly, within those regions the committees we have established have identified this drift issue, and it came through loudly in the meeting we had with them on Tuesday; that is, even within what might be deemed less remote areas, they have got this constant drift of the young to the bigger centres. So while the particular focus was not indigenous communities in, say, the Darwin area, that problem has certainly been picked up and it is one they are all trying to grapple with and find solutions for. So, in that perhaps less direct way, we are picking up some of that rather than through research, but it is practical, on the ground. I have just been reminded that the remoteness index was also taken into account in our Regional Solutions Program, which covers all of Australia and is available to it. So, in a practical way, we are picking it up and it will be being addressed through the Sustainable Regions program and, as best we can, through the Regional Solutions Program, where projects are put forward that might help to manage that drift or remoteness. Does that help with your question?

Senator CROSSIN—Yes.

Senator BUCKLAND—Have you considered any urban development policy issues?

Mr Yuile—As you know, we have two prototype sustainable regions, which are urban or semi-urban in terms of Campbelltown, Camden and also Playford-Salisbury. We also have 56 area consultative committees and some of those are in urban areas. To the extent that issues in those consultative committee regions or in our sustainable regions are urban, both our policy

and program activity will be addressing those issues as they are identified and set as a priority against other issues. But we are not explicitly an urban development department.

Senator BUCKLAND—I suppose it comes back to the definition of regions, again. I do not want to get too hung up on this, but one that springs to mind very easily is the Hunter region. Much of that is, in my view, urban.

Mr Yuile—I will not have a debate with you about that, Senator. For example, you mentioned the Hunter. One of the programs which we administer in that region is the Newcastle Structural Adjustment Program. We also have the south-west forest structural adjustment program and the south-east New South Wales structural adjustment program and so on. To the extent that we have programs like that, we are dealing with regional urban issues.

Senator BUCKLAND—Yes. I think I have some questions on that later on. It is unlikely that I will be able to get to that at the moment. Does the division liaise with Networking the Nation in its daily activities?

Mr Doherty—We have a general monitoring role in relation to telecommunications as it affects the regions. I do not think Networking the Nation has been a specific focus of that activity.

Senator BUCKLAND—Do you liaise about specific projects, though?

Mr Doherty—The most recent liaison on a specific was on the National Communications Fund where there were a range of funding proposals put to the administering department, which is the Department of Communications, Information, Technology and the Arts. They did seek some comment from us about impact on regional communities in relation to some of those proposals. Yes, in some circumstances, we can be involved in specific programs.

Senator BUCKLAND—Can you tell me the status of the Mount Isa to Townsville Economic Development Zone Inc. proposal to transfer the MITEZ database to a web site and expand it along the development zone?

Mr Yuile—Is that a project that has been put forward under Regional Solutions?

Senator BUCKLAND—That is what I am asking. It follows on from my question regarding Networking the Nation: is this one of those specific projects that you monitor?

Mr Yuile—I am not familiar with the specific project. Perhaps the best way to handle that is to give it to us on notice. Networking the Nation is a program being rolled out by the government after decisions taken following the Besley report. Our department and others were involved in that work, in consultations and providing advice to government before government took the decision. The roll-out, as Mr Doherty said, is the responsibility of the department of communications, Telstra and others, as they put that into operation. What you have just mentioned sounds like a specific project. It might be a project under Networking the Nation or it might be something you have put to us under Regional Solutions. I do not know.

Senator BUCKLAND—I will put that on notice. Unfortunately, I will have to put quite a few of my questions on notice as I have to leave at a certain time. It is a shame that the minister is not here to hear that. I turn now to the topic of regional business development analysis. At the last hearing, Mr Bogiatzis indicated that the committee representing regional interests and the private sector for the regional business development analysis initiative would be appointed. Has there been an appointment?

Mr Doherty—No. There has not.

Senator BUCKLAND—Is there a time when an appointment will be made?

Mr Doherty—We are hoping it will be a matter of only weeks from here. It is true that at the February hearings we were expecting it quite soon, but it has not been cleared through the final process as yet. We are hoping to get that very soon now.

Senator BUCKLAND—You say ‘very soon’ but there has been a bit of time—

Mr Yuile—We understand that. I can only back up what Mr Doherty has said. It has been more complicated than we thought, but we have got some names identified. They are being finalised now with the individuals and with ministers, so we are as keen as others are to see that proceed quickly. I think the minister is endeavouring to get that completed as quickly as possible. We do not want to be answering the same way at the next estimates hearing.

Senator BUCKLAND—Can you give us some indicative timeframe for that?

Mr Doherty—The analysis, when it was announced, was expected to take about 12 months. We are hoping at this stage that it can be completed in the first few months of next year. The reality is that it is an independent panel, and it is expected to undertake a substantial process of consultation before coming forward with its suggested action plan. We are doing everything we can to try to stick to that sort of timetable, but getting the process off and running and the panel in place are our first priorities.

Senator BUCKLAND—Has there been an action plan developed for what this committee will be all about?

Mr Doherty—The purpose of the committee is to develop an action plan—

Senator BUCKLAND—So they are going to develop the action plan?

Mr Doherty—They will go through the consultation process and develop that. We have done some preliminary work on the sorts of processes that they might follow to go through that, including the approaches to consultation, such as issuing a discussion paper and things along those lines.

Senator BUCKLAND—Could we have a copy of that plan when it is developed, if it is developed prior to the next estimates? It would be nice to think there was some proactive—

Mr Doherty—The action plan will be the final product of the panel process which, at this stage as I have mentioned, is expected to be in the first few months of next year. The expectation is that that will be widely published when it is presented.

Senator BUCKLAND—Given that the bulk of the budget expenditure for this initiative has been allocated for the year 2001-02, how do you propose to expend that allocation?

Mr Doherty—There was \$1.5 million allocated to this project, of which \$1.1 million was expected to be spent in the current financial year and \$0.4 million in the coming financial year. We have had to wrestle with the problem of how to deal with the delay now that the majority of funding will be required in the coming financial year. At this stage, working with the departmental resources and the divisional resources and how we can move funds around, we think we still have somewhere over \$1.4 million earmarked in our budget for this project. We will be looking for ways to make up that extra \$100,000, too, so that the scope of the project is not affected by the delay in getting it started.

Senator BUCKLAND—What has happened to the \$100,000?

Mr Doherty—The problem about delay is that you cannot automatically move money that was unspent in one year forward to the next year. We have had to try to find the make-up for the unspent money from within our own resources. So at this stage we can identify that there is a certain amount which has been spent to the moment, and to make-up, with the money that

we can put aside for next financial year for this exercise, we are coming to somewhere over \$1.4 million that we can have available for that exercise altogether.

Senator BUCKLAND—So in real terms what happens to the \$100,000? Does it just go back to consolidated revenue?

Mr Doherty—At the end of this current financial year, that is the way that process works. I am just looking to our chief financial officer to make sure that that is right.

Ms Briggs—Senator, while they are consulting on that, it might be helpful if I inform the committee about some issues we said we would come back to in yesterday's discussion. Mr Chair, I will just let you know what they were. There were questions in and around the number of houses in Adelaide this financial year under the aviation noise amelioration arrangements. As at 21 May 2002, there are 164 houses thus insulated.

In relation to a series of questions around expenditure on the Australasian-Pacific Aeronautical College in Tamworth, we were asked: does the funding for that cover one or more colleges? It covers one. The reason for the differential there is that \$4.1 million was provided; however, only \$3.6 million of that was for administered expenses associated with the Tamworth college. The other half a million appears separately in our budgeting and was for departmental expenses.

Finally, we were asked about aircraft associated with the college. The college has bought two aircraft using funding from the project. These aircraft are one Piper Twin Comanche SCP and one Piper Seneca STP, and a further Jetstream 31 airframe has also been purchased. These aircraft are intended for all students' practical work and are not expected to be flown.

CHAIR—Could you just identify the programs they were in, please? It was 2.4, was it?

Mr Yuile—The Transport Programs Division.

Ms Briggs—Transport Programs Division for both of those, Senator.

CHAIR—Thank you. Senator Buckland, any further questions?

Senator BUCKLAND—I think there is still some consultation going on. I wanted to direct my next question, but I think they are still consulting.

Mr Doherty—Senator, I am sorry. I have just checked with our chief finance officer and the advice is it is not correct that the \$100,000 would go back to consolidated revenue. We will work through that exercise and come back to you on notice, if we could, to provide an explanation of those figures before and after.

Senator BUCKLAND—I would appreciate it if you would do that for us—

Mr Doherty—Certainly.

Senator BUCKLAND—because my next question was that the initiative is not recorded separately in the portfolio budget statement for 2002-2003. I was wondering if that was because the \$1.5 million allocation is considered to be departmental funds, not administered funds.

Mr Doherty—I believe that was the way it was allocated—as departmental funds.

Senator BUCKLAND—Right.

Ms Armitage—That is correct.

Mr Doherty—So that after appearing initially in the estimates document as an additional measure, it has now been bundled into the general funds for, I think, outcome 2 for the department.

Senator BUCKLAND—Yes. I appreciate that.

CHAIR—Senator Buckland, did I hear you say that you had to leave here at five?

Senator BUCKLAND—I will just keep going for a couple of moments, if I can, and then I can finish this section. But that is correct, yes.

CHAIR—No, would it be better to get someone here otherwise?

Senator BUCKLAND—No, Senator Crossin will be back by then.

CHAIR—I would hate to have to close down the hearing because you did not have anybody to ask questions.

Senator BUCKLAND—I would sit here, if that were the case.

CHAIR—You would miss your plane. We could not have that. You might not want it but—

Senator BUCKLAND—What implications does that have on the promise of \$12 million per region for the eight sustainable regions? Will they, in fact, be eligible for the \$12 million, or something short of that because of distribution to department funds?

Mr Doherty—My understanding is that there is no impact of this funding on the sustainable regions, but Ms Beetham may—

Ms Beetham—They are separately funded and it is clear that they have available to them up to \$12 million, except where there are a couple that have different amounts of money available to them.

Senator BUCKLAND—What would cause the different amounts? It is up to \$12 million dollars?

Ms Beetham—Yes, it is up to. If, for whatever reason, they are unable to identify projects that would warrant expenditure of \$12 million, we will not be giving them \$12 million. It would depend on the projects they put forward.

Senator BUCKLAND—By golly, they would be a pretty lazy region, if they couldn't find \$12 million to spend quickly—anyway, that is an aside. What happens if they do not spend \$12 million? Is it allocated to another region? What happens to the leftover money?

Ms Beetham—No, the money is allocated per region. It would be a matter for government whether they would want to reallocate that funding elsewhere. Unless there was good reason, no, the money would revert to consolidated revenue, I believe, at the end of the program.

Mr Yuile—It is a three-year program.

Senator BUCKLAND—It is a bit of a worry, if you think people cannot find ways to spend money.

Ms Beetham—It is an incentive for the regions to find good projects.

Senator BUCKLAND—Yes. With the criteria for finding a project, what scrutiny is given? I might go back and see what I can do.

Ms Beetham—I would encourage your region to do just that.

Senator BUCKLAND—The region I am in is spending the money quite easily. Are there any criteria that some would get knocked back on? Would any projects be deemed to be unsuitable?

Ms Beetham—There are a range of criteria. I am trying to lay my hands on them very quickly, but they are about sustainability in the longer term, not misplacing existing

businesses and therefore freezing them out. They are not to be funded if they are already getting other government funding. So it is for those projects that really are devoid of other sources of funding. They are about development. There is a concern, as I mentioned, about sustainability in the longer term and, also, sufficient funding being provided by others involved in the project to make sure that it has ongoing support after the life of the sustainable regions program. Those are the major ones.

Mr Yuile—The indicative project criteria were tabled at the additional estimates. I can chase that up for you, but I am pretty sure you will find that they are laid out there.

Senator BUCKLAND—You mentioned that it was a three-year program. What year are we in at the moment?

Mr Yuile—The first major year is coming up. I will invite Wendi Key, who is the first assistant secretary, to take you through the funding for the regions.

Senator BUCKLAND—Yes, I would appreciate that.

Ms Key—There is a small amount of funding available this financial year to kick-start the program, with the bulk of the funding kicking in next year, and then smaller amounts in the final two years.

Senator BUCKLAND—I thought I had read that. The initiative was delayed somewhat from the original start date. Is there some reason that it was delayed? Was it a direction from the minister or was it not able to be got up and running?

Ms Beetham—I think it was to do with more general circumstances. It was not a direction from the minister that we should go slow, but it is just in some regions it has taken a little longer to find the energy within the region, and the right people. There was a certain process for them to go through to get together and proceed to appoint executive officers to assist them in their task. There was certainly no deliberate go-slow approach. Wendi Key might like to add some further comments.

Mr Yuile—Before she does, I would just mention that when the government brought forward the Stronger Regions statement and the announcement of this program, it was followed very soon after by the announcement of the election. Of course, it led in then to the summer break and the Christmas period. So there was a hiatus there by virtue of those things, but I know the minister was moving as quickly as he could just prior to and following Christmas to work to establish the program quickly. But there were those intervening events, too. That certainly slowed the initial introduction.

Ms Key—I do not have anything further to add.

Senator BUCKLAND—This is my final question in this section—unless I get an interesting answer. Has the underspend for the 2001-02 year been used to assist the government in trying to balance its budget, or has the money been rolled over and just hung on to?

Mr Yuile—For the Sustainable Regions program?

Senator BUCKLAND—Yes.

Ms Key—The funds have been rephased for next financial year, so there has been no net change.

Senator BUCKLAND—Could I put the remainder of my questions on notice, and I will get those to the secretary as soon as I can.

CHAIR—Do you want to reformat them and give them to the secretary next week?

Senator BUCKLAND—Yes. I have undertaken to do it by tomorrow.

CHAIR—We take note of that. Thank you, Senator Buckland.

Senator O'BRIEN—Ms Briggs, according to the *Hansard*, a response to a question about an aviation school gave it \$3.6 million in funding with \$0.5 million to the department. What is \$0.5 million for?

Ms Briggs—I do not have that break down with me.

Senator O'BRIEN—Perhaps we can get that on notice. It seems a lot of money out of a relatively small program for administration costs.

Ms Briggs—I am happy to take that on notice.

Senator O'BRIEN—You may have done very well, but could you give me a breakdown of the \$0.5 million and how the expense is justified?

Ms Briggs—Yes.

Senator CROSSIN—I have got some questions on the regional programs reform task force. I understand at the last hearing on 19 February Mr Bogiatzis indicated that the terms of the reference for the regional programs reform task force had not yet been finalised. Have they, in fact, been finalised now?

Mr Yuile—Yes, they have.

Senator CROSSIN—Are you able to provide us with a copy of those terms of reference?

Mr Yuile—It is an internal review, and a review where the terms of reference were agreed by the minister. I would need to check with him that he was happy about having that passed to the committee.

Senator CROSSIN—Do you expect that the review will be completed by July this year?

Mr Yuile—Yes, we do.

Senator CROSSIN—Has it started as yet?

Mr Yuile—Yes, it has.

Senator CROSSIN—Given that you indicated last time—and have just mentioned now—that it is to be an internal department review and that therefore we cannot expect to see a formal report of the review at its completion, can you, perhaps, provide, or can we see, a report?

Mr Yuile—I am not sure. I have not got the *Hansard*. I do not recall whether we said it would not be available or just the fact that it was an internal review which we would need to consult with the minister about.

CHAIR—Can I just check—are you now operating in program 3.2?

Senator CROSSIN—I am not entirely sure about that.

Mr Yuile—It is a review that is going on within Mr Doherty's division, and Mr Bogiatzis is working with Mr Doherty and others, although it is a cross-divisional team. But if you are asking if this is an appropriate place to ask the questions, I think it is.

CHAIR—No, I am not asking that. We have some other senators who want to come down for output 3.2, and we seem to be moving backwards and forwards. I want to make sure that we have them down here if we are moving to output 3.2.

Senator CROSSIN—You might be able to help me. We have the Foundation for Rural and Regional Renewal—

Mr Doherty—That is in the Regional Policy Division.

Senator CROSSIN—That is output 3.1 still, is it?

Mr Doherty—Yes.

Senator CROSSIN—We have Regional Research.

Mr Yuile—That is 3.1.

Senator CROSSIN—We have the Newcastle structural adjustment fund.

CHAIR—That is 3.2.

Senator CROSSIN—We have the Rural Transaction Centres program.

Mr Yuile—That is 3.2.

Senator CROSSIN—We have the Regional Solutions program.

Mr Yuile—That is 3.2. They are all the programs, Senator.

Senator CROSSIN—Would it be easier if we finished all the 3.1 areas first?

Mr Yuile—That would help a lot.

Senator CROSSIN—I will stop my questions on the reform task force, and come back to it when we start output 3.2.

Mr Doherty—The task force is in 3.1.

Senator CROSSIN—So I can keep going, then?

Mr Yuile—Yes.

Senator CROSSIN—We were trying to ascertain whether there would be some sort of report available at the end of the internal review.

Mr Yuile—I was saying that, at this stage, it is an internal review. It will be a report to the minister, and it will be the minister's decision about its release and how he chooses to handle that.

Senator CROSSIN—What progress has been made to date on the review? Where is it at?

Mr Yuile—Mr Doherty can outline that for you.

Mr Doherty—The review has made substantial progress. At the moment the review is looking at the recommendations that could come out, in relation to the improvements to the programs examined, and clearing those recommendations with the minister.

Senator CROSSIN—Has the review involved discussions with representatives from other departments?

Mr Doherty—Yes, it has.

Senator CROSSIN—Which departments?

Ms Armitage—The Department of Family and Community Services, the Department of Agriculture, Fisheries and Forestry and a range of other departments. DEWR has been involved as well.

Senator CROSSIN—Which programs have been discussed or looked at under the review?

Mr Yuile—As I think Mr Bogiatzis said in the February additional estimates, with the machinery of government changes and the addition of the Dairy Regional Assistance Program from the former Department of Employment, Workplace Relations and Small Business, together with the programs that were already in the portfolio, the review is covering the Dairy Regional Assistance Program, the Eden Structural Adjustment Fund, the Newcastle Structural Adjustment Fund, the Regional Solutions Programme, the Rural Transaction Centre Program, the Structural Adjustment-South West Forests, the Wide Bay Burnett Structural Adjustment Fund, and the Sustainable Regions Program—to the extent that that is part of the programs of the portfolio.

Senator CROSSIN—I should have asked you which programs were not being reviewed; the answer might have been shorter.

Mr Yuile—Sorry; the answer is all the portfolio regional programs. It is a portfolio review.

Senator CROSSIN—Is part of that also a review of the operation of the Area Consultative Committees?

Mr Yuile—It is not a review of the operation of the ACCs, but, certainly, part of the work has been how the interaction can be developed and built upon in the light of the ACCs joining this portfolio. But it is not a review of the ACCs as such.

Senator CROSSIN—So it is more a look at how the ACCs would fit within this department and what role they might undertake, compared with their previous role?

Mr Yuile—Yes.

Senator CROSSIN—Is there a plan to expand the role of the ACCs or to completely change the focus of what they deal with?

Ms Briggs—This is a review and, as we have indicated, we are yet to put final recommendations to the minister. It would be most premature for us to go into that kind of detail at this stage.

Senator CROSSIN—So you have no plans as to the direction of the area consultative committees?

Mr Yuile—The focus of the task force review has been on the programs and how they could be streamlined; looking at programs and the delivery of program services but not to the ACCs, as such, apart from the interaction. But, as Ms Briggs has said, all will be subject to recommendation to the minister. There is no plan for us to change the emphasis.

Senator CROSSIN—Have the area consultative committees come under your department since the election?

Mr Yuile—That is correct.

Senator CROSSIN—Have they been involved in, or are they getting involved in, regional development or natural resource management, indigenous employment or infrastructure development?

Ms Beetham—I think it is fair to say that, in a general sense, they have always been involved in that. One of the things the minister indicated to them at the meeting of the chairs that we were talking about earlier is that he does see them taking a slightly broader focus than perhaps they have done in the past under the DEWR portfolio, where the prime focus was employment. He would like them to take into account issues like the environment, where that is appropriate. As I mentioned earlier, he has mentioned that they perhaps look at logistics

opportunities in the sustainable regions but also more generally. He has given them some broad guidance, and so there will be a slight shift.

Senator CROSSIN—What role is being envisaged for the ACCs in relation to natural resource management?

Ms Beetham—That would depend on what might be happening in their own regions, but at least one of them that I am aware of has already been involved in a project concerned with refining the quality of water in their region, so that they are actually getting fresh water onto their properties rather than brackish water.

Senator CROSSIN—Is there a plan to expand their role in this area?

Ms Beetham—Only insofar as they are able to take that on and it is relevant in their particular region. What we look to the ACCs to do is to be very sensitive, to have an ear to the ground in their regions and to help identify development opportunities and issues there that they can facilitate action on.

Senator CROSSIN—What role will they be taking in relation to infrastructure development?

Ms Beetham—I think the answer is a bit the same: it depends on what is happening in their own region. It might be that, if there is, for example, a logistics opportunity for a distribution centre, they might want to pursue that with business interests and others in their community. More generally, infrastructure may well flow from business development, such as a packing shed that was developed under one project in Victoria. Then there is also a community infrastructure notion, which is developing leadership and fostering those sorts of skills within their communities. So it is broad ranging, and we do not tie them down. We provide them with quite general guidance. Getting back to the orientation of government regional policy in general, it is about community driven initiatives, but we have provided a framework within which they understand they can work.

Senator CROSSIN—Is there any plan to limit the size of the infrastructure development initiatives?

Ms Beetham—No. There are some constraints with the funding available to the program as a whole. That puts a limit on how much they can do. But, to the extent that they are able to leverage assistance through other programs or the private sector, no.

Senator CROSSIN—Has that funding in the budget of this year increased, or remained constant?

Ms Beetham—For the ACCs themselves, it has remained constant.

Senator CROSSIN—No increase there?

Ms Beetham—Not at this stage, no.

Senator CROSSIN—Is it planned that you would enable the ACCs to develop projects that facilitate the Commonwealth entering into, say, joint ventures with private investors for infrastructure developments?

