



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES

**Reference: Review of annual reports 2001-02 of the Department of Transport and
Regional Services and the Department of the Environment and Heritage**

MONDAY, 12 MAY 2003

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JOINT COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES

Monday, 12 May 2003

Members: Senator Lightfoot (*Chair*), Senator Crossin (*Deputy Chair*), The Deputy President and Chairman of Committees, the Deputy Speaker, Senators Hogg, Lundy, Scullion and Stott Despoja and Mr Causley, Ms Ellis, Mr Johnson, Mr Neville, Mr Snowdon and Mr Cameron Thompson

Senators and members in attendance: Senators Crossin, Hogg, Lightfoot, Lundy, Scullion, Stott Despoja and Mr Causley, Ms Ellis, Mr Neville, Mr Snowdon and Mr Cameron Thomson

Terms of reference for the inquiry:

On 21 March 2002 the Committee resolved that, in respect of its review of the Annual reports of the Department of Transport and Regional Services 2000-01 and the Department of Environment and Heritage 2000-01, which stand referred to the Joint Standing Committee on the National Capital and External Territories by the House of Representatives, it annually monitors the External Territories in order to review the development of services and the implementation of programs to a standard commensurate with equivalent mainland communities. In particular, the review should consider:

- Justice and community safety;
- Education;
- Environment and heritage;
- Health and community care;
- Transport, housing, land management and other urban services;
- Economic development and tourism;
- Social and welfare services;
- Utilities

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Committee met at 9.36 a.m.

EL-ADHAMI, Dr Wafa Adham, Deputy Director, Office of Chemical Safety, Therapeutic Goods Administration

HARTLEY, Dr Margaret Louise, Director, Office of Chemical Safety, Therapeutic Goods Administration

BURNESS, Mr Mark, Director, Medicare Eligibility Section, Medicare Benefits Branch, Medical and Pharmaceutical Services Division, Department of Health and Ageing

TAYLOR, Ms Tanya, Adviser, Medicare Eligibility Section, Medicare Benefits Branch, Medical and Pharmaceutical Services Division, Department of Health and Ageing

CHAIRMAN—Good morning, ladies and gentlemen. I declare open this public hearing of the Joint Standing Committee on the National Capital and External Territories review of the annual reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage for 2001-02 in relation to the external territories. The aim of this review is for the committee to monitor whether services are developed and programs implemented in Australia's external territories—Norfolk Island, Christmas Island and the Cocos (Keeling) Islands—to a standard commensurate with that of the equivalent mainland communities.

I now turn to proceedings at hand. I welcome representatives from the Department of Health and Ageing and the Therapeutic Goods Administration. I advise you that these hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your request. Before we ask some questions, do any of you wish to make an opening statement?

Dr Hartley—I have an information paper with me, which describes in full the legislative background to why we have permit control systems. It also provides details of various processes within the Office of Chemical Safety for approval of the export of controlled medications to the external territories. I would be pleased to submit that to the joint standing committee.

CHAIRMAN—Do you want to table that paper or are you going to read it?

Dr Hartley—I would like to table it. I also have a short statement to make to the committee.

CHAIRMAN—Is it the wish of the committee that the paper presented to the committee by Dr Hartley be tabled? There being no objection, it is so ordered. Please proceed with your statement.

Dr Hartley—First of all, the Office of Chemical Safety and the Therapeutic Goods Administration are very grateful to the joint standing committee for the opportunity to be here today. We certainly note the concerns raised by Mr Baldock, the community pharmacist on

Christmas Island, in his evidence to the joint standing committee on 11 March. The Office of Chemical Safety regrets any situations where patients experience delays in receiving medications due to problems in obtaining approvals to ship controlled medications from the Australian mainland.

The need for arranging approvals for the supply of controlled medications from the Australian mainland to Christmas Island, coupled with the fact that air transport is limited, can certainly pose difficulties in this process. In an attempt to minimise these difficulties, since about mid-2001 the Office of Chemical Safety has implemented a range of arrangements and special provisions to try to ensure that we expedite permit applications for the external territories in cases of urgent medical need.