Ms Briggs—Yes, Senator. That is certainly part of our thinking associated with the AusLINK program. The government's expected position on that will come out with the green paper, and subsequently the white paper, which the Deputy Prime Minister has indicated will be prepared.

Senator CROSSIN—To date, can you tell me which departmental officers have been members of the task force?

Mr Yuile—This is for the review of programs task force? Yes, we can.

Mr Doherty—Those have been drawn entirely from departmental people—from the Department of Transport and Regional Services.

Senator CROSSIN—Are you able to tell us how many, and who they are?

Mr Doherty—Yes, I certainly can tell you that. The head of the task force is Nick Bogiatzis, previously the acting head of the Regional Policy Division. We then have a staff of two executive level 2 officers. You would not need their names. There are four other staff, at present, drawn from both the Regional Policy Division and the Regional Programs Division.

Senator CROSSIN—What is their involvement as members of the task force?

Mr Doherty—Their involvement as members of the task force has been to manage the process of putting together the investigation and analysis of the programs, the overlaps, how they operate, how they are perceived to cooperate in practice, and ideas for their improvement.

Mr Yuile—We have drawn people who have had a variety of experience across programs and across departments, to make sure that we blended that experience as part of the analytical work they did, as well as the consultative work across the divisions of the department.

Senator O'BRIEN—Are they full-time on that task?

Mr Yuile—Yes, they have been.

Senator O'BRIEN—You said earlier that you were going to review the Eden regional adjustment package. That was a few questions ago.

Mr Yuile—Not review it. It is one of those that are part of the review.

Senator O'BRIEN—We heard earlier that you do not have all of the reports back from participants, and you are waiting for information. Presumably, putting that into this review will have to wait until all the reports are in and you have made an assessment of them.

Mr Doherty—I am not aware of anything outstanding for the task force in relation to Eden. The task force is looking at the structure of programs and how they are administered.

Senator O'BRIEN—Not outcomes?

Mr Doherty—I am not sure what the implication would be about what they are waiting for.

Senator O'BRIEN—I think one of the issues is that there has been a bit of chasing-up of the recipients' agreeance for their final reports—and some of the projects are not as advanced as you would like them to be, at this stage.

Mr Yuile—That will have to be concluded. You are right, Senator.

Senator O'BRIEN—I am wondering what the timetable is and how many of those things are going to filter in, or whether you are just taking a slice of wherever the projects are now, looking at what has happened in them, and feeding them into the review.

Ms Beetham—It is fair to say that, with programs like that in the south-west forest and so on that have a very clear life, while they are being reviewed, they have a natural termination and they will phase out. The review, as I perceive it, is really not so much about how we might manage that particular program in the future but rather about how we ought to handle regional development programs as a whole. That gets back to something that Joan Armitage said earlier about moving away from sectoral approaches and industry specific adjustment programs and towards something a little more encompassing and broader ranging, like a

regionally based program. So it is at a higher level, I think, than getting down into the nitty-gritty of how that particular program might be seen through.

Senator O'BRIEN—As I said, like the Eden program.

Ms Beetham—That is right. That is what I mean.

Senator O'BRIEN—I guess that is one of the reasons why I raised it. You are looking at a review, and one of the programs that might be apposite to that review is not included. There may be other lessons yet to be learned when you get all the reports in.

Ms Beetham—That is the sense of it.

CHAIR—Does that conclude 3.1?

Senator CROSSIN—I am not sure about that! Turning to the Foundation for Rural and Regional Renewal, I notice from the additional estimates statement that you had originally budgeted expenditure of \$980,000 for 2001-02 but that has now been revised down to \$419,000. What are the reasons for the significantly reduced budget line for this initiative?

Mr Doherty—The broad answer is that the amount the Commonwealth pays to the foundation depends on the amount of donations and other contributions that the foundation is able to attract. Ms Armitage will be able to go through that in more detail.

Ms Armitage—The foundation was established partly through a grant of \$10 million from the Commonwealth. The funds available to the foundation following that were \$700,000 for initial administrative costs, and the balance was a \$3.8 million challenge grant. What you see in the estimates was some estimate, when it was established, of how much money might need to be paid out under that challenge grant, and that is dependent upon the level of donations to the foundation, both cash and kind, and calculated by the bond rate at the end of that year. In that sense, it is a demand driven program. In 1999-2000 the amount of donations was about \$560,000, which attracted just under \$40,000 out of the money that had been allocated. In 2000-01 the amount of donations was \$356,000, which attracted about \$20,000. This year they expect to have over \$1 million worth of donations, and so they are improving as they are being established. So the figures there were not to be grants; they were to be available just in case they got large corporate donations.

Senator CROSSIN—What is the arrangement with the Commonwealth? Do you pay them a percentage amount of money on the corporate income they get?

Ms Armitage—The challenge grant is based upon the total of cash donations from corporations and in-kind donations that might be through the provision of services, such as the provision of legal services by Freehills. The amount of money is calculated on the bond rate for that year. For instance, if you multiply \$568,000 by the bond rate, it comes to just under \$40,000, which they got in their first year.

Senator CROSSIN—Given that significantly less was expended by the Commonwealth in the first two years of this initiative than was originally budgeted for, what plans are in place to realise the budget allocations that you had of \$650,000 in 2003-04 and \$260,000 in 2004-05?

Ms Armitage—It was put there as a challenge grant rather than as a direct grant, and therefore it was to encourage the FRRR to seek corporate donations. It is demand driven, so it is dependent upon the amount that they actually get.

Senator CROSSIN—Is that their reason for those figures in the coming years?

Ms Armitage—Yes.

Senator CROSSIN—Is all of the Commonwealth expenditure contingent on matched funding from private sources?

Ms Armitage—As I said, the challenge grant is dependent upon the level of corporate donation, both in cash and in kind.

Senator CROSSIN—And the only money you provided to the foundation was the challenge grant?

Ms Armitage—Yes; but the foundation had an establishment grant of \$10 million, which they hold in trust. That is invested and they can use the interest from that investment to assist in the running of the foundation.

Senator CROSSIN—So what exactly is the formula for the Commonwealth contribution?

Ms Armitage—It is based upon the corporate donation multiplied by the bond rate for June of that year.

Senator CROSSIN—According to their web site and from looking back over questions asked at previous hearings, the last round of funding from the foundation was in August 2000; is that the case?

Ms Armitage—I think they recently had a round of funding or have considered some grants just recently. Their web site is probably not quite up to date.

Senator CROSSIN—I think you might actually be right, because I sat on the plane next to Wendy Craik some weeks ago and she was heading to Bendigo to look at the next round of funding allocations.

Ms Armitage—Yes; a small number were paid out recently.

Senator CROSSIN—Have the ones that have just recently been considered been announced?

Ms Armitage—I do not think they have been formally announced yet.

Senator CROSSIN—Are you able to get that advice and provide it to the committee?

Ms Armitage—Yes, we can do that.

Senator CROSSIN—Are the grants for community capacity building, project facilitation or seeding grants for community and economic development initiatives?

Ms Armitage—They vary. I will give you just a couple of examples: some of them are community foundation funding to assist communities to look at the feasibility of setting up their own community foundations; some are to stimulate youth entrepreneurial education, looking at the youth base; and some are for refurbishment—say, for initial feasibility of the refurbishment of a jetty. So they are about community development, ranging broadly from social to economic areas.

Senator CROSSIN—If you can provide this committee with the latest round of successful applicants, would you be able to give us a breakdown of which of those areas the grants are for?

Ms Armitage—Yes, we will, because we are actually preparing a response to a House of Reps question on notice 340 which includes that information.

Senator O'BRIEN—I want to ask about applications for the research and development programs. Is that 3.1? According to the department web site, they are closed until further notice. When were the applications closed?

Ms Armitage—The applications were for the 2000-01 program. As a result of the program Stronger Regions, A Stronger Australia and the identification of the need to have more evidence based research, the minister approved a strategic approach to the research for this year based upon projects that were seen to be of significance, such as the Bureau of Resource Sciences project which looks at indicators of wellbeing; and so we have not called for a round of research projects in 2001-02 as a result. Next year, there will not be a call for projects, because the Understanding Rural Australia Program is finished, which is the large program.

Senator O'BRIEN—Additional estimates indicated an anticipated overspend for each of the three research components for 2001-02. Is that still the most likely position?

Ms Armitage—The initial estimates indicated that the additional money was to cover prepayments in the previous year, to ensure that we still had the same amount of actual cash available in 2001-02 and that we did not have to use some of that cash to cover prepayments.

Senator O'BRIEN—Is that the end of this program?

Ms Armitage—It is the end of Understanding Regional Australia. Going back—I am not sure whether you were here then—we indicated that the department has put the regional research into the Bureau of Transport Economics. There have been five staff for the first half of this year, and that will be going up to eight staff. So, while the program has lapsed, the department has taken steps to ensure that there will be regional research through the Bureau of Transport and Regional Economics.

Senator O'BRIEN—Why did you call for submissions from experienced researchers for a regional research register? Is that now redundant?

Ms Armitage—No. We have about \$220,000 in administrative money for research next year; plus the Bureau of Transport and Regional Economics will be looking at using some researchers. That is to enable us to identify researchers and also researchers that we might want to coordinate research with.

Senator O'BRIEN—Will that replace any tendering process? It will be a selection of a preferred person or even a group of people to choose from?

Ms Armitage—That allows us to pull off a list which has been selected.

Mr Doherty—Any contracting process will obviously have to comply with our normal Commonwealth requirements to ensure value for money. In this circumstance, it is likely to be a select tender process, if we can identify a number of possible providers to choose to get competitive bids from.

Senator O'BRIEN—That is all I have on 3.1.

[5.39 p.m.]

ACTING CHAIR—I thank the officers at the table for their work. We will now move on to 3.2—Regional Programs Division.

Senator O'BRIEN—Is this division in charge of administering the Newcastle Structural Adjustment Fund?

Ms Beetham—Yes, it is.

Senator O'BRIEN—I understand there is a project connected with it, through the Thornton Land Company, for a transport and distribution centre near Maitland.

Ms Beetham—I am not familiar with that, but Wendi Key might be.

Ms Key—That is correct.

Senator O'BRIEN—Senator Macdonald announced funding of \$1.5 million towards the establishment of that hub in 1999.

Ms Key—That is right.

Senator O'BRIEN—Who owns the Thornton Land Company?

Ms Key—I would have to take that one on notice.

Senator O'BRIEN—Do you know who the directors are?

Ms Key—I do not have that information with me, I am afraid.

Senator O'BRIEN—Would you provide that on notice, please?

Ms Key—Yes, certainly.

Senator O'BRIEN—There was an announcement of \$1.5 million in funding. Did that take place? It was announced, so I presume it has taken place. For completeness, did the money go to that company?

Ms Key—I understand all the funds have been paid. The grants are administered by the New South Wales Department of State and Regional Development on behalf of the Commonwealth. I have been informed that the money has been paid to date.

Senator O'BRIEN—Thank you. I understand it was to cover the capital costs and some operational costs. Do you know how many jobs this project was supposed to generate?

Ms Key—I do not have that detailed information in my briefing, but I will provide it to you.

Senator O'BRIEN—Do you know how many it actually generated?

Ms Key—No, I am afraid I do not.

Senator O'BRIEN—Do you know what requirement was placed on the Thornton Land Company as to their continuing involvement in the transport and distribution centre?

Ms Key—I do not have any details with me on the individual projects approved under the fund. However, I am prepared to take those questions on notice.

Senator O'BRIEN—Given that a large part of this transport and distribution centre has now been sold and the Thornton Land Company, I am told, has been paid \$1.65 million, I want to know: was the department aware of this, is this in any way a contravention of the Thornton Land Company's contract with the government and is the government able to recover all or any of its grant from the sale proceeds?

Ms Key—I will look into those issues and get back to you as soon as I can.

Senator O'BRIEN—With regard to rural transaction centres, page 55 of the PBS 2002-03 notes an estimated expenditure of \$21.3 million and \$8.3 million next year. How many rural transaction centres have now been approved?

Ms Beetham—Senator, 105 have been approved. Through the rural transaction centre funding, a range of electronic points of sale have been approved as well. Overall, we have approved over 200 financial services centres.

Senator O'BRIEN—Is that counting the 105 RTCs?

Ms Beetham—Yes.

Senator O'BRIEN—What is the target figure for the end of the current financial year?

Ms Beetham—I do not think it is appropriate to talk about targets. We do not work on the basis of targets as such. It depends on the quality of the applications put to us and the availability of funding.

Senator O'BRIEN—What is the basis of the numbers in the PBS then?

Ms Beetham—That is based on the residual funding under the program.

Senator O'BRIEN—So the program is not to fund a necessary number of centres; it is an amount of money in whatever you can fund your fund?

Ms Beetham—That is right.

Senator O'BRIEN—How many of these are to be located in post offices? Is there any requirement plan, a best-case scenario figure that you have for that?

Ms Beetham—No. Again, the circumstances are that if you qualify you can apply and, depending on the quality of that application, you may be funded.

Senator O'BRIEN—How many applications have been received for the RTCs?

Ms Beetham—I do not have that number with me but Mr Tongue may have.

Mr Tongue—We have funded 190 business plans. I will just check my figures on how many we have actually assessed to date.

Senator O'BRIEN—Ms Beetham was saying you will fund good applications. I want to know how many applications you have actually received.

Mr Tongue—We have received 216.

Senator O'BRIEN—There have been 216 applications. Are they the ones that have now been assessed?

Mr Tongue—Yes.

Senator O'BRIEN—Of those, 105 applications have been approved?

Mr Tongue—Yes, that is correct.

Senator O'BRIEN—Therefore 111 have not been approved. Have they been rejected?

Mr Tongue—The way we work with the program is that, because so much of it depends on the sustainability—the quality of the business plans we get—certainly we have a reasonably high rejection rate. But those communities are able to come back to us, do further work on their business plan, and participate in further rounds.

Senator O'BRIEN—Can you tell us, on notice, which communities have failed to attract funding for an RTC?

Mr Tongue—Yes, certainly.

Senator O'BRIEN—From what you just said, I think they will be able to submit a new business case.

Mr Tongue—They would be able to do some further work on their business case and come back into the program, yes.

Ms Beetham—One of the critical criteria for applicants, though, is that they are sustainable in the longer term. So if a small community were to put forward a project application that was judged to be unsustainable beyond the life of Commonwealth assistance, that would be a real problem for them.

Senator O'BRIEN—Are you saying that they would not get funding?

Ms Beetham—That is right. The idea is to build this capacity within communities for the longer term rather than for two or three years during the life of Commonwealth funding.

Senator O'BRIEN—Is there a model for equipping a Rural Transaction Centre, in particular when it is in a rural post office? Can you say, 'This is what should happen; these are the services that should be provided,' or is it up to the application?

Ms Beetham—It is pretty much up to the application, but it does take into account what services already exist within the community concerned. If we are talking about the RTCs specifically, the application needs to specify what services are available. We take into account the proximity to nearby towns that may also have facilities and endeavour to get the biggest pay-off for the funds we allocate. We are looking to avoid having two RTCs 20 kilometres apart, for example.

Senator O'BRIEN—Is part of the program devoted to equipping the operators of the RTC? Does that part of the program have to be built into the funding model so that there is training, as well as the necessities to provide the service?

Ms Beetham—Yes. I looked back to double-check, because it seemed so obvious that I wondered why the question was put. But yes, the idea is to help them get it up and running.

Senator O'BRIEN—Nothing is obvious in any program.

Ms Beetham—Sorry, Senator.

Senator O'BRIEN—Is there any policy with regard to RTCs and disabled access?

Ms Beetham—I do not know of a specific policy, but the Commonwealth does have disability access standards for buildings; and I cannot see why they would not apply there.

Senator O'BRIEN—Has that been applied in the approval?

Ms Beetham—That has been confirmed.

Senator O'BRIEN—Is there an average cost for funding for an RTC at this stage? You have 105 out there. Do you know how much money has been spent?

Ms Beetham—We could calculate it, but I do not think we have actually done that calculation. We can do that for you, if you would find that helpful.

Senator O'BRIEN—Yes. Would you ascertain the average cost of setting up an RTC and, separately, the average cost of setting up an RTC in a post office?

Mr Tongue—Certainly.

Ms Beetham—You need to take into account, though, the variability of the sorts of services, and it would be a very rough measure of anything.

Senator O'BRIEN—What would be the key variables between the post office and the non-post office model, or would they be equally variable?

Ms Beetham—The post office one is probably less variable, because of the criteria of the number of transactions they are transacting and the nature of the facility put in there. Sometimes rural transaction centres would embrace other community things. They may even have a room associated with them for doctor's services and so on.

Senator O'BRIEN—Can you tell me—and you may need to take this on notice—when the following applications for RTCs were received by the department and what is happening to them now: the application by the Outback Regional Development for an RTC at Wanaaring, the application by Tibooburra Telecentre Inc. for an RTC at Tibooburra, and the application by Pooncarie Telecentre Inc. for an RTC at Pooncarie?

Mr Tongue—Certainly, we will take those on notice and come back to you.

Senator CHERRY—I am interested in the Regional Solutions program and I have a couple of questions to ask arising out of that. Are there any delegations from the minister to the department on making decisions about applications for Regional Solutions grants? In other words, is there any delegated decision making?

Ms Beetham—The decisions are made by the advisory panel, which considers the applications and makes a judgment about which ones will be approved. Those are then submitted to the minister for final approval.

Senator CHERRY—As I understand it, if they are for less than \$10,000, they do not go to the advisory panel.

Ms Key—That is correct.

Senator CHERRY—Would they go straight to the minister's office, or would they be delegated to the department to approve?

Ms Key—If they are recommended, they go directly to the minister; if not, they go through the advisory panel first.

Senator CHERRY—How do you account for the fact that a large number of the grants under Regional Solutions appear to turn up in particular parts of Australia?

Ms Key—We receive grant applications from all over Australia. We approve about 40 per cent of grants. They are all assessed individually within the department by assessors and then second-assessed before going to an independent panel. We also consult with area consultative committees and other state and federal departments about the merit in funding that project and encapsulate all of that in advice we prepare for the panel. In one sense it reflects the quantum of projects we receive from various regions, but it also reflects all of those factors, including things like how much in-kind funding the community is prepared to kick in and whether other agencies are also contributing.

Senator CHERRY—Do the rejection rates differ by state or by area?

Ms Key—We have not done that analysis. As far as I can see from tracking that, that is not the situation at all. It is more to do with the quality and the benefits associated with each individual project. We do not apply an area based formula to the program.

Senator CHERRY—Would there have been any projects that the advisory committee had recommended against but which the minister had approved?

Ms Key—There may be some. That may happen in some circumstances, and the minister has the discretion to do that.

Senator CHERRY—Do you have any information on what particular projects they might have been?

Ms Key—We would have to take that one on notice.

Senator CHERRY—Coming back to the issue of rejection rates, I do not want to create an enormous amount of work but is it possible to do any work on rejection rates by, for example, federal electorate?

Ms Key—We have a number of questions on notice with us at the moment that go to electorate distribution and percentage approved and the like. They have been asked as of 30 May—that is today—so we are working on those at the moment. They are due on 14 June and one is due a little bit later than that. We could provide it in that context.

Senator CHERRY—I am happy to wait for those. What are the criteria for the degree of disadvantage? How is that measured?

Ms Key—We use the ARIA index, an index of remoteness, and a number of other indices to measure that.

Senator CHERRY—What is the ARIA index?

Ms Key—It is the Accessibility/Remoteness Index of Australia, collected by the ABS. That information is provided to the panel in preparing their assessments.

Senator CHERRY—So it is only an issue of remoteness, and that is how disadvantage is measured?

Ms Key—There are other things—unemployment rates and the like—that we also take into consideration.

Senator CHERRY—Do you look at socioeconomic conditions?

Ms Key—Very much so. We get the communities themselves to give us a full description of those issues in their communities, and we check that out with other state and federal agencies as well.

Senator CHERRY—Is there any index that you use on socioeconomic condition, or do you just go back to the ARIA?

Ms Key—ARIA is the remote index. There is another one, called SEIFA, which is a socioeconomic indicator.

Senator CHERRY—I have an index of socioeconomic disadvantage, but I do not know how that would rate against what you are doing.

Ms Key—I just confirmed that we do use the socioeconomic index for areas, SEIFA, as part of our assessment process.

Mr Yuile—Is that the document you have, Senator, or have you got something else?

Senator CHERRY—This is a research document from the library: socioeconomic indexes based on electoral boundaries. I would be interested to see how it compares with the indexes that you are using.

Ms Key—I think we are talking about the same thing. It is prepared by the Australian Bureau of Statistics.

Senator CHERRY—The same bunch of people—that is right.

Ms Key—It includes five separate indicators, which are used to aggregate to a mean. The mean is 1,000. Regions are classified as either advantaged or disadvantaged, according to whether they fall above or below that mean.

Senator CHERRY—I had a couple of other questions, but I have not brought them with me. They were about the audit of the RAP program. One of the things which the ANAO appeared to highlight was the two levels of internal department assessment of projects—the state analysis and the national analysis. From your web site, I got the impression that that is not done for sustainable regions.

Ms Key—That is correct.

Senator CHERRY—What is the role of ACCs in sustainable regions?

Ms Key—They have a very close role. Currently, two ACC chairs chair two of our sustainable regions committees. That is in Playford-Salisbury and the Kimberley. Each ACC is represented on each of the remaining six sustainable regions.

Senator CHERRY—What role does the department have, feeding into the advisory committee?

Ms Key—The department attends each committee meeting as an observer.

Senator CHERRY—So, essentially, all the applications go straight to the advisory committee?

Ms Key—Yes, they do. Some regions are calling for expressions of interest, and their executive officers are then working with proponents to work those project proposals up for the committees.

Senator CHERRY—Chair, a lot of my questions would be related to the material that will come back on notice. I am interested in the rejection rates by region. You have gone through your views as to—

CHAIR—If I could interrupt, do you think you are going to run out of questions, do you?

Senator CHERRY—I probably have another 10 minutes.

CHAIR—You had better get in touch with Andrew Bartlett. Thank you for that.

Senator CHERRY—What other significant changes are there between the way the RAP grants are dealt with and the way the sustainable regions grants are being dealt with?

Ms Key—Are you referring to the engagement of the regional office staff in RAP assessments?