This has certainly improved our turnaround time, operations and, notably, processing for urgent export permits to Christmas Island. We have a three-day working period as our target to complete those matters. I can report that, of the total of 40 applications we received from January 2002 to 30 April 2003, 33 were for urgent medicines permits. Of those 33, a good 70 per cent were processed within 24 hours—on the same day. The remainder were all processed within three working days, except one, which was the case Mr Baldock raised with you in his March evidence with respect to the Christmas-New Year period. I am pleased to say that, in most cases, we are meeting our supply turnaround time.

What is of concern to us in this process—and we have investigated this particular case—is that some exporters may not follow agreed procedures. That contributes to delays in getting medicines to Christmas Island, such as that Mr Baldock experienced over the last Christmas-New Year period. For instance, the Office of Chemical Safety has an officer on duty out of hours over the Christmas-New Year period. Unfortunately, when the company involved submitted their permit application by fax they failed to ring the number, as required on the form. If they had done so, they would have received a new out of hours phone number to process. We received inquiries for three permit requests during the Christmas-New Year period, but none from the company that was exporting to Christmas Island.

I think that was compounded by the fact that, when we started to process the import permit, we discovered that the Christmas Island administration's permit to import had expired on 3 January. We then had to chase the exporter and the administration to get a new permit and licence issued. However, on reflection, I think that the Office of Chemical Safety could have taken a more proactive approach at that stage. We could have despatched the medicines and then sorted out the paperwork later. That is one area in our current procedures that we are currently re-examining. That one occasion has taught us some lessons about moving forward a bit faster rather than waiting for full documentation to come in from the company.

I think that, in any re-examination of our current procedures, we have to consider our obligations to comply with Customs legislation and also our obligations under the international drug treaties to be able to track the movement of scheduled substances. The latter applies not only within Australia—where we do comply; about 30,000 scheduled substances a week are tracked between the company and the point of major supply, such as pharmacists, hospital pharmacists and veterinarians—but also between Australia and its external territories. We are now looking at improving some of our administrative processes. Some things are straightforward

out of office procedures, such as making sure it is much clearer to people which numbers they need to ring and, perhaps, having a 1800 information line operating.

We are more concerned to find an immediate solution to ensure patients on Christmas Island have full access to urgently required medications. We propose to introduce a new administrative arrangement, if it is suitable and acceptable to the company who exports to Christmas Island, the Christmas Island Administrator and Mr Baldock as the pharmacist. We propose to eliminate the need for individual permits to be issued, and grant an ongoing, continuing export permit authority for the company and an ongoing, continuing import permit authority for the pharmacists on Christmas Island. I regret that we did not think of this some time ago. We have checked this out and we believe that it would keep us within the Customs Act and also still allow Australia to be able to report to the United Nations International Narcotics Control Board that we have adequate processes to look at the movement of scheduled substances into and out of Australia as well as within Australia.

Unless there are other arrangements being put in place or some other thoughts being given to it by the department or the Christmas Island administrator, we think it is timely that we make a special case for the Christmas Island pharmacist and actually grant him an ongoing rolling licence. There will be a small condition that both the exporter and the importer would have to provide us with quarterly reports, because we have to provide quarterly reports ourselves. But I do not think that adds any more administrative burden than they currently have. One hopes that in fact it will reduce the burden and also reduce some of the tensions it has created in the last few months. Also, our advice is that it still allows us to comply completely with the United Nations international treaties on scheduled medicines.

We are certainly happy to answer any questions and, as I said, we are very grateful to the committee for bringing this matter to our attention. We assure you that, if the committee is in agreement, we will be moving quickly to instigate those processes.

CHAIRMAN—Thank you, Dr Hartley. Before I defer to Senator Hogg, I have a few questions with respect to Norfolk Island, which is probably of major concern to this committee. Having served on this committee for five years and made several trips to Norfolk Island, my concern remains fairly high. Have you been to the hospital on Norfolk Island, Dr Hartley?

Dr Hartley—No, I have not been to the hospital on Norfolk Island.