Mr Yuile—Could I clarify that too, Senator? I was a bit confused at the last exchange. You moved from RAP, a program we inherited from the Department of Employment and Workplace Relations, which had the ACCs with them. They moved over. They also had the state offices. Prior to that, the Department of Transport and Regional Services had the Regional Solutions program, but we did not have a regional office staff, or regional office presence. So there has been a difference in the way the RAP program has been managed from the way the regional solutions program was. Then we have flipped over to sustainable regions. I was wondering if we were at cross-purposes.

Senator CHERRY—Yes. I will stick to Regional Solutions. Ignore me. I wish there were one program; it would be much simpler. I think that was another party's policy last election.

Mr Yuile—That is one of the issues that Senator Buckland and Senator O'Brien were asking about.

Senator CHERRY—Coming back to Regional Solutions, comparing that with the RAP grants system, what other differences are there? We have identified the lack of input at the state level. When an application comes into the department, what happens to it?

Ms Key—In Regional Solutions?

Senator CHERRY—In Regional Solutions, yes.

Ms Key—We have in-house assessment teams that make contact with the proponent. They ask any questions that might be arising from the application—where the gaps are or whatever. We then approach our ACC network and, as I said earlier, other state and federal agencies that might be possible funding sources. They also establish whether there is any private sector involvement. We assess the level of community support. We often talk directly to local

councils, as well, just to see what the community feels about this project. We second-assess and then refer it to our advisory panel for their views. The whole report is then collated and sent to the minister for consideration.

Senator CHERRY—We were discussing briefly the smaller grants, the ones which do not go to the advisory committee. Would there have been a huge number of those?

Ms Key—The program can fund projects from \$1,000 to \$500,000. There are a number of quite small projects—community development and planning type projects—that are funded. I could get you that information. I do not have the number with me but I could get that for you.

Senator CHERRY—I think it is on your web site, so it is gettable. I might have to leave it there, Chair. Most of my questions are about the electoral analysis, but that has been put on notice. Exactly what has been put on notice on the analysis of grants and rejection rates, by electorate?

CHAIR—Nothing yet.

Ms Key—Nothing through this committee, but in the House and in the Senate, questions have been asked, basically along the same lines as you have articulated here today. The questions did ask us to do that assessment as at 30 May, so that is today. We will start work on that first thing tomorrow morning.

Senator CHERRY—Will that be made available to this committee as well?

Ms Key—The answers are due by 14 June. I am not sure what the process is, but we will make sure you get a copy of that.

Senator CHERRY—Thanks. I will leave it there for the moment, Chair.

Ms Briggs—We will make sure we table with the committee the same answers that are tabled in the House and in the Senate, to ensure that the senator has access to that material.

Senator O'BRIEN—We have been asking a few questions on the Regional Solutions program. I may double up, because I was not here for most of Senator Cherry's questions. The process used for assessment and approval of the application for the Regional Solutions program includes recording the progress of every application on your computer system and making use of the department's email system for much of the process. Does this mean that the progress of each application can be constantly monitored and that the information on its progress is readily available?

Ms Key—That is correct.

Senator O'BRIEN—You may have already answered these questions. In assessing applications, what steps, if any, are taken to ensure that existing local businesses and employment are not adversely affected?

Ms Key—That is an important aspect of the program. We do consult quite widely in each community before we make a recommendation for funding, and that is one of the things we do consider.

Senator O'BRIEN—What actual process do you follow to do that?

Ms Key—We contact the proponent and also the people who have written in support of that proponent, local government and our area consultative committees and other state and federal agencies that are key players in the region.

Senator O'BRIEN—Specifically about the local business and employment effects?

Ms Key—It would be one of a range of issues we would discuss, depending on the project.

Senator O'BRIEN—Can you provide details of the application for Regional Solutions funding for the Baradine Advancement Group?

Ms Key—What in particular, Senator; the level of funding?

Senator O'BRIEN—How much has been provided or promised to that advancement group from this program?

Ms Key—Can you tell me which state it is in?

Ms Briggs—It is in New South Wales.

Ms Key—I believe it is in the order of \$462,000.

Senator O'BRIEN—Has that group received funding under any other program?

Ms Key—I would have to take that one on notice.

Mr Yuile—Do you mean from a program of this department or a Commonwealth program generally? There are 300-odd Commonwealth programs.

Senator O'BRIEN—A Commonwealth government program—some form of regional development program.

Ms Briggs—Senator, that is quite a major exercise. Could I suggest that, for the purposes of this committee, we confine our answer to programs within the portfolio? Otherwise, we will have to consult right across different portfolios.

Senator O'BRIEN—That is a fair comment. I guess we can work out a question on notice across portfolios, and put them to the trouble.

Ms Briggs—Thank you, Senator; we will cover it in the department.

Senator O'BRIEN—Can you advise when the application for funding for the Ballarat retail project was received by the department?

Ms Key—Again, with several hundred approved projects, I cannot give you that information. I will take it on notice.

Senator O'BRIEN—Senator Troeth recently announced a grant of \$30,000 for that retail board. I would like to know how much it applied for in its original application and whether further funding is pending or under consideration for that project.

Ms Key—We will include that in our response.

Senator O'BRIEN—I also want to find out when the application for the \$200,000 funding for the Hughenden Dinosaur Museum project went to the minister's office.

Ms Key—We will add that one in as well.

Senator O'BRIEN—I would like to find out what is happening with the application from the Northern Grampian Shire Council for funding for the Stawell Gift Hall of Fame.

Ms Key—Certainly.

Senator O'BRIEN—Lastly, the White Cliffs Telecentre Inc. application.

Ms Key—Okay.

Senator CROSSIN—Perhaps you could tell me why our poor old National Pioneer Women's Hall of Fame is still struggling to get some funds from you?

Ms Beetham—I would have to take that on notice, unless someone else can assist me with that.

Ms Key—I am not aware of that project.

Senator CROSSIN—I do not think it is a project. There is, though, a National Pioneer Women's Hall of Fame. It does not attract the same amount of money as the Stockmen's Hall of Fame, and you can probably understand why. I am sure they would love a couple of million dollars to build a new building to put their museum in.

Mr Yuile—Have they made an application?

Senator CROSSIN—If you are suggesting that they should, I will pass that on to them.

Mr Yuile—I was only asking the question.

Senator CROSSIN—Can I tell them you will look at it very favourably, then?

Mr Yuile—We will certainly look at it, Senator.

Senator O'BRIEN—Page 55 of the PBS states that the Regional Assistance Program has \$24.5 million for the coming financial year. The Auditor-General has recently reported on this program and has expressed concern about aspects of it, especially the Projects of National Significance program. How has the department or the government responded to the criticism by the Auditor-General in Audit Report No. 48 on the operation of the Regional Assistance Program? The report notes specifically that, while community based projects are assessed against published criteria, there is a lack of transparency in the relative importance of those criteria and any other considerations used in assessing the relative worth of applications.

Ms Beetham—In terms of the department's response, what the ANAO commented upon in relation to the management of RAP in general were issues to do with the clarity of the guidelines, feedback to unsuccessful proponents, the frequency of assessment rounds and so on. They were really refinements to the program rather than, I think, a suggestion of fundamental flaws in it. The department have responded very favourably and were putting some of those changes in place, even prior to the ANAO commencing its investigation. From that point of view, I think we have responded very favourably, and we are doing it.

Senator O'BRIEN—Can I categorise your response as accepting the criticism and correcting your processes accordingly?

Ms Beetham—We accept that there was room for further refinement of the program, but we do not think there are any major flaws in the way it was done. In fact, the ANAO gave us a pretty clean bill of health in the way the overall program is run.

Senator O'BRIEN—The words are that 'the ANAO considers that it would be better practice' for the department to not only set out the assessment criteria to be used but also to make clear 'the relative importance of the criteria'.

Mr Yuile—I think you will agree that the report acknowledged that a lot of the issues that were addressed, as Ms Beetham has said, were already in hand and being addressed by the program at the time.

Ms Beetham—It also said that the program was 'generally efficient and effective' and that good governance and contract management frameworks are in place. There is always room for improvement, and we are doing that.

Senator O'BRIEN—What about the concerns raised by the Auditor-General that project proponents and ACCCs are not always provided with adequate reasons why projects are not approved? How does the department respond to that?

Ms Beetham—I think we would be looking to make sure that they are given adequate reasons. But those closer to it may want to add a comment. Did you want to say something, Leo?

Mr Kennedy—With regard to applications that are not approved, all applicants are informed in writing of the reasons for non-approval, with reasons against each of the criteria. They are also offered the opportunity to talk both to the ACC in the region, the state office in the region or, in fact, the national office in regard to those reasons. That is the process that we have in place at the moment.

Senator O'BRIEN—So you do not accept the Auditor-General's concern?

Mr Kennedy—No. We would accept the Auditor-General's report that we need to do that consistently across all projects, and we have that in hand at the moment.

Senator O'BRIEN—I note that the RAP program is scheduled for evaluation in the coming financial year and that the Auditor-General has recommended that the department develop a strategy for systematically evaluating RAP. Has any decision been taken as to the timing and form of the review?

Ms Beetham—Not at this stage, but one of my officers has been talking with a consultant about the design of that evaluation. So the initial work is being done.

Senator O'BRIEN—When would you expect that the initial work would conclude and the review would be set up?

Ms Beetham—Our objective is to have the plan fairly well advanced by the end of this financial year with a view then to proceeding with that in the coming year. But I do not have a precise time frame in mind—other than as quickly as we reasonably can.

Senator O'BRIEN—ASAP?

Ms Beetham—Yes.

Senator O'BRIEN—The auditor also recommended that the department develop a national monitoring and review strategy for individual projects which incorporates a risk based approach. This was in response to a finding that the standard monitoring of projects varies greatly from state to state. What has happened with regard to addressing that general recommendation?

Ms Beetham—At this particular point in time, I think it would be fair to say, perhaps not a great deal. But one of the things that is a priority for us in the coming year is to look more at our evaluation and risk management processes. That is not to say we do not have risk management arrangements in place but, because of the number of programs we run and also the fact that we have recently acquired both the dairy RAP and the RAP program, there is a need for us to look at how those various programs have been run by the portfolios that, up until recently, had responsibility for them and to merge those to make sure that there is some sort of commonality and consistency across the board. That sort of thing will be one of the features that will be built into our response to the task force review and we would take that forward as quickly as we can, following the receipt of findings and the minister's endorsement of those.

Senator O'BRIEN—What is the process used to assess and approve projects within the Projects of National Significance program?

Ms Beetham—That is essentially an issue for government and for the minister. Basically they are those that are judged to have a very significant impact on the region that they might be in, with particular reference to employment. Mr Kennedy, do you want to add anything?

Mr Kennedy—Those decisions are taken by the minister or the government. They are in particular situations where there has been some local disaster or some event which has had an adverse impact on the region.

Senator O'BRIEN—Audit Office Performance Audit Report No. 48, regarding the operation of the Projects of National Significance program, criticised it as having 'no specific guidelines or assessment criteria'. I take it that that means that the funds are essentially expended at the whim of the minister or Cabinet.

Mr Kennedy—That is right.

Ms Beetham—It does provide the government with the flexibility to provide funding to address what it perceives as a significant issue that might arise due to structural adjustment or some other development within a region. It is at the discretion of the government to determine that.

Senator O'BRIEN—It is also at the discretion of the government as to what is a significant development or issue.

Ms Beetham—That is true, and I think that is reasonable. But it is worth noting that no project has been identified in this current financial year as a project of national significance; so it is not used unless there is a good reason.

Senator O'BRIEN—So no steps have been taken to address that criticism?

Ms Beetham—Certainly the recommendation will be drawn to the government's attention.

Senator O'BRIEN—It will be, or it has been?

Ms Beetham—It has been. Certainly the minister has been briefed on the report of the ANAO. But it is also worth noting that the ANAO spoke of further attention being given to explaining the reasons why a particular project was deemed to be of national significance. So, again, it is saying 'Do better' rather than suggesting complete failure.

Senator O'BRIEN—Regarding the Flood Recovery Fund, in November 2000 Mr Anderson announced a \$10 million program to assist flood victims in northern New South Wales and southern Queensland. The program has been criticised as overly bureaucratic and difficult to access, and only \$6 million was expended before the program was wound up. Page 55 of the PBS shows that \$4.5 million was expended in the current financial year.

Ms Beetham—I am not able to comment on that. That program really falls under 3.3, and Mike Mrdak is here and he can probably pick that up for you.

Senator O'BRIEN—Mr Mrdak, page 55 of the PBS shows that \$4.5 million was expended in 2001-02 from the Flood Recovery Fund. In the wake of the November 2000 floods in northern New South Wales and southern Queensland, the minister said there would be a \$10 million package. I understand that \$1.5 million was expended in 2000-01 and \$4.5 million in 2001-02; which is obviously \$6 million. Are any further funds to be expended on that program?

Mr Mrdak—No. There were two programs established in November 2000: the Flood Recovery Fund, which was to fund community organisations and local groups for restoration of community facilities, and a small business assistance program to fund clean-up by small businesses in the flood affected areas. Both of those funds closed on 30 June last year.

Senator O'BRIEN—Was money taken from that program and allocated somewhere else?

Mr Mrdak—Yes. As you indicated, there was a \$10 million initial allocation to the Flood Recovery Fund. In the end, only some \$3.8 million or so was expended under that program.

Some \$4 million of the balance has been reallocated to an election commitment of the government to bring forward the construction of the Lismore levee project in northern New South Wales.

Senator O'BRIEN—When was the decision made to do that?

Mr Mrdak—As I said, it was an election commitment by the government in November last year. The decision to reallocate those funds was made as part of the lead-up to the budget process. It was disclosed in additional estimates.

Mr Yuile—Is that the end of the questions for program 3.2, Regional programs?

CHAIR—As I understand it, Senator O'Brien and Senator Crossin both have some further questions, and Senator Bartlett is coming down after dinner.

Senator O'BRIEN—If Senator Bartlett has questions for 3.2, that will be all. Then there is 3.3.

Mr Yuile—No; 3.3 is Local government.

CHAIR—I have been informed that Senator Bartlett will take about half an hour on 3.3. Regional Programs 3.2 has been completed.

Proceedings suspended from 6.31 p.m. to 7.33 p.m.

Senator CROSSIN—I refer to the Grants Commission report into the financial assistance grants for local government—page 55 of the PBS. I understand that the report has been referred to the House of Representatives committee as part of a broader review of local government, which will focus on cost shifting. Has the department done any work in relation to the impact of cost shifting on local government?

Mr Mrdak—Not beyond what was reported to the CGC inquiry by the various submissions that they received. That inquiry received a number of submissions from local government in relation to the sorts of areas where they felt there was cost shifting taking place from the states to them in relation to a whole range of responsibilities, ranging from environment to health and other local government matters which they are increasingly taking on. The department has done no additional work on that beyond continuing to receive that sort of input from local government. As you are aware, the government had an election commitment to consult the states and territories in relation to the outcomes of that CGC report before taking any further action. The minister has decided to implement that through the inquiry, which he announced this morning, and one of the things that inquiry has been asked to look at and to seek public submissions on is the CGC's final report.

Senator CROSSIN—Has the department itself, though, done any research or work on some of the submissions that came in to the CGC, or any independent research itself on the impact of cost shifting on local government?

Mr Mrdak—Not to this point. Not in any detailed way, beyond noting and just making reference to the various elements of cost shifting that have been reported to the CGC. We have been looking at some of those but not in any great detail.

Senator CROSSIN—Are there any plans to do that independently yourselves in the department?

Mr Mrdak—Not at this time. The terms of reference for the inquiry were released this morning. One of the terms of reference is to look at that issue of the CGC inquiry and the broader issue of cost shifting by state governments. As part of the department's work in

relation to that committee in terms of submissions and papers that we might put to that, we may look at that issue, but we have not had a close look at it to this point.

Senator CROSSIN—Would your department be intending to put a submission to that inquiry?

Mr Mrdak—We have not reached a final decision on that at this stage but the minister has offered the assistance of the department to the inquiry, but we have not reached a decision yet as to what type of submission or if we make a full submission at this point or whether we try and assist the inquiry with other types of resources to this point.

Senator CROSSIN—Can you perhaps inform us as to why it was decided to exclude cost shifting by the Commonwealth from the inquiry?

Senator Ian Macdonald—We do not do that, Senator. It is a true remark but the question was not to me. Mr Mrdak, you respond.

Mr Mrdak—The government had an election commitment in its local government strategy to look at cost shifting by state governments. That was something that was identified quite clearly to the—

Senator CROSSIN—So you are not able to tell me why the Commonwealth is not included in that inquiry in terms of looking at cost shifting?

Mr Mrdak—As I say, the government had an election commitment to look at cost shifting by states, and that was predominantly what was being raised by local government, as I understand it, to the CGC, and hence the inquiry has focused on that aspect.

Senator CROSSIN—So you are saying that the Commonwealth has been excluded because it was not part of the election promise?

Senator Ian Macdonald—That is right, as Mr Mrdak says. Perhaps I can answer this with some—

Senator CROSSIN—I am having a little bit of trouble hearing what is happening down that end.

Senator Ian Macdonald—I said what Mr Mrdak said is correct. Perhaps I could answer that because I was the relevant minister when the policy was put up. As Mr Mrdak said, it all arose out of the Commonwealth Grants Commission investigation into this and the submissions that had been made by local government to the federal government over the period of my term. The constant complaint was that state governments were cost shifting on to them. They always make those complaints, and so we thought the best thing to do was to get it looked at seriously, and that is why the commitment was made. The complaint about the Commonwealth cost shifting on to local government—and there were one or two that raised that with me over the three years—was practically insignificant.

Senator CROSSIN—Will the inquiry be able to present a complete picture of the difficulties faced by local government, do you think, if cost shifting by the Commonwealth is not included?

Mr Mrdak—Certainly the terms of reference for the inquiry do ask the committee to look very broadly in relation to the current roles and responsibilities of local government, and also their capacity to meet their current roles and responsibilities, so I think it does give a very broad range of capacity for the committee to look at a whole range of issues in relation to what they are currently doing and their financial resources to do so.

Senator CROSSIN—You are saying that you do not believe that local government would be precluded from putting in their submission comments about cost shifting from the Commonwealth?

Mr Mrdak—I do not think there is anything to preclude people putting those things into submissions. As I say, the terms of reference are very broad. A number of points do specifically look at cost shifting by states. The first two terms of reference from memory are very broad, looking at the capacity to meet all of their current responsibilities.

Senator CROSSIN—I note the recent statements by the minister canvassing the referral to local government of the control of police, education and health services. Has your department done any work on the practicality of such a move?

Mr Mrdak—No, Senator.

Senator CROSSIN—Do you know then on what basis those comments are made?

Mr Mrdak—As Minister Macdonald has pointed out, this was something that has been raised by local government consistently with the Commonwealth and particularly in submissions to the CGC. Also, Minister Tuckey has been meeting with local government since taking up his ministerial duties in this area and they are the things that have been consistently raised with him, both by local government associations at the state and Commonwealth level and by individual councils, as the areas into which increasingly they are having to put resources; hence, the minister has referred to those areas because they are being raised with him continually by local government.

Senator Ian Macdonald—Can I just add to that that Mr Tuckey himself was for many years a distinguished mayor in one of the West Australian councils and I think served on, and was president of, the Country Shires Association.

CHAIR—Carnarvon was his shire council.

Senator Ian Macdonald—Yes. I mention that because he has had a long association with local government and his views would have been developed over a long period of time.

Senator CROSSIN—Mr Mrdak, just going back to my question, is your department actually planning to do any work or research on such moves?

Mr Mrdak—We have not ascertained exactly what our assistance to the committee will be at this stage, but they are the sorts of areas which I envisage. If we make a submission, we would be looking to pull together some data and the like. If we are requested by the committee to do research, then obviously we would undertake that with the minister's agreement.

Senator CROSSIN—You have had no requests by the minister to undertake any sort of research or work in this area?

Mr Mrdak—The minister has asked us, in response to the concerns he has been getting, to validate some of those. As I say, we have been drawing on the submissions that were made to the CGC and issues raised in the department, but really we have been reflecting those concerns rather than doing any detailed analysis beyond that at this stage.

Senator CROSSIN—Has the department done any work to assess the impact on local government of the decision to push \$100 million from this year's Roads to Recovery Program into the out years?

Mr Mrdak—I am sorry, you would have to refer that to our roads area. We in the local government area have not. The rephrasing of the Roads to Recovery Program I think was dealt

with at some length with the committee last night. I am not familiar with the program, I am sorry.

Senator CROSSIN—So you have not perhaps in some sort of cross-program area looked at the impact of that on local government?

Mr Mrdak—In terms of the rephrasing?

Senator CROSSIN—Yes.

Mr Mrdak—Not at this stage. As you would be aware, the government has put in place some transitional arrangements in relation to small councils and the like—and it is still waiting for councils to come forward with what impact that will have—but that is something which is being dealt with by our roads area rather than our area.

Senator CROSSIN—The South Australian Local Government Association has estimated that rates in that state may well rise by about eight per cent as a result, I understand. Do you know whether this is a national trend?

Senator Ian Macdonald—Rates will rise by eight per cent?

Senator CROSSIN—Yes, the rates in that state will rise by eight per cent as a result.

Senator Ian Macdonald—I cannot imagine that that would be right. This is a relatively new program; it has only been in operation a year. It was enthusiastically received. You might remember your then leader called it a boondoggle, and your party was opposed to, it but it was a very popular program. It was additional—over and above the \$441 million that the Commonwealth already gave to local governments for roads—and it was in addition to the little bits of money that the states do make available. They do not make much available. That was highlighted in that Commonwealth Grants Commission report. I would be very surprised if rates would have to go up by eight per cent. I would doubt that the department has done any assessment on that claim or whether they are even aware of the claim.

Mr Mrdak—I am not aware of it, Senator.

Senator CROSSIN—You are not aware of the South Australian Local Government Association's claim?

Mr Mrdak—No, I am not.

Senator CROSSIN—You are not aware that, as a result of the rephrasing, rates may increase to eight per cent?

Mr Mrdak—No, I am not, Senator.

Senator CROSSIN—Then you would not be aware whether that is a national trend, I assume.

Mr Mrdak—No, I am not, Senator.

Senator CROSSIN—That is all I have on local government.

Senator BARTLETT—My questions relate to the minister's announcement that the department is involved in the construction of a new detention centre on Christmas Island. Minister Tuckey announced on 12 March that the new facility would be built. In that statement he said that preliminary works would begin immediately, with stage 1 of the project to be completed within six months. How was the minister able to make the announcement with certainty about the construction timetable when he did not even put in an application for an exemption from the federal environment legislation until eight days later, and he did not

get a decision to exempt that project from the requirements of the federal Environment Protection and Biodiversity Conservation Act until April?

CHAIR—That sounds like a question that should be directed to Mr Tuckey. You are asking about a decision Mr Tuckey made?

Senator Ian Macdonald—About a statement he allegedly made.

Senator BARTLETT—It is in his press release.

Senator Ian Macdonald—Is it? What exactly does it say?

Senator BARTLETT—It says:

Announcing details to the community on Christmas Island, Minister Tuckey said preliminary works on the facility would begin immediately, with stage 1 of the project to be completed within six months.

That was dated 12 March.

CHAIR—Let me suggest that, if anyone knows anything about it you may comment, but at the end of the day it is a question for Mr Tuckey. It is a decision he seems to have made.

Mr Mrdak—The minister was announcing the government's decision in relation to construction of an immigration reception processing centre on Christmas Island. It is important to differentiate between that decision of the government to proceed to a detention centre and the statutory decisions which would then need to be taken by the minister for the environment under the EPBC Act. There is a statutory process that needs to be undertaken in relation to environmental assessment. The minister was simply announcing the government's decision, which is quite separate to the statutory process that needs to be undertaken.

Senator BARTLETT—The submission that Minister Tuckey or your department provided to Minister Kemp sought exemption on the grounds of national interest—which is a requirement of the environment act—but basically stated they needed that exemption for the construction to be able to be finished within six months, before the monsoon season. Obviously your department is saying to the environment minister, 'Unless we get this exemption we can't finish it in six months.' You are saying that in your application of 20 March, yet the minister announced on 12 March that it will be finished in six months. Was there some prior contact with the environment minister or Environment Australia, forewarning them about this proposal and the fact that a request for an exemption would be put in?

Mr Mrdak—As part of the process of considering the earliest possible availability of facilities on Christmas Island, it was recognised that environmental processes under the EPBC Act would need to be satisfied. Clearly that was identified as one of the critical issues in having parts of the centre available by the end of this year in advance of the coming swell season on the island. But at that stage it was recognised only that the process would have to be met. There was no predisposition at that stage or any suggestion that an exemption would not be available, but the statutory process would have to be met.

Senator BARTLETT—Was the application from your department or the minister, and accompanying documentation outlining the justification for the application, a joint one with the immigration department? Were there separate ones that were identical, or are there different components?

Mr Mrdak—It was a joint application by Minister Tuckey and Minister Ruddock.

Senator BARTLETT—What is the breakdown or the division between DIMIA's role and your department's role with the funding? I note it is a very substantial amount of money all-

up—\$200 million or so. A fair chunk of that goes through to your department and another part to Immigration. What are the different tasks that you are using that money for?

Mr Mrdak—The Immigration portfolio is responsible for the design and construction of the processing and reception centre. This portfolio is responsible for providing infrastructure to the site—water, power, telecommunications and the like. We have also been given responsibility for providing the initial stage of staff housing for the centre and also for resuming and securing the land for the site. We are currently also providing some initial construction work on accommodation on the island. Essentially the project itself—the IRPC, the immigration reception and processing centre—is a DIMIA construction project. The infrastructure connected to that and the ancillary staff housing construction camp is with this portfolio.

Senator BARTLETT—The things your department cover would be the construction of additional housing and infrastructure for staff, works associated with laying and operation of cables and pipes and construction of a temporary construction camp on the area of land immediately north of the existing cricket ground. Those are all your patch. Is that right?

Mr Mrdak—That is correct. Additionally, we have been asked to bring forward some projects that the government had previously announced for the island, which is the construction of alternative swell season port facility to give the island year round port facilities and also a link road from that port to the upper steps of the island.

Senator BARTLETT—That is the port around the east coast of the island?

Mr Mrdak—That is right. It is an alternative port which is available during the swell season for unloading.

Senator BARTLETT—The exemption that Dr Kemp gave doesn't apply to the additional port facilities and access road, does it?

Mr Mrdak—No, it does not. Those projects were already subject to assessment processes under the act, and those are continuing. The port project has been subject to a public environment report. That is currently out for public comment, and comments closed on that yesterday. In relation to the road, we have had a decision reached by the environment portfolio that the assessment can be reached only on preliminary information.

Senator BARTLETT—In Minister Kemp's statement of reasons as to why he granted this exemption, he indicated that there was a commitment from both your minister and Minister Ruddock to ensure best practice environmental measures, including the development of an environment management plan for the detention centre and associated infrastructure, and the appointment of a suitably qualified environmental manager. What sort of involvement has your department had in the development of that environmental management plan? What stage is it at?

Mr Mrdak—For each of the elements of our projects, we require that an environment management plan be prepared for construction and then for operation. We have now appointed contractors in relation to the infrastructure, the services to the site and also the first stage housing for staff and, in both of those cases, EMP's have been prepared and lodged with Parks Australia and have been approved by Parks Australia. In terms of our projects, we sent a dedicated officer from our department in Canberra, who is an environmental specialist, to the island to be a liaison point between contractors and Parks Australia. Also, we have—and already had—an environment officer on the island, who provided advice for us in relation to our projects. In relation to the DIMIA projects, the IRPC itself, my understanding is they will be developing an EMP as part of their preparation for construction and operation and that also

will be lodged with Parks Australia and Environment Australia as part of the normal processes before construction proceeds.

Senator BARTLETT—Who developed the environment management plan? You developed that internally?

Mr Mrdak—It is a requirement of our contractors that we engaged to do the construction that they prepare EMP's and have them approved by Parks Australia before they start work.

Senator BARTLETT—You have already appointed your contractors?

Mr Mrdak—In relation to the housing and the infrastructure services, we have.

Senator BARTLETT—When was that process done?

Mr Mrdak—That was done last month. In relation to the housing tenders, we awarded contracts to three firms on 19 April and, in relation to infrastructure, we awarded that infrastructure contract also on 19 April.

Senator BARTLETT—Were they tendered for?

Mr Mrdak—Yes, they were. We undertook a select tender process for the infrastructure, with a small number of firms. In relation to the housing projects, that was an open tender which was nationally advertised.

Senator BARTLETT—That was done between 12 March and 19 April?

Mr Mrdak—That is correct.

Senator BARTLETT—Is that the normal speed for things or is it a bit quicker than usual?

Mr Mrdak—No, it was a very much accelerated process. Given the need to have the infrastructure and housing in place to enable initial staffing of the centre by September-October this year, which is the government's desired outcome, we did expedite the process in relation to the calling and assessment of tenders. That process commenced after the EPBC exemption.

Senator BARTLETT—As I understand it, your department—along with and possibly in conjunction with the immigration department—referred the matter to the Australian Heritage Commission for them to make an assessment?

Mr Mrdak—That is correct. Under section 30 of their act, we referred all of the projects to the Heritage Commission. They were jointly referred by our department and DIMIA and the Heritage Commission has now responded to us in relation to that.

Senator BARTLETT—They have made an assessment?

Mr Mrdak—Yes, they have. We referred it to the Heritage Commission jointly with DIMIA on 28 April. On 21 May, the commission responded, noting that the site has potential impacts on the national heritage, including the Abbott's booby bird and the red crabs. Also, potentially, some of the building projects may occur in or near heritage listed precincts. The commission advised that, in accordance with their legislation, if no other feasible alternative locations existed for the centre measures would need to be developed to mitigate the impact on the national heritage, including the Abbott's booby bird and the crabs, and asked that those be implemented in close consultation with Parks Australia—consistent with the national park management plan—and we are doing that. Officers of my department are, as I say, almost on a daily basis working with Parks Australia on the island in relation to managing impacts in relation to issues like crab migration routes, the Abbott's booby and the like in respect of all the projects, and that is already happening. As I say, all EMP's are required to be cleared and

approved by Parks and all works require permits. Permits are being sought as necessary from Parks Australia on the island.

Senator BARTLETT—Did the AHC make an assessment that there were no feasible alternatives or did they basically rely on you saying that there weren't?

Mr Mrdak—I think their wording was that, if there was no feasible alternative location, we would need to look at that. Our view is that the site that has been selected for the IRPC is the best site available on the island. Given the range of environmental issues and the difficulties in obtaining sites on the island, this is the best available site.

Senator BARTLETT—You actually made an assessment about what was the best site from an environmental point of view?

Mr Mrdak—We looked at a range of factors in looking for the site. As you know, the bulk of the island is national park and, with that and the area which is already under mining lease, there is very little land available which would be of a size sufficient for the centre. In identifying this site, it had a number of advantages. It was already an alienated mining lease. It had been heavily mined in the past for many years. It was relatively flat. It was elevated, which provided advantages in relation to siting in terms of air flow and the like for such a centre. It also, in terms of the site condition, presented fewer difficulties in terms of site preparation than some of the other mining leases on the island, given the pinnacles and the like which exist on mining leases across the island. For those reasons and the fact that its location was a reasonable distance from the settlement area of the island, we felt that this was the best site available and probably, in our view, the only site available which would permit the best possible IRPC construction and design.

Senator BARTLETT—It is about the only site on the island that is not near settlement that is not national park, isn't it?

Mr Mrdak—There are other areas. We did look at other mining leases that might be available but, as I say, when you rank them against the criteria of availability and environmental impact and the like, this site was the best we could find.

Senator BARTLETT—There is still a mining lease over it though, isn't there?

Mr Mrdak—There is and, under the terms of the mining lease, the Commonwealth has provision to resume the mining lease in accordance with clauses of the lease and commenced that process in March. We are currently now negotiating with the mining company for the resumption of that lease.

Senator BARTLETT—You could have done that with any of the mining leases on the island?

Mr Mrdak—That is correct.

Senator BARTLETT—Who are the leases with? Are they with your department?

Mr Mrdak—They are. Phosphate Resources Ltd has a mining lease which is issued by our portfolio.

Senator BARTLETT—You will be liable for paying them compensation for the unmined phosphate on the site?

Mr Mrdak—That is correct. We have commenced a process now in relation to arbitration for the value of the phosphate on the site.

Senator BARTLETT—Is that contained in budget estimates at the moment or is it too imprecise?

Mr Mrdak—It is imprecise at this stage. We had some initial estimates done following some geotech drilling that was done on our behalf and information supplied by the company. There is provision in the budget for costs associated with the land resumption, but at this stage it is imprecise.

Senator BARTLETT—Is that in addition to the \$200 million-odd that is the line item for the construction and operation of the centre?

Mr Mrdak—It is included in the budget for the whole centre.

Senator BARTLETT—Some of your construction work—not the centre itself, but the associated structure—has commenced already, has it?

Mr Mrdak—Yes. Some initial work has started in relation to the infrastructure. There is a ship due on the island tomorrow which is bringing a large amount of building materials for the housing projects and that will allow that work to commence.

Senator BARTLETT—Have you got a timetable for all of that to be finished?

Mr Mrdak—Under our contracts with our builders for both the infrastructure and the housing projects, they are due to be completed by the first week of October.

Senator BARTLETT—What about the additional port and those facilities? What is the time line for that?

Mr Mrdak—At this stage, subject to the PER and the public comment process, which closed yesterday on the PER, we are aiming to be in a position to issue tenders for the port in mid-June, with the aim of having the port platform completed and operational by December. The timing on the road project is yet to be determined. We are still to complete some of the detailed design work on that, but our aim would be to try and have the road project completed early next year.

Senator BARTLETT—So you would actually finishing that in the monsoon season?

Mr Mrdak—We would hope to have the port facility available for the next swell season or at least available for the next swell. The road project most likely would not be available before the end of the coming swell season.

Senator BARTLETT—The commitment to appoint a suitably qualified environmental manager: has that process been done?

Mr Mrdak—That is one for DIMIA in relation to the IRPC. In terms of our portfolio, we have sent a dedicated officer from Canberra with environmental skills out there to supplement the island's administration. We already have an environmental officer on the island who is an environmental consultant to the portfolio. He is there as our agent in terms of application of applied environment law on the island, so we use those resources already.

Senator BARTLETT—And that person would be the one monitoring for protected species and looking at whether any mitigation measures might be required, if there are any adverse impacts detected?

Mr Mrdak—They are working with us on that, that is right, providing advice to us, as they do normally. We have a private firm, Ecos, which is contracted to this portfolio on Christmas Island to provide that advice anyway, because we have an ongoing capital works program on the island. They also oversight all of the environmental issues on the island, anyway, for us. They are providing advice constantly to us on the projects we are undertaking and, as I say, and as DIMIA has indicated, they will be engaging an environmental manager as part of their project as well, to provide that similar level of advice.

CHAIR—I would just like to ask a couple of questions. Could I get a breakdown of the \$195 million and what the capital expenditure is on each obvious component—building construction, recreation, housing, et cetera?

Mr Mrdak—Yes. Of that \$195 million, \$154 million is for the IRPC, the Immigration, Reception and Processing Centre, and that is with DIMIA and \$41.3 million is for the infrastructure and housing. Then we have other additional infrastructure projects that we are doing: \$17.3 million for the port and the access road, and also \$11.6 million for departmental expenses in relation to land resumption and departmental costs, and some \$8 million for the construction of a sports hall and sporting facilities for the island community.

CHAIR—What is the tender process, how is that has been carried out and who is doing it?

Mr Mrdak—I cannot provide any details of the immigration tender process, Senator, I am sorry. That is a matter for them. We have not been involved in their tender process at all. In terms of our tender processes for housing and infrastructure, as I said, we undertook an open tender process for the provision of housing and that has resulted in contracts being issued to three firms for their construction of 160 single bed units and 12 three-bedroom houses for initial staff accommodation, and also a contract which was undertaken to a select tender process for infrastructure, the connection of water, power and telecommunications to the site.

CHAIR—I am interested in the ones that you are involved in. Who was responsible for carrying out that tender process?

Mr Mrdak—My division of the department, Senator.

CHAIR—Didn't you contract that out to a company?

Mr Mrdak—No. We have a contract with Gutteridge Haskins Davey, who give us project management advice.

CHAIR—GHD?

Mr Mrdak—GHD. They provide project management advice to the department in relation to capital works projects on the islands, but the tender assessment process undertaken for these contracts was undertaken by a tender panel which was composed of departmental officers. They received technical advice from GHD, but only technical advice. The tender panel consisted of the administrator of Christmas Island, Mr Taylor, the head of our Perth office, and two officers from our Perth office.

CHAIR—I am informed that in fact there was a company that put in a tender with totally different technology to technology that has ever been used in Australia before. It is one extensively used by the US Army. It was used in both Desert Storm and in Afghanistan. They did not even get through the front door; that new technology was not given any consideration at all. They did not even get an interview.

Can you inform me of the processes you have within the tendering process to allow for new technology which could, I believe, save significant dollars and cents for the Australian taxpayer, your department in this case, and your budget. In fact I am told that the saving was a little bit more than \$4 million; from \$22 million to about \$17½ million. The real point I am getting at is what opportunity is there for somebody who comes in and is introducing totally new technology which has never been in Australia before, but it is in South Africa, Israel, most European countries and South America? How do we appoint in our tender process people like GHD to carry out these things? Is that given consideration? If you want to take that on notice, you may.

Mr Mrdak—I will look at the tender assessment report again. I would say that the brief that was given to tenderers for the projects, particularly the housing project, was very open. We basically stated our requirements for a certain amount of housing and then left it very free to builders and tenderers to come back with designs. That was particularly important because of the tight time frame we were working to. We were looking for innovative ways to construct this, because of the tight time pressures we were on to have this amount of housing in particular available by the end of September, early October.

CHAIR—I am fully aware of that. There were conformist and nonconformist tenders, but the nonconformist tenders were literally wiped off the map when they put the tenders in.

Mr Mrdak—I would need to have a look at the tender assessment report, Senator. I am happy to take that on notice. There were tenderers who did lodge new technology. I cannot speak specifically, not knowing the firm involved, but I know that some of the tenders were not as well developed as others. As Senator Bartlett pointed out, it was a very tight time frame. We did give tenderers about eight to 10 days to lodge tenders, which meant that we had a number of tenderers who put in proposals that were not as well developed as I am sure they would have liked, and hence, in the need for us to get moving quickly, I suppose, we looked at proposals that were more well developed and could start more immediately. I am happy to look at the tender assessment report but I certainly do not think we precluded anyone with new technology, provided the proposal was realistic and available and could be delivered in the time frame, and was a well developed proposal which we could sign up to quite immediately.

CHAIR—I will give you the name of the company on a confidential basis because I do not think it is fair to anyone to be putting it out in public here at this time. I can say that in this particular case they did not even rate an interview. What they put on that was extremely well developed. I have seen it and it has been raised with me. That is why I am raising it here. I will get that information to you and you can have a look at it, and I would be interested to see why that happened in that particular case. Coming back to the bottom line—your conformist and nonconformist tenders—those who put in nonconformist tenders, while they were not totally disregarded, they were at least 95 per cent disregarded on this. I am not saying there are not good reasons for that, but I will give you the names and then you can reply to the committee.

Mr Mrdak—I will look at the tender assessment report and come back to you on that matter.

CHAIR—Thank you.

Senator CROSSIN—The site for the immigration reception centre is not within the boundaries of the national park?

Mr Mrdak—No, it is not, Senator. It is fully on a mining lease which is currently with Phosphate Resources Ltd.

Senator CROSSIN—Can you actually provide me with the details of the process used to determine the environmental suitability of the site?

Mr Mrdak—A major factor in identifying a site, as I said earlier, was to identify an area which would have minimal environmental impact, and hence we looked very closely at the available mining leases because the areas have been heavily mined, they are alienated land, they would not involve clearing primary rainforest and the like. We did look very closely at areas which would minimise any environmental impacts and hence the selection of this particular lease, mining lease 138 and a portion of 139, was on the basis that the area was

already heavily degraded and was not going to impact on the national park which surrounded it.

Senator CROSSIN—Have you held any discussions with Environment Australia on this issue?

Mr Mrdak—Yes, Senator. There is an interdepartmental committee which meets each week in relation to progressing the project, which has all of the various relevant portfolios. That is chaired by the department of immigration. We are on that committee, as are Environment Australia's senior people. Each week we discuss issues and we continue to have almost daily discussions with Parks Australia and also the EA here in Canberra to ensure that we are meeting all the requirements that they have for permits and the like in terms of potential impacts.

Senator CROSSIN—What processes under various pieces of environment legislation are being short-circuited in the proposed construction of this centre?

Mr Mrdak—Rather than short-circuited, the project has been exempted by the minister for environment from the environmental assessment processes of the Environment Protection and Biodiversity Conservation Act and also from some of the other processes in the act relating to environmental impacts. Principally, though, it is the environmental assessment processes and Part XIII, the species and community sections, of the EPBC Act.

Senator CROSSIN—Do you think that is going to make Environment Australia less diligent about what happens there?

Mr Mrdak—No. As I said, we have daily discussions with Parks Australia virtually in relation to every stage of our process to date. It does not obviate the need for us to seek permits in relation to just about every action we take to ensure that they do not impact on threatened species and the like.

Mr Wilson—There is one piece of the infrastructure that is not exempt from the EPBC Act, and that is the additional water production bores at Smithson Bight. That is within the national park, and that will undergo a full environmental assessment.

Senator CROSSIN—Is the plan for the processing centre to have its own water supply and recyclable supply?

Mr Mrdak—No. We will be drawing water from the existing island water supplies. As Mr Wilson has indicated, this is an upgrade of the production bores at the current site, which supplies water to the island as a whole.

Senator CROSSIN—Was any advice sought from the Christmas Island council or community groups or business leaders on the suitability of the site chosen?

Mr Mrdak—Yes. There have been ongoing discussions. As you are aware, the Commonwealth last year constructed a temporary facility on Phosphate Hill, on the island. There was quite a bit of discussion in the lead-up to that and post that about suitable sites and the like by administration and departmental officers with the shire. Minister Tuckey also visited the island between 4 and 7 February of this year and did have discussions with a range of community groups and the shire. When the minister visited the island to announce the project on 12 March, he undertook meetings with groups, including a very large public meeting, where the suitability of sites and the alternative available sites were flagged and discussed, I understand.

Senator CROSSIN—My question was: was any advice sought from the Christmas Island council about the actual site chosen? Did your department or the minister consult with the

council prior to announcing firstly that it would go ahead and, secondly, where it was going to be located?

Mr Mrdak—Certainly in early February the minister did raise the issue in discussions with the council. That is my understanding. In relation to the specific location, that was discussed during his visit on 12 March.

Senator CROSSIN—My understanding is that his visit on 12 March actually announced where it was going to be.

Mr Mrdak—I think he announced that that was the preferred site. He visited the site at that point, and we were still seeking some further advice at that stage.

Senator CROSSIN—My question was also: did he seek any advice about the suitability of the sites from community groups? If you are saying yes, which community groups did he get that advice from?

Mr Wilson—I travelled with the minister on his trip to the island from 4 to 7 February. During that time he met with the UCIW executive, APSC, PRL and the Shire of Christmas Island and had a meeting with the tourism association, the chamber of commerce and the economic development committee. At each of those meetings he raised the possibility of a permanent facility on Christmas Island to ascertain the community's feelings towards the issue. He sought their views on whether, if such a facility were to go ahead on Christmas Island, their preference would be for it to be located at Phosphate Hill or at a location further removed from the settlement.

Senator CROSSIN—What provisions have been made to ensure that there is minimal impact on the Abbott's booby bird?

Mr Mrdak—From our perspective, the site itself, being a longstanding mining lease, is quite degraded and does not contain, we understand, areas where the bird itself would be. We are lodging environment management plans for each stage of our construction and also seeking advice from Parks Australia at each point about potential impacts, and then we are looking for mitigation measures wherever possible to deal with those. I am not aware at this point that there have been any concerns raised about direct project impacts on the Abbott's booby bird. They may be issues for the Immigration portfolio when work commences and they have a design and the like, on the IRPC, but our department's projects at this stage have not been identified as impacting on the Abbott's booby. However, where there have been other impacts. For instance, we have had ongoing discussions with Parks Australia about mitigation measures for crab migration in terms of the access roads and the like.