CHAIRMAN—I will not waste time with respect to that but it was built in the 50s, if not the late 40s—and I am not dead sure that it was an all new building that was put up then. It reminds me of some third world hospitals that I have seen in the Philippines, Indonesia and New Guinea. Could you tell the committee whether you agree with the health service on Norfolk Island being primarily a concern of Norfolk Islanders, remembering that Norfolk Island is an integral part of Australia—yes, it has its own unique form of government but it is an integral part of Australia.

Further, does the Commonwealth legislation, including the Health Insurance Act of 1973, extend to Norfolk Island health? In other words, does the government have some control over delivery of health services that could be considered superior to that of the Norfolk Island government, remembering that a lot of the problems on Norfolk Island—like they are in most of the Commonwealth—relate to health and ageing? For instance, part of the hospital is set aside as

an aged person's home. That is not good. There are many aspects of it that I will not bore you with now—I am sure you would not find them boring but I will not bring them up. In terms of at least your expertise with respect to health and ageing, could you answer those? If not, we are quite happy if you take them on notice.

Dr Hartley—I might defer that to my colleagues. It is not part of my responsibilities, nor is it part of my expertise. I am certainly happy to take it on notice unless perhaps—

CHAIRMAN—I took it that you were the spokesperson for the four.

Mr Burness—On the issue that you raised in terms of the scope of the Health Insurance Act extending to Norfolk Island, currently Norfolk Island is excluded from the obligations under the Health Insurance Act—

CHAIRMAN—Yes, and Medicare.

Mr Burness—as, I understand, is the Aged Care Act as well under the National Health Act. But I am not across the National Health Act aspect. In terms of medical services on Norfolk Island, there have been, as you would be aware, continuing discussions. Our department has been in direct discussions with the Norfolk Island administration about health care on Norfolk Island, trying to assist them in ways and means in which they could achieve outcomes that they want to achieve. We are somewhat, as you would also be aware, fettered by the government's position at the present moment—

CHAIRMAN—The federal government's position?

Mr Burness—The federal government's position at the present moment is that the Commonwealth Grants Commission looked at the issue of health care on Norfolk Island and was of the view that it was inappropriate at that time to extend Medicare to Norfolk Island.

CHAIRMAN—Was there a reason expressed for that?

Mr Burness—That was government policy at the time.

CHAIRMAN—Apart from policy, was there a reason expressed?

Mr Burness—Not that I am aware of. It was just government policy at that time. The statement that came out of the Commonwealth Grants Commission was one saying that they were of the view that they were in a position where they could fund adequately to the same level as the Australian health system if they wished to raise the funds on the island. As I understand it, that is where the Commonwealth Grants Commission stood. Despite that, we have been talking to the Norfolk Island administration. Late October last year, discussions were being held about the health per capita cost on the island, and the island administration at that stage were to look at the per capita costs. They had some difficulties, I understand, because they do not have a lot of data from their residents because of the lack of accountability in terms of income and usage et cetera. But they were looking at ways and means of achieving that and would be coming back to us to further discuss what their overall health costs were per capita on the island. We have not

heard from them since that day. We would be happy to continue to assist them and help them in those discussions.

CHAIRMAN—Do you have the per capita health cost figure of residents on Norfolk Island?

Mr Burness—No, I do not. The Norfolk Island administration are trying to obtain that, as I understand it. We do not have it, because they do not have access to our health system.

CHAIRMAN—The Commonwealth delivers some health facilities to Norfolk Island. Is that right?

Mr Burness—Not through Medicare.

CHAIRMAN—What is the per capita cost of delivering health services to Christmas and Cocos (Keeling) islands?

Mr Burness—I could not tell you off the top of my head.

CHAIRMAN—Could you get that on notice, please?

Mr Burness—I could certainly get that for you. The committee previously asked for the health costs for Christmas Island and Cocos (Keeling) Island, which we have provided to you, so you do have that information on record.

CHAIRMAN—We have that per capita cost?

Mr Burness—Yes, you do. From that you have got the per capita—the full health costs over a financial year.

CHAIRMAN—We will have the secretariat look that up. You are not able to obtain the per capita cost of health care delivered on Norfolk Island because it is not exclusively but primarily a responsibility of the island itself?