Senator CROSSIN—That is my next question.

Mr Mrdak—That is an example of where we are having ongoing discussions with Parks Australia on how to mitigate any impacts because of vehicle access to the site during the crab migration season, and we have identified the likelihood of the main access road not being available during the migration and, hence, having to use other roads. We are now factoring crab crossings into our design and upgrades of all those alternate roads which will give us year-round access to the site.

Senator CROSSIN—Are they additional crab tunnels or something?

Mr Mrdak—That is right. They will be provided as part of our work. We are now settling with Parks Australia on the location and the extent of those.

Senator CROSSIN—If anything is done in regard to the environmental impact, who is designated to pay for it and where has financial provision been made in this budget for that work? Is that part of the total \$200 million cost in your department?

Mr Mrdak—Our department cost is \$41.3 million in relation to the centre itself, for infrastructure and housing. Then we have the other projects that I outlined earlier. In all of those projects we do factor in environmental mitigation costs in terms of our initial project estimates, and then we review those as we go through the projects. If there are additional measures that need to be provided to mitigate environmental impacts, then they will be provided. They will be funded from each department's budget allocation.

Senator CROSSIN—What assessment, if any, has been made of the likely impact of the increased population on the stocks of potable groundwater on the island?

Mr Mrdak—As part of the consideration of this project, we did look at the capacity of the island's water supply to accommodate this. Hence, as Mr Wilson has indicated, one of the projects that we are undertaking is the upgrade of the bores to provide additional capacity. Our assessment is that the water supply capacity of the island can accommodate the IRPC population to the capacity that the government has asked and also the increase in island population which would result from the detention centre being located on the island.

Senator CROSSIN—When did you make that assessment?

Mr Mrdak—That was an ongoing process that was undertaken as part of the government's consideration of this project.

Senator CROSSIN—Can you provide me with copies of any works or report that you have done in relation to this?

Mr Mrdak—We certainly would have received advice from our consulting engineers in relation to those matters. I will take that on notice, if I may.

Senator CROSSIN—Thank you. What plans exist to ensure that the construction and operation of this centre will result in improved employment and training opportunities for the island residents?

Mr Mrdak—One of the things that Minister Tuckey has stressed in his discussions with the island community is that the opportunities will be provided as part of the project development operation for local employment and training. I think this is something that both Minister Tuckey and Mr Ruddock have been saying. Certainly in the contracts that we have let to date, there has been quite a high degree of local involvement. The firm that has won the infrastructure contract is on island and has been for some time, and I know that one of the housing providers is an island company.

Mr Wilson—In terms of the IRPC housing and infrastructure, we have estimated that approximately 80 jobs will be on-island labour and about 160 jobs will be off-island labour.

Senator CROSSIN—Do you believe there may be more people on the island who would be able to do the sort of work in the construction of this? Do you have a particular target?

Mr Mrdak—We do not have a target as such. We recognise that. As has already been evident over the past few months, the work force on the island has had a large number of projects. Things are really moving ahead very quickly on the island in terms of jobs and growth. It is difficult because the capacity of the island to do more than a few projects at once is relatively limited. We do not have a target as such, but we certainly anticipate that the resources of the island will be fully occupied.

Senator CROSSIN—Are you perhaps looking at the Christmas Island Group Training Company for the provision of training?

Mr Mrdak—Yes, we are. There have already been discussions between the administration and group training in relation to how they can assist. They have been made known to the contractors coming on to the island. We have had discussions with the contractors about utilising those resources in terms of training and job opportunities and the like. Certainly all of our contractors have been made aware of group training.

Senator CROSSIN—Are there any provisions to ensure that the operator does not simply fly in and fly out most of the work force?

Mr Mrdak—It is a matter for the contractors, but we do not expect that to be the case, simply because of the expertise required and the availability. We do not know exactly as yet what the DIMIA builder's plans are; we have not been part of that process. But certainly for our projects we do not anticipate that would be the case.

Senator CROSSIN—Have you specified in your tender documents or your projects that you expect a certain percentage of the people on the island to be employed during the construction phase of these projects?

Mr Mrdak—We have not set a certain percentage, but we have encouraged use of on-island labour as much as possible.

Senator CROSSIN—Minister Tuckey has announced that contracts have been let for the construction of 160 rooms at this detention centre. My understanding is that in fact this is occurring around the Silver City area. Is that correct?

Mr Mrdak—It is occurring on a number of sites in the settlement area. It is occurring on a number of portions of Commonwealth land in the area. We can come back to it, with definite locations, on notice if I could.

Senator CROSSIN—I am aware of one location. I am wondering if you can tell me where this project is up to.

Mr Mrdak—The housing project?

Senator CROSSIN—Yes.

Mr Mrdak—We have now let contracts to three companies: Consolidated Constructions, to construct 160 units on four sites; Dewall Pty Ltd, to construct six three-bedroom houses and four three-bedroom houses on two other sites, 10 houses in total; and a local firm, C. and B. Murdoch, to construct two three-bedroom houses on another Commonwealth site. We have a ship arriving tomorrow that is bringing a large amount of building material for two of the contractors to start. Environment management plans and clearances have now been obtained from Parks Australia in relation to the construction on those sites. With the arrival of the building materials, we can expect to start construction on a number of those sites in the next few weeks.

Senator CROSSIN—Is the construction of these dwellings subject to the normal planning and building oversight by the Shire of Christmas Island?

Mr Mrdak—Being on Commonwealth land and being Commonwealth projects they are not required to, but we are asking contractors to do that. In fact, my understanding is proposals and plans have been provided to the shire council and discussions have been held by each of the contractors with the shire council in relation to the projects.

Senator CROSSIN—So they will be subject to the shire council's planning?

Mr Mrdak—Not subject to, but we have asked the contractors to provide all their plans and processes to enable the council officers to comment and have a look at them. By virtue of being Commonwealth works projects on Commonwealth land, they are not required to be subject to council planning processes.

Senator CROSSIN—Will the provisions of Commonwealth and applied state legislation, including environmental legislation, be applied to the areas used to house the work force?

Mr Mrdak—Yes, the housing projects were part of the exemption from the EPBC Act by Minister Kemp.

Senator CROSSIN—Just for my own benefit: in the construction of the actual centre, there is no obligation to use the shire council to sign off on this building. Do you certify it once it has been built? It is not going to this parliament's Public Works Committee. Who actually gives this building the tick to say that it has been constructed properly and gets some sort of certificate to verify that?

Mr Mrdak—We require, for all of our projects on the island—these projects now are ongoing capital works program—that they meet the building code of Australia. We do submit documentation to the council for certification at the end of those projects. It is possible to use private certification in relation to Commonwealth projects, but our intention—as it is with all projects—is to provide final sign-off to the council for them to have a look at.

Senator CROSSIN—Do you mean the Christmas Island council?

Mr Mrdak—That is right. It is not a legal requirement, but we do seek the council to do that.

Senator CROSSIN—Can we go to the space centre now?

Mr Mrdak—Certainly.

Senator CROSSIN—Can you provide me with some comment on media reports that geological studies have shown that the proposed launch site may be unsuitable because the limestone formation underneath the site includes a network of caverns and would therefore be unstable?

Mr Mrdak—I have seen media statements made to that effect; however, we do not have any indication of that. The company has, in the media, rejected any such suggestion. I should point out that it was a requirement, coming out of the environmental impact statement and that process, that a development condition on the proposal is that they undertake detailed geotech studies of the site to determine whether there are caverns under there. That is now taking place. My understanding is the geotech report will not be completed until next month. That will have to be provided to the environment department and eventually to us for approval for their environmental management plan for construction. We have not received that. I am only aware of media comment by the company in response to that media statement rejecting any suggestion that caverns have been found, but we have not seen any geotech report at this point.

Senator CROSSIN—So once you get that geotech report from the company, will you be looking at it and providing your own independent assessment of it?

Mr Mrdak—Initially it will be Environment Australia, because it is a development condition under the EIS approval. Environment Australia would be the first point of lodgment. Our minister is the authorising minister for construction, but he would not issue any approval for that unless the EMP had been cleared by Environment Australia.

Senator CROSSIN—Has your department undertaken, or will you undertake, any geological survey yourself, to determine whether the island is at all suitable as a rocket launch site?

Mr Mrdak—We really would probably have to look at their geotech report and then seek some expert advice, initially through Environment Australia. We have not reached that point as yet. We would have to review it, obviously, but we have not reached that point as yet.

Senator CROSSIN—My understanding is that the launch company intends to use hydrazine, which is a highly dangerous and noxious liquid, as a fuel to manoeuvre satellites once in orbit, although they will still use much more benign substances as the major propellant to launch the vehicles. When I was on the island, the single biggest concern amongst the residents was this intended use of the hydrazine, no matter how small the amount would be. Can you tell me what plans have been put in place to ensure that the hydrazine will be handled safely?

Mr Mrdak—Certainly that was one of the issues looked at when the environmental studies were done. Just as there will have to be an environmental management plan for construction, there would need to be one approved also for operation. There are also licensing requirements for each launch under the Space Activities Act, which is administered by the industry department. All of those safety issues are covered through that licensing process under that act. Also, through Western Australian applied law, the dangerous goods and hazardous materials legislation of WA would apply to the island. The company will have to comply with all those requirements in relation to safe handling and transport, both under the space licensing legislation—which is Commonwealth—and also under WA applied hazardous materials legislation.

Senator CROSSIN—Have you done any work on the impact of hydrazine getting into the water supply on the island?

Mr Mrdak—Our department has not, but those matters, I presume, would have been dealt with in the environmental impact study that was done on the project and which was approved in 2000.

Senator CROSSIN—Approved by Environment Australia were they?

Mr Mrdak—That is correct.

Senator CROSSIN—Has your department done any research on other rocket launch facilities that are constructed within only 11 kilometres of population settlements?

Mr Mrdak—Not this portfolio, Senator. As I say, the regulation of this space launch operation is a matter for the Industry portfolio. They have specific legislation, the Space Activities Act, which will regulate the launch operations. Those matters are covered by that portfolio rather than by ourselves.

Senator CROSSIN—Are you aware of any discussions which have been held with the island community or any information that may have been translated into the other two major languages there that might actually inform people on the island about some of the protocols for handling these propellants, such as hydrazine, and allay any fears they might have?

Mr Mrdak—The company was certainly being encouraged to have discussions. I know for some time there was an office of the company on the island. They had a representative who was putting information to the community in relation to these matters. I am not aware of any recent discussions with the community on these matters though, Senator.

Senator CROSSIN—I do not think there has been any and I certainly do not think there has been any attempt by this company to inform the broader community about any protocols that may have been signed up in relation to these fuels. Does your department play any role in encouraging the company to have perhaps more of a community liaison role in allaying fears and providing information in a number of languages which, as you would know, is crucial for that island?

Senator Ian Macdonald—Just before Mr Mrdak answers that question, has the company confirmed or denied that the report is accurate?

Senator CROSSIN—What report?

Senator Ian Macdonald—About those fuels that you are talking about.

Senator CROSSIN—I am not entirely sure what you are talking about.

Senator Ian Macdonald—You are talking about this very dangerous fuel that the people are worried about. Has the company confirmed or denied that the fuel is actually involved?

Senator CROSSIN—There is certainly confirmation that fuel is involved.

Senator Ian Macdonald—Is there?

Senator CROSSIN—There is confirmation that it has been dealt with through any reports that have been signed off by Environment Australia. My questions have gone to whether the department has done any independent assessment of that itself and we have gone through that. Now my question is as to whether or not this department sees itself as playing a role in ensuring that the broader community understands what fuels are involved and how they will be handled, in which ways they will be dealt with.

Senator Ian Macdonald—I understand that and I am sure Mr Mrdak does too. My question to you was: has the company confirmed or denied? You are telling me the company has confirmed that fuel is being used.

Senator CROSSIN—Yes. Certainly a small amount of hydrazine fuel will be used each and every time the rocket is launched. In fact, it will come onto the island at the port down near the settlement and it will be transported in a very special and particular way with a large convoy right through Silver City and up the hill to the space base island until the alternative port is built near the casino.

Mr Mrdak—The administration on the island obviously is hearing those concerns—and they live in the community themselves—about the lack of information. The need for the company to be more proactive in relation to information on the island has been stressed by Minister Macdonald, when he was the portfolio minister, and certainly by Minister Tuckey as well. That is something we have stressed to the company on a number of occasions. My understanding is the company has for some time been planning to put additional resources onto the island in terms of community relations. That has not happened as yet, as I am aware, but we have been told for some time that they are planning to do that.

Senator CROSSIN—You are not aware of any discussions that have taken place with Environment Australia, yourselves and the company perhaps on the safe handling of hydrazine? The environment report has actually signed off on the environmental impacts issue but now we are talking about the safe handling of this fuel.

Mr Mrdak—No, we have not got to that level of detail that we have been involved with at this stage. My understanding is there are ongoing discussions between the company and Environment Australia in relation to their construction environmental management plan. They will need to submit an operational environmental management plan when they get to that

stage, which will need to cover all those issues. They will also need to cover Commonwealth and state legislation in terms of dangerous goods and the like. I am not aware that they have had any detailed discussions at this point about that particular fuel issue.

Senator CROSSIN—I understand the progress on the project depends to some extent on at least two agreements—that is, a technical safeguards agreement and a technical recognition agreement—being finalised with the government of Russia. Can you confirm this?

Mr Mrdak—That is my understanding, Senator.

Senator CROSSIN—Do you know where this process is up to?

Mr Mrdak—No, I do not. I am sorry, Senator.

Senator Ian Macdonald—That would be more a question for the industry department.

Senator CROSSIN—You can't provide details of what is in these agreements and protocols?

Mr Mrdak—No, I cannot.

Senator CROSSIN—What role, if any, is being played by your department in securing these agreements or working with the other department in securing these agreements?

Mr Mrdak—In relation to those technology agreements with the Russian government, we have no role. That is being handled by the industry department and the foreign affairs and trade department.

Senator CROSSIN—You would be aware that the Christmas Island Shire Council has expressed concern about the operation of the proposed exclusion zones for the residential complex associated with the space centre?

Mr Mrdak—Yes.

Senator CROSSIN—Can you tell me why the Commonwealth went down the exclusion zone path rather than to simply negotiate with the council to have the area rezoned as residential?

Mr Mrdak—Australia designated this project as of strategic importance. This project was won on the international market, in some ways, from competing locations around the globe. When the government committed resources to providing infrastructure support and the like, one of the issues was to provide a process which would enable the company to undertake its planning, building and the like. In terms of the urgency of having the project dealt with, and also the complexity and the likely sensitivity of some of the issues in relation to construction of buildings, the government felt that an exclusion zone would be the best way to go forward. That is consistent with how a number of state governments deal with major infrastructure and other projects. They provide state planning control. In effect, in respect of Christmas Island, the state role is performed by the Commonwealth.

Senator CROSSIN—Was there an attempt to sit down with the council and perhaps negotiate that the area be rezoned as residential or was a unilateral decision taken to actually just exclude the zone?

Mr Mrdak—Certainly there was an urgency to have the ordinance put in place, given the critical time frame that a company had put to the government last year in respect of moving on the project. However, since then Minister Tuckey has written twice to the council in relation to their concerns. He has given them an undertaking that once the rezoning of the land which is proposed for the residential and accommodation complex for the space centre is

completed—that is, it is rezoned for that purpose—then the exclusion zone will no longer apply to the residential accommodation for the project.

The exclusion zone would then apply only to the facilities down at South Point, the actual rocket launching base, which is consistent with what the shire was after. So the minister has given an undertaking that the exclusion zone will be in place only until such time as the rezoning takes place. Once it does take place, the exclusion zone will be withdrawn and it will be fully subject to shire control, and all rates and duties and all of that will be payable to the shire at that point.

Senator CROSSIN—My next question relates to the casino—the ever illustrious casino—and resort. Have there been any moves to reopen the casino and resort? If there has, it has been in the last five weeks, since I was there.

Mr Mrdak—The resort itself has undergone quite a fit-out of late. My understanding is that virtually all of the units are now available for accommodation, but the casino itself, no. There has been no move for a licence or to reopen it.

Senator CROSSIN—The grounds are looking fairly overgrown, I have to tell you.

Senator Ian Macdonald—It is very important, as I keep trying to say to you, Senator Crossin, that the casino is owned by a private company. It has very little to do with the Commonwealth. If they applied for a casino—

Senator CROSSIN—We will not go back into that following the report of the Joint Standing Committee on the National Capital and External Territories or we will be here all night debating that. I have only five questions so just bear with me.

Senator Ian Macdonald—I am just saying to you that it is no good asking the government about what the private owners are doing with it.

Senator CROSSIN—They would certainly know whether an application for a casino licence was on their desk.

Senator Ian Macdonald—Certainly they would do that, and Mr Mrdak has answered that. But that is about it.

Senator CROSSIN—Has there been any further progress on getting payment of the more than \$2 million entitlement that is owed to the 320 retrenched workers?

Mr Mrdak—We had hoped there would be some progress this week. The matter was before the High Court on Monday. As you know, the ability of the liquidator to pay the outstanding employee entitlements has been held up owing to the challenge by some of the former owners in relation to the appointment of the liquidator. The High Court had directed that papers be prepared and be available to the court last Monday.

We have now been advised that the directors' solicitors have written to the liquidator's solicitor, advising that they do not any longer intend to proceed with the High Court action—they will drop that—but they do intend to appeal against the decision of Justice Nicholson, handed down in the Federal Court some years ago, in relation to the appointment of the liquidator. That will be a separate action. So while the High Court action, which we hoped would come to an end last week, will no longer move forward, separate action will be undertaken by the former owners against the liquidator, which will further delay this process. As you would be aware, the government has been considering alternative mechanisms to provide a means by which the liquidator can pay that money out.

Senator CROSSIN—Mr Mrdak, do you have a national headline to tell us tonight about the fact that the government is going to assist these workers and recoup their money when the Federal Court decision is heard?

Mr Mrdak—Not at this point, I am sorry.

Mr Wilson—Senator, we understand that the appeal is to be lodged on 4 June this year, so we will see what happens there.

Senator CROSSIN—It will be lodged then, but when will it be heard in the Federal Court then?

Mr Wilson—That we do not know.

Mr Mrdak—The lodgment of those papers will give us an opportunity to make a risk assessment for the Commonwealth.

Senator CROSSIN—Justice Kerb was hearing the High Court matter, wasn't he?

Mr Mrdak—Yes, he was.

Senator Ian Macdonald—Let me again emphasise that as a government we have been trying to help those people, but we have absolutely no obligation to. It has nothing to do with the Commonwealth at all; it is a matter between the former owners—selected in the days when your party was in power—and the liquidators and the court system. It has absolutely nothing to do with the Commonwealth, although we have tried to help with various proposals, which Mr Mrdak has mentioned. I think it is important to emphasise that it really has nothing to do with the Commonwealth.

Senator CROSSIN—We understand that, Minister, and we know that is your position, but some of us were hoping—and certainly the people on Christmas Island were hoping—that, out of the kindness of your heart, you would pay them their entitlements and then that would be a debt that you were owed by the liquidator.

Senator Ian Macdonald—That is what we have been looking at for a long time as we try to work through with the liquidator as an act of grace, but we obviously have not quite got there yet.

Senator CROSSIN—Is anything being done about the \$20,000 that is owed to the laundry workers? I understand these people were in a different legal position from the retrenched casino workers.

Mr Mrdak—They are. We are still awaiting final assessment of the valuation of the assets that were sold as part of the laundry sale. It was very difficult because the assets of the laundry were sold with the premises; hence, it has taken longer than we expected to value the chattels that were sold at the time of the lease. We are still working on that valuation. The intention is to seek advice from government or approval from the government for an act of grace payment but, until such time as we are able to get a better valuation of the assets to determine that and to go through our processes in terms of the department of finance and ministerial approval, we are not in a position to do that as yet.

Senator CROSSIN—How long do you think that process will take you?

Mr Mrdak—I was hopeful that it would have been completed a long time ago. I would hope that we would complete that in the next month or so.

Senator CROSSIN—We are only talking about five workers here, I think.

Mr Mrdak—Of that order, yes. It has taken much longer than we ever would have feared, and we would hope to get that resolved quickly.

Senator CROSSIN—Mr Mrdak, when was the contract signed with National Jet for the air services at Christmas Island?

Mr Mrdak—From memory, March 2001.

Senator CROSSIN—How long is that for?

Mr Mrdak—It is for an initial period of three years.

Senator CROSSIN—Is there an automatic rollover of the contract, or will you reassess it at the end of the three years?

Mr Mrdak—It will be reassessed. The contract does provide for a further period at the Commonwealth's discretion, but it is not an automatic rollover and extended period. The contract is a three-year contract.

Senator Ian Macdonald—Correct me if I am wrong, but wasn't there a provision too that, if circumstances changed, the contract could be reviewed. Perhaps, if the processing centre goes ahead or if the space base goes ahead, there might be an opportunity to review that then?

Mr Mrdak—That is right. The contract does provide for changes, particularly for services starting from the north or commercial services operating on the route. It does provide us with an opportunity to review the contract.

Senator CROSSIN—Have you personally travelled to the island on the National Jet service?

Mr Mrdak—I have not personally, no.

Senator CROSSIN—I might recommend you do that before the three years is up.

Senator Ian Macdonald—I have; all I can say to you is: it is far better than swimming.

Senator CROSSIN—Yes, but it is just one level up from swimming, let me tell you.

Senator Ian Macdonald—Those are gratuitous comments. As we went through three or four estimates committee ago, we searched the world for a better supplier, and we were left with that or nothing. I think the people of Christmas Island would far better having that not-first-class service than swimming.

Senator CROSSIN—They might prefer to have nothing, these days. I know Senator Lundy has some issues. I might put some of these on notice. Can I just ask you perhaps about some of the situations with the mining company. Can you confirm perhaps for me that the phosphate operations on Christmas Island are essentially in the nature of shallow surface extraction for export of raw product to South-East Asian plantation farmers?

Mr Mrdak—That is my understanding of the major type operation. The process is essentially to remove the top layers and then some of the more high grade material between the limestone pinnacles but, essentially, the major work that is undertaken is that of removing the overburden, which usually contains relatively poor grade phosphate, and then to dig down in between the limestone pinnacles.

Senator CROSSIN—I am just reading through the rest of the questions, some of which I know the answers to. I might take these away and put them on notice for you. I have only about six left, if that is all right.

Mr Mrdak—Yes.

CHAIR—Certainly others have done it, so you can if you want to.

Senator CROSSIN—No, I just think with some of the others I know people are waiting on these. Can you give me an update on the issue of insurance of properties and vehicles and activities in the Indian Ocean territories?

Mr Mrdak—Yes. Since the decision by CGU last year to withdraw from 1 September, we have been working with the Insurance Council and virtually every provider we can find to try to interest them in taking up insurance on the island. This predates a whole range of changes in the insurance industry, so it was difficult before that. Essentially we have reached a situation now—and correct me if I am wrong, Andrew—where all but private motor vehicle insurance and home insurance has now been provided.

Mr Wilson—It is possible to get private home insurance, but the building must pass a cyclone standard.

Senator CROSSIN—Who have you been negotiating these packages through?

Mr Wilson—It is across a range of insurance companies. I believe at the last estimates I gave you a list of the companies. I am not certain whether they have changed since then.

Senator CROSSIN—You were in initial discussion with them at that stage, I think.

Mr Wilson—I believe we have been in discussion with them since we were advised last year that the current insurance company was withdrawing from the marketplace.

Senator CROSSIN—Can I ask you to take it on notice and provide me in writing with details where all that is at with regard to the different sorts of insurance, who will now provide insurance for the island and who you are still having discussions with about what types of insurance?

Mr Mrdak—We can do that.

CHAIR—You need to provide that to the committee, not to individual senators.

Mr Mrdak—Yes.

Senator CROSSIN—You may know something about the youth club. I understand there is a youth club on the island. Can you confirm for me whether or not the Commonwealth has decided to begin charging rent for the use of a room at the Christmas Island Community Centre by this club?

Mr Mrdak—That is correct. The building involved, which was the old technical school and neighbourhood centre at Poon Saan, was a building which was vested in the shire council and then returned to us in a somewhat poor condition, I understand. As part of our asset management of the island, we are seeking to introduce leases and payments for use of those facilities. That is being handled through the administration on the island, as part of their management of buildings on the island. My advice is that there are four groups who tenant the building in various ways: Indian Ocean Training Group, the creche, an arts group and the youth club. The other three groups have not entered into leases. We are providing quite generous discounts from the valuation rates, but the youth group is the only group using the building at this stage who has not entered into a lease agreement with the Commonwealth for that building.

Senator CROSSIN—Can you explain to me why you would still want to pursue that with the youth group and not offer it as part of a service from the Commonwealth given that the youth group has operated for 20 years from that building and has never been charged rent or asked to sign a lease?

Mr Mrdak—My understanding is that none of the groups using those Commonwealth buildings has previously been charged rent and what we are trying to introduce is proper asset management into the island for their use. We have offered them a lease, but that is not to say we are not disposed to seeking alternatives for them. I understand that the shire council is now considering providing assistance to the group in relation to that. We have a range of grant programs and the like that may be available to the group to assist them, and there will be ongoing discussions with the shire's CEO in relation to that, so we have not precluded trying to find them alternatives. This is just an initial offer to them for that particular site that they are currently using.

Senator CROSSIN—Are you talking about finding alternative accommodation or perhaps waiving the requirement to pay rent and put it down as a service provided by the Commonwealth?

Mr Mrdak—We would like to introduce a proper lease-rent arrangement for the building to try and introduce proper management arrangements for the site, but that is not to say we would rule out trying to find them alternatives. My understanding is they do not use the site all that often—I think it is one evening a week or of that order. I have spoken to the administration officers, and we are more than happy to look at other alternatives for them if they do not wish to do that. I am not saying that we can necessarily find them something suitable, but we are happy to work our way through that. It is just that we would like to introduce proper lease arrangements for that particular building.

Senator CROSSIN—What should they do? Make representation to your administration offices on the island?

Mr Mrdak—That is right. If they make representation also with the shire's backing in relation to the needs of a group as a community group, we can see what we can do in relation to our programs.

Senator CROSSIN—Let us just jump to Cocos Island now. According to page 27 of your PBS, the new freight and passenger facilities on West Island are to be funded in part by redirecting \$5.6 million from other projects in the Indian Ocean Territories Capital Replacement Program. Is that correct?

Mr Mrdak—That is correct.

Senator CROSSIN—Which other projects will lose funding as a result of this decision?

Mr Mrdak—We have not determined that at this point. As you know, there was a Commonwealth Grants Commission capital works program for the islands. We are now working through that to see which projects are no longer required. Essentially we are looking to rephase projects into out years in terms of trying to meet this high priority, which is the Rumah Baru port facility on West Island. We are not able at this stage to identify which projects might be rephased and pushed out or which projects may not proceed because they are no longer needed. That is work we are currently doing and we are hoping to complete that work in the next few weeks.

Senator CROSSIN—When you have identified which projects will lose the funding, will you be able to provide a list of those to this committee please?

Mr Mrdak—Certainly. I would not say that they are projects which would lose funding; they are projects which may slip into out years rather than being in the year in which they are currently planned. The projects that are proceeding may push them into out years, in terms of entry into our capital works program, to meet the higher priority. This is an ongoing process. Our capital works program is constantly reviewed and we do restructure it, depending on

priorities and the availability of money. If there are projects under the CGC schedule which are not proceeding, I certainly will bring those to the attention of the committee.

Senator CROSSIN—Either way, can you provide us with a list of those programs that lose funding or are pushed out into other years once that decision is made?

Mr Mrdak—Certainly.

Senator CROSSIN—I understand the Commonwealth is currently in the process of selling Commonwealth owned houses on the Cocos Islands. Is that correct?

Mr Mrdak—That is right. We have an ongoing asset disposal program on both islands, and there was an auction held last weekend in relation to properties on both islands.

Senator CROSSIN—How many houses are planned to be sold on Cocos Island?

Mr Mrdak—I would need to take that on notice, if I could, to give you the final figure. I do not think we have that here with us today. At this stage, we do not have a definite program of numbers which may be sold. We are offering to the market only Commonwealth owned homes which are tenanted by contractors.

Senator CROSSIN—Have any arrangements been made to protect the interests of long-term residents who are currently renting from the Commonwealth to ensure that they do not face significant or unreasonable rises in rent as a result?

Mr Mrdak—The houses that we are putting on the market at the moment are those which are tenanted by contractors to the Commonwealth.

Senator CROSSIN—You have no intention of selling houses that might currently be occupied by long-term residents?

Mr Mrdak—Not that I am aware of at this stage, but I will take that on notice, if I might.

Senator CROSSIN—Also are there any provisions for allowing tenants the option of purchasing the houses they rent?

Mr Mrdak—Yes. We are still trying to introduce such a scheme in the IOTs. We had hoped to introduce that last year. That has been delayed by trying to arrange finances and guarantees and the like that we need to be able to achieve that program. Our intention is still to institute a program, as many states have, which will enable tenants to purchase their homes.

Senator CROSSIN—I have a few questions in relation to Norfolk Island. Can you provide details of the proposal to sell crown leasehold land on Norfolk Island?

Mr Mrdak—Yes. At the intergovernmental meeting in June 2000, Minister Macdonald announced that the Commonwealth would be seeking to withdraw from the ownership of certain crown land. That does not include land in the Kingston and Arthur's Vale Historic Area, the national park or the botanic gardens, but essentially it is to provide people who have long-term leasehold on the island with the opportunity to own that land, as would other people on the mainland of Australia. Transfer has always been dependent on completion of a number of prerequisites, such as amendments to the Norfolk Island plan, the implementation of proper heritage legislation and plans of management for reserves and the like. That process is continuing.

Minister Tuckey earlier this year wrote to all rural residential and residential leaseholds, informing them of our offer of transfer and the type of financial arrangements that formed part of that offer, but again stressing that that is all dependent on a number of prerequisites in relation to planning and land management being completed. Maureen, do you want to comment any further on that?

Ms Ellis—In relation to the prerequisites, as Mr Mrdak said, it is a review of the Norfolk Island plan: implementation of a local heritage regime; plans and management for the public reserves; and building, health and road codes. The majority of those prerequisites are well down the line of completion. The Norfolk Island plan has been reviewed, has been put before the Norfolk Island Legislative Assembly for consideration and has been put aside for community consultation on two amendments that have been proposed by MLAs. Until those prerequisites are completed, there will be no formal offer of transfer. The department is also in discussions with Environment Australia and leaseholders in relation to any possible environmental significance that may need to be addressed by covenants or such things in the actual instruments of transfer.

Senator CROSSIN—How much land will be sold?

Mr Mrdak—It is a range of blocks.

Ms Ellis—It is approximately 140 blocks of rural residential and residential leasehold land.

Senator CROSSIN—Are they located on the island? In different areas or in one particular spot?

Senator Ian Macdonald—All over the island.

Senator CROSSIN—What provisions have been made to ensure that Norfolk Island's unique environment is protected in the wake of any sell-off?

Mr Mrdak—The department last year commissioned a consultant's report to establish what, if any, areas that were proposed for transfer had any national environmental significance and what mechanisms are available to protect those into the future. As Ms Ellis indicated, a lot of this is conditional on Norfolk Island statutory changes in relation to plans and the like. That report is now the subject of ongoing negotiation between ourselves and Environment Australia to establish whether there are any environmentally significant areas that are proposed for transfer. At the moment, under the EPBC Act there is no nationally significant or critical habitat identified on the island which would be part of the transfer, but we are seeking to establish any concerns they might have.

Senator CROSSIN—The Pitcairners might think otherwise. How is the sale being managed?

Mr Mrdak—It is not a sale as such. It is an offer of purchase to the persons who have leases. The minister has written to them setting out the types of payments that we would envisage, the time period for payment, the payments per annum, et cetera, which would enable them to purchase the freehold over the land.

Senator CROSSIN—How is the price determined?

Senator Ian Macdonald—Very generously. When you say it is 'selling' the land, it is really fixing up the title for people that have owned the land for years. It has been this government's policy that people in both the Indian Ocean territory and Norfolk should be treated like other Australians; they should be able to get freehold to their land. Once we have accomplished that so that we treat them as normal adult Australians, it will only be the ACT, thanks to your lot in the Senate, who have this farce of crown land rather than freehold.

Senator CROSSIN—That is not a very pleasant way to speak about Senator Reid!

Mr Mrdak—The way in which it is determined is essentially the difference in value between the unimproved freehold and the leasehold value so as to reflect the Commonwealth's reversionary interest in the lease. It has been based on Australian Valuation Office valuations. The minister has written to each of the leaseholders, proposing that the

transfer fee be equal to 10 per cent of the 1996 unimproved capital value plus an instrument fee of \$200 per transfer.

Senator CROSSIN—That is all I have, thank you. I have a few questions I will put on notice.

CHAIR—If possible, can we have them by Wednesday, for our timetable?

Senator CROSSIN—You can probably have them by tomorrow.

[9.05 p.m.]

National Capital Authority

Senator LUNDY—I will start off with some general questions about your budget this year. Are there any major variations to your allocation under the portfolio budget statements?

Mr Evans—In terms of the budget allocation for our departmental expenses, no, they are approximately the same as last year, only adjusted for CPI upwards and one per cent dividend taken off the top. We have had a reduction in our capital injection programs.

Senator LUNDY—How much reduction?

Mr Evans—We had some key projects in the field last year and last year's capital injection was just over \$13 million. Those key projects were for Commonwealth Place and Reconciliation Place, amongst others. In the upcoming financial year we have no capital injection.

Senator LUNDY—That means you are not going to be doing any projects, I take it?

Mr Evans—No, that is not quite correct, Senator. We do have funding through what is referred to as accumulated depreciation. We administer a substantial capital value of assets on behalf of the Commonwealth, something in the vicinity of \$260 million-plus. These are depreciated based on their useful lives, and money is put into either a receivable or we can draw down on it through the budgetary process to replace those assets.

Senator LUNDY—How much is in that account?

Mr Evans—This year it is a little over \$7 million.

Ms Pegrum—Senator Lundy, we are also yet to construct the National Emergency Services Memorial. The Canberra National Memorials Committee has not yet endorsed the winning design for that. Pending that endorsement we will be able to go ahead with the construction of that, and those funds have been set aside to allow that to happen.

Senator LUNDY—Will that come out of that \$7 million?

Ms Pegrum—No. That was funded through the capital injection last year.

Senator LUNDY—What is the value of that initiative?

Ms Pegrum—\$1 million, Senator.

Senator LUNDY—When is that likely to happen?

Ms Pegrum—We hope as soon as they have considered the proposal that has been put before them.

Senator LUNDY—I note that you have moved premises.

Ms Pegrum—Yes, we have.

Senator LUNDY—Could we have a few details about that, please?

Ms Pegrum—We have moved into the refurbished Treasury Building in the parliamentary zone. We started negotiations with the department of finance almost exactly two years ago on that. As you know, the uses for those buildings are national capital uses, so our functions suit that perfectly. We have been able to negotiate a 15-year lease at a very reasonable dollar per square metre, comparable with our accommodation in Brisbane Avenue and we are extremely comfortable in the facility.

Senator LUNDY—That is great news. I hear you have a reasonable view as well.

Ms Pegrum—Yes, we have. We look down towards the Federation Centenary Fountains. It will allow the National Capital Authority's library, which includes a fairly unique archival library from the National Capital Development Commission which is being built over the years, to have a street-level address on King Edward Terrace again.

Senator LUNDY—That is excellent. On the per metre rent that you are paying, are you leasing the same amount of floor space as you were in Brisbane Avenue?

Ms Pegrum—I think we are approximately 400 square metres larger than we had in the Brisbane Avenue accommodation.

Senator LUNDY—Is that additional space offset by a reduced rate or are you paying a net increase in rates?

Ms Pegrum—There is a reduced rate. We are able to provide you with those figures, Senator. The current rate that we are paying is \$310 per square metre, compared with our previous tenancy which was \$340 per square metre.

Senator LUNDY—What is the per annum comparison?

Ms Pegrum—I am just trying to find the exact figures for you. It is very close by comparison, Senator. As you can imagine, that was a concern when we were negotiating the lease. From the figures that I have available this evening, the total annual cost appears to be in the order of \$650,000 at the Barton Building, compared with some \$700,000 at the Treasury Building including the additional floor place.

Senator LUNDY—I would like to now turn to amendment 39. I know this issue has been the subject of much discussion in certainly the Joint Standing Committee on the National Capital and External Territories, and will be the subject of further discussion at a hearing. Nonetheless, I want to take this opportunity to explore a number of issues. The first is not so much relating to the proposed amendment but to the dual occupancy that was approved by the NCA in about May of last year. I have had a briefing by officers of the NCA about concerns that were raised by residents of that area regarding inadequate consultation under the guidelines provided for the NCA. I would like to take this opportunity to step through what actually occurred. My understanding is that the plans for that dual occupancy at No. 17 State Circle were submitted to the NCA in January 2001. Is that correct?

Ms Pegrum—I believe that is so, Senator.

Senator LUNDY—My understanding also is that the dual occupancy was approved by the NCA on 30 May 2001.

Mr Wright—I think that is correct.

Senator LUNDY—Can you describe the process that the NCA goes through to determine whether or not the proposal is worthy of approval? What criteria do you require of developments and proposals?

Mr Wright—Dual occupancies are residential uses and an intensification of standard residential use. Only one form of redevelopment can occur. Appendix P of the National Capital Plan sets out detailed conditions of planning, design and development that relate to dual occupancies. I think the concern you have—this was the subject of our discussion in January—is the unique provision within these policies that requires a particular form of neighbour consultation. The particular provisions are on page 179 of the National Capital Plan. They require that the National Capital Authority seeks an assurance from the applicant for the dual occupancy that neighbours have been informed of the proposal. That consultation is limited to an advice and an opportunity to comment on the design, but not the fact of dual occupancy.

The fact of the matter is that in this particular application the National Capital Authority did not seek that assurance but subsequently followed it up once the error was detected. Two of the three neighbours were in fact consulted and the proponent advised that he had tried to contact the third but had been unsuccessful at that time.

Senator LUNDY—My notes show that Mr Laurie O’Sullivan wrote to the National Capital Authority seeking advice on what consultation was required of residents and neighbours about that type of development. The NCA’s initial response advised Mr O’Sullivan incorrectly that in fact no consultation was required. Can you confirm that is what occurred and provide both of those pieces of correspondence to the committee?

Mr Wright—Yes, your account is correct. Again, once the error was detected, we subsequently wrote to correct that advice. I do not have that correspondence with me, but it can be supplied, Senator.

Senator LUNDY—Thank you. I certainly know that Mr O’Sullivan wrote to you with his concerns. He was advised that there was no consultation. At what point did the National Capital Authority realise their mistake, in that they had not insisted upon their own consultation guidelines to be adhered to by the developer and in fact had incorrectly advised residents who had actively sought some sort of advice from you? When did you realise your mistake and what steps did you take to correct it?

Mr Wright—I do not have the dates of the correspondence with me. It would be self-evident from that and I will supply it as soon as I can.

Senator LUNDY—You mentioned what needs to occur for the developer to conform to the consultation requirements. I am referring now to page 183 of appendix P. That relates to dual occupancy of detached house blocks, which I understand is the appropriate guideline or regulation—whatever status it has—to the development in question, 140 State Circle. It says:

Applicants will be required to show what impact building or demolition proposals will have on adjacent properties. In particular, car access and parking areas and landscaping proposals will need to be related to adjacent development.

Prior to consideration of an application for dual occupancy, the National Capital Planning Authority will require an assurance from the applicant that neighbours have been informed of the proposal. Neighbours for this purpose are considered to be lessees having a mutual boundary with the subject block

Where comments are received from neighbours they will be used to assist the National Capital Planning Authority delegates to determine whether or not the stated performance criteria are satisfied and to establish conditions of approval so that the intentions of the policy regarding residential amenity can be met.

Given that description, doesn’t this mean that you approved that development without the benefit of being informed of the views of the residents who did have a concern?

Mr Wright—I think that is fair comment. All the quantitative standards would have been assessed. I think part of the problem stemmed from the fact that the negotiations with the developer occurred over a long period of time and the contact was sporadic. The point at which the error occurred was at the final decision point. When everybody was satisfied that we had the best result we could hope for in that location, those final tick-offs were not made.

Senator LUNDY—You have certainly acknowledged the error and I am not wanting to keep reiterating that. I acknowledge that you have acknowledged it. What I am trying to ascertain is whether there is any course of redress available to the residents who feel they were hard done by not only in not being consulted by the developer but in subsequently being misled and then corrected by the NCA?

Mr Wright—I think in order to pursue that line there would need to be a reasonable demonstration that the development, as approved, was inconsistent with the provisions of the plan. I should point out that we have overcome the present problem. This was only the third dual occupancy we have dealt with in several years, but we have a special application form now in place which picks up these things and provides room for a map to be located on the form with the designated neighbours identified. With that in place that error should never occur again.

Senator LUNDY—But there is nothing really you can do for the residents who have been disaffected in this matter.

Mr Wright—I am advised that the resident in question does not feel as if he has been disadvantaged by that particular development. I think the particular resident you have in mind is one of those who for some time has been seeking to get policies changed in the area. I think the dual occupancy would be, if you like, a lesser order use than that which he had sought in the first place.

Senator LUNDY—I do not know if that is the case. I think the issue is one of principle and an opportunity which should be offered to any resident who may have been disaffected, regardless of their subjective views about the future of that block. I do not know if that is irrelevant to the opportunity that this resident should or should not be entitled to that.

Mr Wright—It does not correct the error, no.

Senator LUNDY—You stated quite correctly that comment is only allowed to really apply to design and siting aspects of the proposal and, in fact, there is no opportunity for consultation or other views on whether or not a dual occupancy should go ahead or not. That is firmly within your bailiwick. Is that consistent with the planning environment in land other than residential land controlled and managed by the NCA?

Mr Wright—I cannot give you a straight answer on that. I would be prepared to take it on notice and give you that advice.

Senator LUNDY—I am not familiar either with the specific consultation requirements under the territory plan.

Mr Wright—Under the territory plan, yes.

Senator LUNDY—But I suspect they are different and I think the fact that they are different and probably require a higher level of consultation and engagement with the local community is part of the reason why there was some incredulousness about the fact that there was no requirement for this builder to formally consult on the actual proposal itself.

Ms Pegrum—Senator Lundy, you are right. The requirements are different between the territory plan and this particular area. The plan actually did require that the proponent of the

scheme consult. The error was that we had not checked that he had done so. Since then, as I understand it, every effort has been made for that particular resident to have his concerns redressed. There may be a difference in the nature of the consultation but certainly on dual occupancies this should have occurred with that resident. Other residents have advised that they are now happy with the outcome of that particular proposal. We are talking probably about the nature of the consultation with respect to dual occupancy rather than whether or not consultation is required. Our error was an administrative one and we have accepted that and taken measures to redress it.

Senator LUNDY—Could I point out, though, that the error was more than just of not checking that the developer consulted. In fact, Mr O’Sullivan was advised by the NCA that there was no requirement to consult, which was technically incorrect.

Ms Pegrum—And we have acknowledged that.

Senator LUNDY—Yes, I know, but I am just pointing out there were two points of error in the consultation process, not one. There is a difference in the territory plan consultation requirements and the State Circle issue and the fact that the NCA still has control over planning in that area. Weren’t the inconsistencies associated with that and the fact that this is the last pocket of residential land effectively under your control the motivation behind the original amendment 39 to uplift this pocket of residential land from the National Capital Plan and place it under the auspices of the territory plan?

Ms Pegrum—Senator, the concept that the primary purpose of the amendment was to uplift designation would not be an accurate description. Correspondence on the State Circle area goes back some years. In fact at one time the Territory Planning and Land Management Group wrote to the National Capital Authority requesting that we consider uplift designation and we replied that we would not at that time. Through further discussion with them about opportunities for development in the area—which ranged from commercial uses all the way through to the residential uses that currently exist and which the draft amendment proposes to retain—it was felt that with adequate controls in place it would be appropriate to consider uplifting designation. So there was a time, at the beginning, where that was discussed with the territory, where the National Capital Authority was disinclined.

Of interest in the consultation process is the fact that there were, if you like, equal numbers who indicated that they felt that uplift was appropriate to those that specifically did not wish to see designated areas—

Senator LUNDY—I am going to come to all of that. I am just trying to get some basic parameters in place. I am looking at draft amendment 39 dated November 2000. The opening description in the background says that the draft amendment seeks to remove the ‘designated area’ status of the residential land in Deakin and Forrest lying between State Circle and National Circuit. At some point you obviously came to the conclusion that uplift was in fact appropriate. In fact it was this proposal that first came via the minister to the Joint Standing Committee on the National Capital and External Territories.

Ms Pegrum—That is correct.

Senator LUNDY—The circumstances in which you sought to uplift it also, from memory, contained some key policies and aesthetic principles. I am referring to dot points now also within the background attached to draft amendment 39, which say that the key elements of concern for the future development of the Deakin/Forrest residential area are that:

- the area should remain residential
- development along State Circle between Hobart and Adelaide Avenues should continue to manifest the established residential land use and character of Deakin/Forrest, and achieve a design and landscape quality that enhances the setting of Parliament and reflects the Main Avenue role of State Circle
- development of land adjacent to the Lodge, and its parkland setting, should be of a design, scale and landscape quality that does not diminish the importance of the setting for the Lodge
- vehicular access points to and from sites fronting State Circle should be limited to avoid adverse impacts on traffic movement and safety

It goes on to say:

The lifting of Designated Area status will enable the Territory to manage the aspects of residential development that are of relevance to the local community needs while ensuring protection of the special character of this critical part of the National Capital.

All of this is relevant because it goes to the issues that you just started to talk about then. For some reason, after quite a lengthy and well-documented period of consultation, I know that through many queries that the joint standing committee sought to be reassured about the nature of that consultation and that safeguards on things like heritage protection and so forth were in place. But now, in a letter from the minister to the chairman of the joint standing committee, you have changed your mind. You have changed the draft amendment to remove what I certainly understood to be its prime purpose, which was this uplift process, given that in the process of uplifting you were not really changing what you saw as the requirements to protect its aesthetic character and the design principles. You were able to manage those. I would just like to quote the minister's letter:

In December 2001 the National Capital Authority agreed to reconsider the merits of altering the Designated Area status in the light of the Territory government's intention to review dual and triple occupancy development opportunities and to produce neighbourhood plans or the like. Because of the considerable urban design consideration given to this area by the authority and a new uncertainty regarding the intentions of the ACT government on residential development, the authority in February of 2002 determined not to uplift the Designated Area status from the area.

That is where it is at, and so I have a series of questions to ask you about what has changed and why. The first question I have is this: regardless of the issue of uplift, it is within the power of the National Capital Authority to retain still a very tight siting and design control, is it not?

Ms Pegrum—Yes, it is; but the way the draft amendment was proposed at the time was to transfer the works approval and control of that area to the territory. At the time, in December, the relatively new Territory government announced quite broad, sweeping changes—

Senator LUNDY—Okay.

Ms Pegrum—This is pertinent, Senator. I do not think I can answer your question otherwise. In the way in which the draft amendment was framed, that particular area, had the transfer occurred at that time or within this time frame, may have had considerable implications for the nature of development; notably the height of development—for example, facing State Circle—the nature of dual occupancy and the implications for redevelopment and amalgamation of that area. The view of the National Capital Authority was that—and if I can repeat, whilst this was an important component of the draft amendment, it was not the primary objective—whilst the National Capital Authority considered that we should retain some of the other important components, notably equity for home based business and the opportunity to amalgamate for residential redevelopment, it was felt that at the time there was

no need to uplift the designation until such time as it was clearer what the territory's intentions for residential areas with respect to redevelopment and dual occupancy might be.

Senator LUNDY—I find it strange that you chose to change, effectively, the intent of the amendment rather than just strengthen the actual elements of the amendment that you would seek to retain control of. For example, in changing the amendment you have co-opted some attributes that those sites would have attained had they gone to the territory—that is, the ability to amalgamate blocks and the ability to conduct a home business. So you are taking something from what the territory would have been able to apply to those sites. At the same time you have sought to, as I understand it, become more specific about the types of developments you actually want to occur as well. You have taken the opportunity to strengthen up those areas. Why wasn't the option available to you just to strengthen those design and siting issues to suit what was the opinion of the NCA but to still allow the uplift to proceed? What were you afraid of?

Ms Pegrum—There are a number of considerations that have been brought to bear. In the first instance, if you interrogated the correspondence between the territory and us over the length of these discussions—which, as you are aware, go for quite a considerable amount of time—you would find that the territory's starting position was to look at commercial uses. That, over time and through quite considerable discussion, debate and negotiation, worked down to provision of serviced apartments, for example. We balanced that against two rounds of consultation on this and, at the time the committee and the minister last considered it, the consultation report had not been concluded. Out of that consultation there were a number of concerns that were becoming clear. Some of those had to do with height restrictions. Some of them had to do with the character of the area. Some of them had to do with the nature of the development that might occur, and certainly issues like serviced apartments were there.

A number of the changes that you see in the draft, as it stands at this point in time, are the outcome of that consultation. In the manner that the draft had been proposed, the nature of its having effect would have simply been to transfer basically the territory plan's provisions into that particular area. The only reason that the National Capital Authority determined at that point in time to say, 'At this point that particular component of this amendment should not proceed,' was twofold. One was the uncertainty of knowing where to go, in the face of quite a lengthy period of urban design consideration and discussion. The other was the desire to see the other provisions brought into effect within a reasonable time frame, again given that point in time.

Senator LUNDY—The other reasonable provisions being block amalgamation and home businesses?

Ms Pegrum—Being the potential to allow for block amalgamation; putting in place prescriptions regarding height, for example, and latently, plot ratio; and provisions for home based business. I should also say, Senator Lundy, that it is not unusual for a draft amendment to change throughout its life. That is the nature of why they are there and of the consultation provisions.

Senator LUNDY—Just on that last point, I think that is certainly a fair comment, and I have to say that I have not had the experience of trawling through amendments to quite this depth, so I have not seen that often. The changes to me seem quite significant; however, there seems to be a significant change in the motivation for the amendment. Whilst I am sure it is perfectly within your right to completely change your motivation on it, because of the controversy surrounding this particular amendment—notwithstanding that dual occupancy was technically quite a separate issue to the consideration of this—it does all get melded

together certainly in the perception of the public and people who take a direct interest. That is one concern I had there.

You say the motivation for it was essentially twofold. I would like to go to your second point first, the issue of timeliness: making sure that it would get reasonable provisions if it were to go to the territory government—that is, block amalgamation, home based businesses and plot ratios, which you mentioned as well.

Ms Pegrum—Yes.

Senator LUNDY—Certainly block amalgamation has significance in terms of the current debate because we now know that there is at least one reasonably strong proposal out there to amalgamate the blocks and redevelop the site, so that becomes an issue in the context of those proposals. If you were to keep the uplift there and let it go back, why would that delay the possibility for block amalgamation in the other features anyway? Given you could attach those conditions to the site and still have it uplifted, why would that delay the potential, say, for an amalgamated block development to go ahead and why are you so concerned about that?

Ms Pegrum—In my view at this point in time, it would require the territory government to agree to create that area as an anomaly in its residential planning provisions. At this point in time, in fact as recently as today, it has released a draft variation which we had not seen until this afternoon but which, if you like, could be read—and I say ‘could’ because we have not been able to understand the provisions of it—as if, for example, it were to go through limiting the extent of dual occupancy in a residential area and then, where dual occupancy were to occur, changing some substantial provisions such that it would not deliver the same urban design results as the draft amendment to the National Capital Plan proposed to deliver. What that would require in my view would be for the territory to build in different provisions for that area to other areas within its residential, so it would become an anomaly potentially in its own plan, and it is yet to be seen what the outcome of those sorts of provisions would be. So it seemed to us at this point in time that that area could be given the other benefits of the draft amendment.

Senator LUNDY—Is it not the case that your provisions that you attach to that site through draft amendment 39 override and dictate to the territory plan what is permissible. In fact, if you say, ‘You can only build this high, you can only do this much on each block as far as plot ratios go and you have to have this much setback,’ that is the bottom line. The territory plan cannot in fact override those conditions? Is that not the case?

Ms Pegrum—That is correct. The territory plan cannot be inconsistent with the National Capital Plan.

Senator LUNDY—That is right. If you put those preconditions in place, then what you are saying is effectively it cannot occur because you can preset those conditions as part of that uplift process. Surely, regardless of what you call uncertainty or announcements today—I did not actually have time to watch the news to get the full gist of it, but it was obviously a big planning announcement, as you say—that in fact does not create uncertainty because you actually hold the reins in this area. Is that a fair reflection on the situation?

Ms Pegrum—That question may be better put to the territory because what we are doing through the plan is trying to say that this is a desirable outcome for the area in residential terms. What the territory would or would not be prepared to accept if this were under its own planning structure, I cannot speak for.

Senator LUNDY—But they do not have a say. If you set conditions to it and that is the amendment that gets passed in this parliament, that is it, isn't it? That is where it starts and finishes and then the territory plan can only work within the parameters you provide it. Isn't that the situation?

Ms Pegrum—Yes, it is the situation.

Senator LUNDY—So I do not see what the problem is.

Ms Pegrum—I suppose from our point of view we are saying: what is the problem with retaining designation?

Senator LUNDY—But this is the point.

Ms Pegrum—I suppose this is more a matter for the inquiry, Senator, but our view was there is a provision in the plan—

Senator LUNDY—Yes, okay, I accept all of that, but this to me is a key point. I think the inquiry will in fact be taken up with the subjective merits of what your actual proposals are. I admit I am using this opportunity to try and work back and work out exactly how much power you have to determine what can occur under the site in both scenarios—in an uplifted scenario and in what you are currently proposing in your changed amendment.

Senator Ian Macdonald—Senator, I do not want to curtail what is obviously a very interesting line of questioning—

Senator LUNDY—Well, don't, because I am about to ask a really important question.

Senator Ian Macdonald—and obviously a very interesting debate, but this is an estimates committee and we have all been here for a long time this week, so if we can keep to the estimates questions we can all go home.

Senator LUNDY—It all relates to how the NCA spends their money, Minister, I can assure you. If what we have established is in fact the case, you mentioned a twofold reason; the other was uncertainty. A new uncertainty is cited in the minister's letter as the reason for this change in the amendment. I cannot see technically a new uncertainty when you do have effective control over what goes on in that site.

Senator Ian Macdonald—If you cannot see the reason, that is fine, but it is not an estimates question. It is a nice debate but you should buy Ms Pegrum a beer afterwards and have a chat about it.

Senator LUNDY—Perhaps I can direct the question to you, Minister. I am really glad you are here because you were the minister through so much of this and I know you will have a high interest and knowledge. The letter from the new minister makes what I see as quite a political statement and it reflects on the ACT government. It is no surprise to you that the ACT government is now a Labor government.

Senator Ian Macdonald—I could not imagine Mr Tuckey would do that, no more than I would.

Senator LUNDY—The minister says 'because of the considerable urban design consideration given to this area by the National Capital Authority and a new uncertainty regarding the intentions of the ACT government ...'. As we have established effectively that there is no new uncertainty because the NCA have effective control, doesn't this make this statement an utterly political one?

Senator Ian Macdonald—You could not ask the—

Senator LUNDY—I am asking you, Minister.

Senator Ian Macdonald—My answer is no, it is not a political statement.

Senator LUNDY—There can be no other interpretation.

Senator Ian Macdonald—In your view. In my view there is a different interpretation.

Ms Pegrum—Senator Lundy, the authority does not make recommendations based on political decisions when considering the National Capital Plan or draft amendments. The consideration was made on changed and publicly announced quite broad changes to planning policy which had not been countenanced previously with the draft amendment.

Senator LUNDY—Do you or do you not have complete control over that in uplifted circumstances?

Mr Wright—Just to clarify that point, the relationship between the territory plan and the National Capital Plan is an interesting one in this regard. The territory plan cannot be inconsistent with the National Capital Plan. The National Capital Plan of itself cannot deliver particular outcomes and the territory plan may have policies which are not inconsistent with those of the National Capital Plan but may in fact frustrate the intent of the National Capital Plan. The particular reference, I think, in the letter that you have just quoted relates to the announcement by Minister Corbell about an interim provision to limit dual occupancy to five per cent of the number of blocks in any one section. Given that we have already had one dual occupancy in the blocks fronting State Circle, a policy like that could in fact render any detailed controls that we included in the National Capital Plan ineffective.

Senator LUNDY—I put to you: because you have the ability to specify the residential character, why are you so concerned and so motivated to prevent the possibility for the ACT government to have a view on whether or not dual occupancy should go there?

Mr Wright—They can have that view.

Senator LUNDY—But you are citing that as a reason for uncertainty and concern. Don't you think that it is reasonable for the territory government to make decisions about whether or not dual or triple occupancies are appropriate for that area or, indeed, whether an amalgamated site development is appropriate for that area, provided you have the control over the residential character, design, siting, setback, plot ratio and the things that you can keep? There does not have to be inconsistency; it depends on how you word the amendment.

Mr Wright—No, because we cannot ensure the delivery of a particular outcome. If you go back to the original motivation for draft amendment 39, it was twofold. One was to try to get some parity as far as the residents were concerned so that they, as far as possible, come under one system.

Senator LUNDY—Do you still think that is important?

Mr Wright—As a matter of principle, yes. The second motivation, which is the one that makes us particularly nervous, is that we were looking to get a particular urban design outcome for the blocks fronting State Circle, having due regard for the fact that they back onto other residences. It was that latter concern and the fact that we felt unsure about what the provisions of the territory plan might be in the future. Not only had there been an announcement that there would be a temporary embargo on dual occupancies over and above five per cent in any given section but there was an announcement that there would be a review of the residential policies. Fortuitously today the uncertainty we had has been resolved, at least to the point that a draft variation to the territory plan has been announced. The provisions, as we have been able to assess in the short time since we have seen them this

afternoon, have quite a profound effect on State Circle and our ability and the territory's ability to deliver a proper urban design outcome.

Senator LUNDY—It is one thing for you to evoke what the ACT government has announced in this discussion; it is another thing for you to justify what you have done with this amendment in the absence of that information.

Mr Wright—With respect, I think it is important that we know what is going to fill that vacuum.

Senator Ian Macdonald—This is a debate, Mr Chairman, and we are not here to debate.

Senator LUNDY—Can I follow that up?

CHAIR—Order, please! I want to ask a question of the officers at the table: does the subject we are discussing involve any expenditure from this budget in terms of the Commonwealth, or is it a policy matter that has set down areas in black and white to which, as I try to pick it up, an amendment is going to be moved?

Ms Pegrum—One of the statutory functions of the National Capital Authority is to continuously review and monitor the National Capital Plan and to propose amendments as deemed necessary. This was an amendment that wholesale proposed under the previous output statement. If you took the broad approach then, yes, the authority is appropriated for continual review of the plan, which would include the potential for this and other amendments. If you take it as specifically for this amendment then, no, it is a continuation of a review which began in the current financial year.

CHAIR—I think it is important, if this continues, that it cease to be a debate or a discussion across the table and we get down to questions and answers relating to the expenditure and, under the current rulings, the previous expenditure. For the last 30 minutes, it has been a lot more than just dealing with the expenditure of the Commonwealth government in either this estimates or the previous estimates.

Senator Ian Macdonald—I would like to make a helpful suggestion, Mr Chairman. If Senator Lundy and the authority want to continue to discuss these ideas, can I arrange for the authority to come and meet with your committee in a private briefing? We can then go through these ideas and put forward your suggestions and get the answers. I am very happy to arrange that. Being an estimates committee, we should really stick to the estimates. I am happy to arrange it if it is useful to the committee.

Senator LUNDY—I will note your offer, Minister, thank you. Going back to my point, why is it so important now for the NCA to retain control of this, given that certainly in reports to the joint standing committee the NCA, it has acknowledged the anomaly—I would go so far as to say the burden—of administering this pocket of residential land? To help inform those who I know will avidly read the *Hansard*, I table a copy of the land in question. This is the last remnant of residual land that the NCA look after in this way, is it not?

Ms Pegrum—Of standard residential. I would not call it a remnant. It was retained for very specific reasons, which have been set out.

CHAIR—Can I just point—

Senator LUNDY—This is a question of resourcing the NCA.

CHAIR—No, there is—

Senator LUNDY—I really do not like being interrupted all of the time, Chair.

CHAIR—There is another point that I would like to make as chair, which my colleague has just informed me of. This matter is to be the subject of a joint committee inquiry. The type of question that we have had to this point in time—and I am not preventing you from asking questions about that—should be dealt with before that particular committee. In fact, under standing orders, you are not supposed to ask questions that relate to another inquiry that is before the parliament.

Senator LUNDY—As I said earlier, Chair, I have made comments on this issue and I have acknowledged in my opening comments that, in fact, we are going to be having an inquiry.

CHAIR—If you could get back to the matter before us, we can proceed.

Senator LUNDY—If you do not want me to respond to what you just said, that is fine. I will continue with my questioning, but I did make the point that that committee's time will be taken with people's subjective views about the nature of amendment.

CHAIR—I understand that.

Senator LUNDY—What I am actually looking at here is the persistence with which the NCA wants to hang on to this land. It comes down to an issue of resources in a way and how the budget is spent, Minister, because it was presented to me, along with my colleagues on the joint standing committee, previously that it would be a desirable outcome to allow the territory government to assume their democratic right to manage the works approvals in all of the residential land. We have heard this evening that the National Capital Authority has ample power to retain control significant enough to determine the design, siting and residential character of that site. I am still exploring the intricacies of their justification for wanting to hold onto it.

Senator Ian Macdonald—Senator, with respect, that is where you are wrong at this committee. They have told you what the decision is, and they have told you the authority under which they do it. You do not like the decision, or you argue with it, but that is not what the estimates committee is about.

Senator LUNDY—The estimates committee is actually about democracy and accountability. That is my job, Minister.

Senator Ian Macdonald—That is good. You have a parliament to do that in, and you have an inquiry coming up.

Senator LUNDY—And I have estimates to do it in, too.

Senator Ian Macdonald—No, not at estimates. At estimates you are there to look at the budget, to see how it fits in and to make sure the National Capital Authority is doing the proper job it is funded for.

Senator LUNDY—I am not convinced the National Capital Authority is applying its resources in an appropriate way, when they have been so persistent in wanting to create more work for themselves effectively by retention of this area.

Senator Ian Macdonald—Ms Pegrum wants to answer it, because it obviously requires an answer, but this turns into a debate. It is great for you people, but we have been here all week.

Senator LUNDY—I would have been finished if you had not interrupted.

Ms Pegrum—I would like to repeat that part of a draft amendment and the consultation, as indeed for a draft variation, is that you take into account the changing environment and the consultation comments that come in and make a judgment that is then given due respect by committees, like the joint standing committee. I would not consider it a waste of time to take

consideration of those factors, otherwise you could say that logic would suggest—with the proposal for a draft of any kind—there should be no change at all.

Senator LUNDY—Just going to Mr Wright’s comments about what was announced today, do you think the certainty now created by those announcements might give you cause to reconsider your decision not to uplift the area and to hand it back to the territory?

Ms Pegrum—As I said, Senator Lundy, the first we heard about this was today and the very brief introduction to it this afternoon. I could not make that statement at this time.

Senator LUNDY—But is it possible?

Mr Wright—I have had very little time to have a look at it. We did receive a briefing.

Senator LUNDY—I am not asking you for a view on it; I just want to know whether it is possible.

Mr Wright—My reading of the draft variation, as it would apply to State Circle, is that the restraints on the whole of that area would be more restrictive than they are at present. If, as was proposed in the draft amendment, redevelopment was to secure a particular urban design outcome for the State Circle frontage, that would in fact be even further frustrated than by the five per cent limit on dual occupancies. There is a very substantial piece of work we have to do between now and the inquiry on assessing what this might mean and what an appropriate course of action for the National Capital Authority would be.

Senator LUNDY—Any sort of proposed development involving a site amalgamation would obviously be quite a significant change in the look and the feel of the place. That would be feasible under your current amendment, would it not?

Ms Pegrum—Yes. Site amalgamation is feasible under the current draft amendment.

Senator LUNDY—Is it feasible as it currently stands, prior to the amendment?

Mr Wright—Not really. I think it is important to state that one of the effects of the territory’s new policies is that no block amalgamation is permitted in areas that have the same policies that they propose to apply to State Circle.

Ms Pegrum—We believe that they propose to apply. It is much too early to say that.

Senator LUNDY—If what you suspect about the new announcement is correct—if it did go back to the territory—block amalgamation would not be permitted? Is that what you think?

Mr Wright—Under their policies, it would not; under ours it would. I think if an applicant went to the territory he would have to get over their hurdles before he got to ours, and so the question simply would not arise because he could not get past the first hurdle at the territory.

Senator LUNDY—Minister, could I ask you whether the coalition government has been lobbied directly by any developers who have expressed an interest in developing this site?

Senator Ian Macdonald—I can assure you I have not. I cannot speak for the responsible minister, but if you like I will take that on notice and ask him. I would be fairly confident the answer would be no, but I really do not know.

Senator LUNDY—I do not know about that, because they have been knocking on my door wanting to talk to me.

Senator Ian Macdonald—I will refer that to Mr Tuckey.

Senator LUNDY—Can I suggest to you that the answer is yes? Can I get the details of when and what?

Senator Ian Macdonald—Okay. I will find out.

CHAIR—That is superspeculation, Senator.

Senator LUNDY—Of course, but I suspect it is very accurate. The issue here is very much one of principle. Regardless of the type of developments proposed, there is certainly an issue of the territory being able to manage planning with appropriate safeguards by the National Capital Authority in the appropriate way.

Senator Ian Macdonald—That is a view you have. I am sure the officers would disagree. You are entitled to your view, but it does not require an answer.

Senator LUNDY—Minister, can I ask you whether the minister—and I know you will have to defer to him—has directed the NCA to remove the uplift aspect of amendment 39?

Senator Ian Macdonald—I could probably tell you that.

Ms Pegrum—Absolutely no. He has not directed us to do so; in fact, the National Capital Authority considered this matter in December prior to the minister being formally appointed.

Senator LUNDY—Whilst we are on the issue of the politics—

Senator Ian Macdonald—We are not on issues of politics, this is an estimates committee.

CHAIR—Ask them where they spent \$1—just \$1!

Senator LUNDY—I have already asked the budget questions. I asked them at the start. You were not listening, because you were too busy talking over there.

CHAIR—For one second.

Senator LUNDY—Now I have completely lost my train of thought. I did want to thank the National Capital Authority for their diligence in responding to questions on notice from the last round of estimates.

Ms Pegrum—Thank you.

Senator LUNDY—They were very thorough notes traversing this issue and others. They were certainly very helpful.

CHAIR—I hope you did not spend too much of your money answering the questions; that is all.

Senator LUNDY—They have all of the documentation there.

CHAIR—I appreciate that; that was a joke. They have done well.

Senator LUNDY—I would like now to turn briefly to the issue of the Gungahlin Drive extension, another very topical matter as far as planning in the ACT is concerned. I would also like to acknowledge that the NCA has supplied the committee with the description of the process of National Capital Plan amendments and the consultation status.

Ms Pegrum—That is correct, yes.

Senator LUNDY—I refer to the document you supplied the joint standing committee initially. That is where the request came from. The issue here is what role the NCA has in the amendments to the National Capital Plan associated with the proposed routes of the Gungahlin Drive extension. I would like to be clear about what that proposal involves, particularly in relation to the NCA's reaction or response to concerns the Australian Institute of Sports or the Sports Commission may have. I might table a copy of that. I will table a copy of that for the committee.

CHAIR—Well, you are really in the hands of the government now!

Senator LUNDY—I know the officers are familiar with the document.

CHAIR—You haven't got anyone here to support you—no committee members.

Senator LUNDY—You wouldn't want to try to gag this discussion?

CHAIR—No, keep going! I am trying to keep my humour after four days for the last time.

Senator LUNDY—Turning to paragraph 4 on the document, it says:

The act requires that a proposal by the authority to amend the plan should be submitted to the territory planning authority, ACT Planning and Land Management and the ACT Department of Urban Services and public comment sought through notices.

It then goes on to say in the next paragraph:

Depending on the impact on an amendment proposal the authority also writes directly to stakeholders.

Can you tell me: if the AIS had concerns about the adverse impact of the route that the ACT government were to propose—and I am assuming at this stage that it will be some form of western alignment—how does the NCA involve itself in that process? I suspect the best way of dealing with it is to present a hypothetical situation to you: that the ACT government presents its proposed western alignment and they negotiate as per the agreement with the AIS about that and the impact. My understanding is that the territory planning authority, in conjunction with the NCA, then starts to prepare mutually acceptable amendments to the territory plan on the one hand and the National Capital Plan on the other. If there were no disagreement or negative feedback to the NCA from the AIS in particular, that process would be a smooth one. That is perhaps not a very technical description of the process, but is that a reasonable summary of the exercise?

Ms Pegrum—In the history of draft amendments, liaison with the territory and statutory consultation are fairly closely aligned. One tends to find a common pathway or, if there are matters of substantial difference, they are nominated for the consideration of the minister and, indeed, there may be disallowance of the amendment by parliament. The position with draft amendment 41 at this point in time is that the statutory consultation process for the draft amendment proposed by the National Capital Authority was based on the eastern alignment which, at that time, was identified by the territory as the third alignment.

Senator LUNDY—So you would have to start again with that consultation process, wouldn't you?

Ms Pegrum—We have not said that. We have written to the territory on a number of occasions since it became apparent that they would now be considering a western alignment, asking them to provide us with information about the route itself—which has not yet been identified to us—and about how they intend to deal with what are now quite public concerns of the AIS and issues related to the environmental impact of that route generally. In the event that all of the considerations were resolved and we assessed that that resolution was a good one, then the National Capital Authority would consider whether or not to go out again with the western alignment to extend the public consultation on DA41.

Senator LUNDY—Is that only after you knew whether or not there was agreement—

Ms Pegrum—We are waiting for advice from the territory at this time because for us to go out at this point, before they have been able to provide us with the information they are seeking, would not be appropriate. We would be reacting to either media comments or a single meeting that the AIS asked for with us.

Senator LUNDY—What I am trying to work out is at what point is the appropriate time for the AIS to express their satisfaction or otherwise with the proposal and, because we do not

know the proposal yet, that time obviously has not come. That was made very clear in estimates yesterday. There was acknowledgment that the actual proposal has not in fact been considered and the AIS and the territory government have established a process by which they will jointly investigate the impact of the proposed route when it becomes available. I am making an assumption that, at the conclusion of that process, the AIS will reach a conclusion as an organisation and, at that point, they will express a view to the NCA. Is that how you understand it?

Ms Pegrum—They would be doing that through the territory. We have requested that the territory provide us with the outcomes of their discussions with the AIS and we have made that clear to the AIS also.

Senator LUNDY—When you say ‘the territory’, do you mean the territory planning authority?

Ms Pegrum—Planning and Land Management. There are a number of processes here. One is that they have been approached by the AIS and I understand, at least verbally from the territory, that they are attempting to understand each other’s mutual interests in this. We have said we will wait until the territory provides us with the outcome of that. I believe there would be a secondary issue here, which is that, unlike the draft amendment to the National Capital Plan, the draft variation to the territory plan was concluded and gazetted in September 2001. The territory, I think, would be required under the act to propose another draft variation and there is a statutory consultation process that runs with that.

Senator LUNDY—Would it be at the conclusion of that process you would initiate a new draft amendment 41 for the western alignment, or would you be doing that concurrently?

Ms Pegrum—That can vary. As you know, with the previous draft variation and draft amendment we ran them not quite in tandem, but the draft amendment followed the tabling for public comment of the draft variation. Depending on what the response is from the territory to some of the AIS and environmental concerns and the alignment of the road, we would have to make that judgment at that time.

Senator LUNDY—If, following the negotiations between the ACT government and the AIS, you receive advice from ACT Planning and Land Management and at that point those negotiations were successful, you could, concurrently with the ACT government moving ahead with their variation to the plan to move the alignment from the east to the west and amending your draft amendment 41 to reflect the western alignment, determine what degree of consultation you would embark upon.

Ms Pegrum—That is correct.

Senator LUNDY—That is just about all the clarification I was looking for. I have a couple more points about the AIS. If that issue comes down to disagreements on what constitutes an adverse effect—that is, it is not resolved—what ability does the NCA have to effectively arbitrate the merits or otherwise of claims by the AIS that there will be an adverse effect? Can you take any advice independently from the AIS or does your only source of advice to technically deal with this matter come from Planning and Land Management in the territory government?

Ms Pegrum—Through consultation on a draft amendment, any Australian across the country can put in a statement responding to the draft amendment, so not just the AIS but anybody could comment. Again, the extent to which the consultation period on the draft amendment would be extended would depend on the extent to which these issues were resolved. I would imagine that alternative expert opinions and the like would be obtained. I do

not know if that has occurred previously in amendments—not in my term as chief executive—that is a possibility. But one would expect the territory will be responding to us and they will be seeking to resolve these issues themselves.

Senator LUNDY—That, of course, is the optimal outcome. For reasons which I do not think involve you, that may not occur, so I am trying to ascertain what process would then be initiated if you received positive advice to proceed from Planning and Land Management but there were outstanding or residual concerns by the AIS.

Ms Pegrum—I would imagine that, in the territory providing its response, they would provide quite transparent and extensive information about their objective assessment, including the department of environment.

Senator LUNDY—I have no doubt about that.

Ms Pegrum—They have always been extremely good at that.

Senator LUNDY—I am not suggesting that they would not be completely open about what discrepancies still remained, if any. The question then becomes one for you. In full knowledge of those discrepancies existing and perhaps still existing in the context of a request to proceed with an amendment to the plan for the western route, what are your choices as an authority on how to proceed? Do you proceed with that amendment and have those concerns aired through the consultation process of the amendment, or is it within your power to choose not to proceed with that amendment and, effectively, block the intent of the ACT government?

Ms Pegrum—The National Capital Authority could choose not to proceed with a draft amendment. It would need fairly substantial reasons for doing that. There have been instances where the National Capital Authority has chosen not to proceed with the draft, but where the outcome of consultation has led to the amendment being withdrawn.

Senator LUNDY—Yes.

Ms Pegrum—Hence my comments about continuous change in the process of draft amendments.

Senator LUNDY—But do you see the difference between the two points?

Ms Pegrum—Yes.

Senator LUNDY—The choosing not to proceed and the—

Senator Ian Macdonald—Mr Chairman, this is a lovely debate. If you want to know how the act works, I will arrange for you a briefing with the NCA and you can have this discussion there. Really, in fairness, this is not an estimates committee function. It is a discussion, a debate, a clarification of what the act might say, but that is not the purpose of the estimates committee.

Senator LUNDY—Thank you, Minister. I note your offer of a briefing.

Senator Ian Macdonald—I am saying to the officers that they should not embark on a hypothetical discussion with you about what might happen, if this might happen and what the act means and what the act does not mean.

Senator LUNDY—One of the steps in this National Capital Plan amendments consultation process is that amendments to the plan are subject to the minister's approval. Is it a conceivable scenario that the NCA present an amendment to the minister and that be rejected by the minister? Has that ever happened?

Senator Ian Macdonald—We are not going into past history and we are not going into hypotheticals. If you want to have the discussion—

Senator LUNDY—I am asking a question about the process and the work that the NCA—

Senator Ian Macdonald—You are asking if it has ever happened before and we are not going back four or five years to find an example of whether it happened before. We are looking at the 2002-03 budget.

Senator LUNDY—Minister, could you tell me, given you were the minister for some time?

Senator Ian Macdonald—If it is relevant to that, we can answer it. If it is what happened when I was minister—

Senator LUNDY—Are these questions making you feel a little uncomfortable?

Senator Ian Macdonald—No, they are making me feel very tired.

Senator LUNDY—Would you block the amendments to allow the western route to proceed if you were minister?

Senator Ian Macdonald—Senator, you are the opposition spokesperson for sport. It is not something I follow closely but, as I understand it, the sportspeople do not want it—

Senator LUNDY—Go on, trot out the Rod Kemp line.

Senator Ian Macdonald—The sportspeople do not want it.

Senator LUNDY—Are these questions making you feel uncomfortable?

Senator Ian Macdonald—Contrary to what the sportspeople do, you want it.

Senator LUNDY—Why don't you want to answer these questions?

Senator Ian Macdonald—You and your mates in the ACT—

Senator LUNDY—Is that because you have got a little political agenda going here?

Senator Ian Macdonald—No.

CHAIR—I suggest that—

Senator LUNDY—I would just like to ask my questions, as is my right.

CHAIR—If they are estimates questions, that is fine.

Senator LUNDY—Do not stop me asking questions, for goodness sake. That's absurd!

CHAIR—That question you just asked was not an estimates question. You have been offered a briefing.

Senator LUNDY—So you are going to tell me what an estimates question is, are you?

CHAIR—It has to relate to expenditure.

Senator LUNDY—Come on, trot out the definition. Let me ask you this way—in terms of the resources allocated to the NCA, can you tell me which officers are working on this particular issue and what their salary is, just so there is a relationship back to the budget?

Ms Pegrum—If you look at the payments for outputs under the PBS, there is an allocation of some \$2.46 million, which is in fact—with changes to overheads, allocations, et cetera—about \$2.5 million to review amendment and administration of the National Capital Plan and national land. That relates to the statutory functions associated with review and amendment, in addition to designated areas and works approvals. There is a unit within the National

Capital Authority delivering that called the National Capital Plan Unit. I do not have the exact staff numbers within that unit available. I would be happy to take that on notice.

CHAIR—Thank you.

Senator LUNDY—In other words, these questions directly relate to how money is expended within the authority?

CHAIR—You are having a policy discussion. You are asking the minister a hypothetical of what would he do if he was the minister. It has nothing to do with estimates.

Senator LUNDY—If you want to do this, I am just going to sit here until 11 o'clock. I can get these questions out of the way in the next five minutes if you let me ask them and respect the officers by allowing them to answer. Are you going to gag them, Minister?

CHAIR—The question that I ruled on and said was not an estimates question, was when you asked the question of the minister at the table—a hypothetical—what would he do if he was the minister. He is not the minister.

Senator LUNDY—But I have asked other questions since and you are ruling them out of order as well.

CHAIR—No, that was the last one. That is the question I ruled out of order. The next question was fine.

Senator LUNDY—Can I ask my next question?

CHAIR—If it relates to estimates, yes.

Senator LUNDY—Can you tell me whether or not it is in the power of the minister to reject a proposed amendment put forward by the National Capital Authority?

Ms Pegrum—We can read the provisions of the act, Senator.

Mr Wright—The minister's powers are set out in the act under section 19. It says:

Subject to subsection (2), on receipt of the draft plan submitted for approval, the minister shall after such consultation, if any, as the minister thinks necessary (a) approve the draft plan without alteration or (b) refer the draft plan to the authority with either or both of the following: (1) directions to conduct further consultations (2) suggested alterations.

Subsection (2) says:

If the authority reports under section 18 that the territory planning authority objects to any aspect of the draft plan, the minister shall not act under subsection (1) except after consultation with the executive.

That is the process and the powers of the minister, as set out in the act. The process is somewhat iterative. It goes on to talk about action on referral by the minister. Do you want me to read that?

CHAIR—Does the bottom line of that mean, after he has done all this consultation, he can?

Mr Wright—No, he is empowered under the act to issue general directions, but I think that would be a bit too specific.

Senator LUNDY—I have three other questions relating to correspondence to the NCA. One is a letter I wrote to the NCA with regard to a constituent. I would just like to read it. It is very brief, but we have not—when I checked last week—received a response, so I thought I would take this opportunity. It is dated 28 August 2001. It is addressed to you, Ms Pegrum:

It has been drawn to my attention that Environment ACT has released a Preliminary Assessment and Development Application for a concession-run accommodation facility at Gudgenby House, the former homestead of the Gudgenby grazing lease in the Namadgi National Park.

The National Capital Plan incorporates special provisions covering the Namadgi National Park. My constituents believe that these provisions exclude the use of Gudgenby House for commercial accommodation purposes. They feel the intent of the Plan is to exclude commercial uses for Gudgenby House and to provide special protection for the Gudgenby Valley as a buffer zone for the Binberi wilderness areas to the west.

Can you respond to that letter, please?

Ms Pegrum—Senator, I do not personally recall the letter. I do have a correspondence tracking system so I could appraise whether in fact the letter was received.

Senator LUNDY—We did make an inquiry on 20 February with your office and we were assured a response was on the way.

Senator Ian Macdonald—Who did you speak to?

CHAIR—Can you table a copy of that letter, Senator? It will just make it easier, that is all.

Ms Pegrum—I will have to take it on notice, Senator. I really cannot answer.

CHAIR—I know you said that you would take it on notice. All I asked Senator Lundy was: is it possible to table a copy of that letter—

Senator LUNDY—The only reason I am hesitating is because I have scrawled notes all over this copy.

CHAIR—Okay, not a problem.

Senator LUNDY—I do know we have forwarded an additional copy and certainly can forward you another copy of that letter tomorrow.

CHAIR—If you have a got a clean copy, you can bring it tomorrow.

Ms Pegrum—Thank you, Senator.

CHAIR—It is only just suggested to make it easier.

Ms Pegrum—Thank you.

Senator LUNDY—Thank you. I have another one, but I do not know if you received a copy. This was a CC copy to me. It is a query about the lack of all day car parking spaces in the parliamentary triangle. I know this issue has a long history. This particular piece of correspondence raises the issue of parents who have child-care responsibilities and who, by virtue of the timing of the drop offs at child care, inevitably arrive at the triangle later when all the car parking spaces are taken up. It raises the issue that it is very difficult for parents in these circumstances to use a private car but, because they are dropping off children, there is a greater reason for them to have to do so as opposed to using public transport. Can you respond to that. I know it is an ongoing issue, but can you give me an idea on strategies around the car parking situation in the triangle?

Ms Pegrum—It is a substantial strategy, Senator Lundy, but I will allow Mr Schultheis to answer to question.

Senator LUNDY—Thank you.

Mr Schultheis—There have been quite a number of letters written about parking. It is an issue throughout the zone and adjoining Barton area. The fact is that there are times,

particularly at present, when parking is very restricted. There are events that are causing different arrangements and that is of some concern.

There is a strategy that is being developed that was identified in the *Parliamentary zone review outcomes* report, which I believe you have seen previously, and aimed to try and resolve some of those problems over time. There is adequate parking per se within the zone but it is very difficult. Some of it is remote, and it is not very close to the employment. The intent is to try to provide more consolidated opportunity in the long term in central parking areas, facilitated by public transport—a shuttle bus system—to try to connect these. People arriving late would have some other means of getting to work other than by a very remote car parking area.

There is also a strategy in Barton, because the two areas are related, that there be centrally located parking structures that would then provide additional parking. It is virtually saturated in Barton at present, and there is an overflow from Barton into the parliamentary zone. So the consequence of development in Barton is actually affecting the zone, so there is a need within the zone and in Barton to have a concurrent policy to rectify that through the construction of structures.

Senator LUNDY—It would be helpful if you could provide me with any information that is directly relevant to how you are proceeding with that issue, because I do get quite a number of queries from constituents, as I am sure you do. The final issue I would like to raise is another letter, this time to the minister so I do not know whether this has been referred to you. From looking at it, it was copied to me as well as to the authority by a constituent who wants to be able to—

Senator Ian Macdonald—What date, Senator?

Senator LUNDY—This letter is dated 8 May. I received it on 14 May. It is a letter from John Stanhope to the minister, and the letter reports that he has been approached by constituents looking to be able to walk around the central basin of Lake Burley Griffin with a pram. It relates to the northern end of the Kings Avenue Bridge. It says:

The southern access to Kings Avenue Bridge currently involves crossing a busy road and climbing a very steep and rough bank.

I know the area because I have been round there with a pram myself. I know you know the area I am talking about. What can be done about that and do you have any plans to facilitate safer egress on that southern access to Kings Avenue Bridge?

Ms Pegrum—I cannot respond as to what the minister's response might be.

Senator LUNDY—Could I ask what the NCA is doing about that generally?

Ms Pegrum—There is an area of concern there, primarily created by the gradients of the land through that area. We have looked at a number of options. You may be aware that one of the considerations in the *Parliamentary zone review outcomes*—which not only addresses that but also addresses the whole nature of Kings Avenue, the intersection with King Edward Terrace and pedestrian access along the foreshore—is to take out the Bowen Drive loop, which was put in in the event that Parliament House would be located down in that area rather than on Capital Hill. That creates far greater pedestrian opportunities than are currently in place there.

I believe there are some remedial measures being looked at in the short term. Part of the concern, as I said, is the gradient so it is not as simple as putting in a path, because you are dealing with very steep sections of land. To meet codes for access for people with disabilities

that are benchmarked on wheelchair access and, therefore, applicable for people pushing prams, is quite complex engineering. I have answered the question as best I can. I am advised that the engineering is quite substantial and quite costly just to put a path in in lieu of the one that is already down there.

CHAIR—If you get any further information just get it to us and it can be updated.

Ms Pegrum—Thank you.

Senator LUNDY—That is all I have. Perhaps we could just close with your providing the committee with an update on Commonwealth Place.

Ms Pegrum—At the moment Commonwealth Place has been through the first stage of practical completion in April, which is for what we term the ‘cupped square’ and the basic shell of the internal areas, and the fitout for offices for Reconciliation Australia. The second stage of completion of the works is scheduled for practical completion I believe on Monday, which completes the head of the walkway and the glass ends of that.

Senator LUNDY—What commercial activities are going to be happening down there?

Ms Pegrum—We had quite an extensive series of expressions of interest through Jones Lang LaSalle as our agents to try to find both a restaurant proprietor and a café proprietor, the former being on the eastern side; the latter on the western side. That was not overly successful because of the kinds of requirements that they had for financing from the Commonwealth. That particular process was concluded without identifying a restaurateur. We are looking at an alternative use for that space for exhibition with other Commonwealth agencies, which is not concluded at this time. That would see greater value for money from the Commonwealth’s point of view and provide the kind of amenity and public interest that Commonwealth Place was designed to include, which included food outlets plus exhibition. We are in discussion with café proprietors in a second round at the moment and are yet to conclude, but we are hopeful that will happen within the very near future.

Senator LUNDY—Thank you very much.

Senator Sandy Macdonald—You would be interested in this too, Senator: we have decided to change the name of Commonwealth Place. In recognition of my three fabulous years as minister looking after the ACT. We are now going to call it Macdonald Place!

Senator LUNDY—Not very advisable, Minister!

Senator Sandy Macdonald—That is only a joke, I add for *Hansard*; only a joke.

Senator LUNDY—I am speechless.

CHAIR—I thank the officers at the table, the minister, Hansard, the secretariat and everyone here for the last four days. We will see you all again shortly.

Senator Ian Macdonald—Just before we go, Mr Chairman, can I use the opportunity to place on record the appreciation of the government—and I am sure I would speak for all committee members and all those who have dealt with this committee over the last many years—for your time as chairman of the committee, Mr Chairman. I do not think we will see you back at this committee again, and that is your gain I think and perhaps our loss. I do want to place on record what a significant chairman you have been. Whilst none of us has always agreed with every one of your rulings, I think you have attempted to be fair, and by and large the committee has got through some difficult times with good humour and good grace. So, on behalf of the government, and I think I can speak for all committee members, thank you for your chairmanship over the years and good luck for the future.

CHAIR—Thank you.

Mr Yuile—Given the secretary is not here, and I know he would want to add to what the minister has said, thank you for the way you have dealt with the department and officers of the department. We wish you well in your future pursuits in another place.

CHAIR—Thank you. It has been quite fun.

Committee adjourned at 10.40 p.m.