Mr Burness—Correct.

CHAIRMAN—You do not have that? You cannot get that?

Mr Burness—No.

CHAIRMAN—It is an extraordinary situation for an Australian territory, isn't it?

Mr Burness—Not from a Medicare or a health point of view, because we do not administer it.

CHAIRMAN—What other part of Australia has a similar situation?

Mr Burness—I am not aware of one.

CHAIRMAN—Doesn't that make it unique?

Mr Burness—I think it does.

CHAIRMAN—As I understand it—and my colleagues can correct me—the pharmacy on Norfolk Island is attached to the hospital, and the hospital is owned and run by the Norfolk Island government, as I think everything is there: the water, the electricity, the radio and the telecommunications et cetera. What assistance, if any, does your department give, Dr Hartley—you can defer that question, if you wish, to one of your colleagues—in monitoring the services that the Australian federal government would deliver to other parts of Australia, including the external territories of Cocos (Keeling) Island, Christmas Island and Norfolk Island? We do not deal with that on the Antarctic, which is also an external territory.

Dr Hartley—I can certainly reply on the provision of scheduled medications, which are subject to import-export control. I have some information on that. In terms of the pharmacy provision on a broader base, I would not have information for you. Mr Burness has information. We could take that on notice and have the department provide you with that information.

CHAIRMAN—Could you make the detail you bring back to us as comprehensive as possible? We do not want to get a furniture van full of papers, but we would like the information to be as comprehensive as possible.

Dr Hartley—The import-export arrangements for scheduled substances and medications are similar to what occurs in the Christmas Island arrangements. I am not aware of any problems that have existed in supply of those. That process seems to be running smoothly between the Norfolk Island administration and the export company from Australia which provides those medications. I am not aware of anything untoward in the provision of that.

CHAIRMAN—Is the Australian government subsidy extended to the scheduled substances going to Norfolk Island?

Dr Hartley—I would have to take that on notice.

CHAIRMAN—Are non-scheduled substances also monitored by your department?

Dr Hartley—Again, I have no personal knowledge of that. I think we will take that on notice and include it as part of our response to you about pharmaceuticals.

Mr NEVILLE—What about the current problems being encountered with Pan? If Pan products are available on Norfolk Island, have they been recalled?

Dr Hartley—Again, I could not answer that question, but I can find that out for you.

CHAIRMAN—Has any concern been expressed to your department about the administration of the sole source of pharmaceuticals on Norfolk Island? You may care to take this on notice, too.

Dr Hartley—I will take that on notice.

Mr NEVILLE—I understand that you are in the therapeutic goods area and that, therefore, you have a regulatory overview role. I understand that that does not necessarily cascade into other areas of the health department. But which subdepartments of health would have an interest in the Cocos Islands and Christmas Island on the one hand and Norfolk Island on the other?

Dr Hartley—Pharmacy and the subsidisation of drugs through the Pharmaceutical Benefits Scheme would be in the department. I am not sure of its current name, but it is the pharmaceutical benefits area in the Department of Health and Ageing. I am sorry that we do not have a representative from that section of the department here today. We were unaware of that need. You are correct in saying that the Therapeutic Goods Administration, which is responsible for the regulation of medicines, is not linked in any way to ongoing supply or arrangements of policy of pricing et cetera. The Office of Chemical Safety's sole responsibility in the medication area is the movement of controlled substances in terms of the Customs Act and our obligations under treaty arrangements within the UN. So it is about tracking restricted substances through import or export arrangements.

Mr NEVILLE—I find it a bit difficult to understand that, while the department overall—whether it is your subdepartment or any of the others—is sensitive to its obligations under the UN treaties, you cannot answer some fundamental questions before this committee today. How many of you at the table have been to Norfolk Island?

Dr Hartley—I have been to Norfolk Island in a private capacity.

Mr NEVILLE—I meant in an official capacity—even in a liaison role. Have you been to Christmas Island or the Cocos Islands? You are all shaking your heads. How would you know about the problems in the pharmacies there if you have never been there, and seen the circumstances in which they exist and how their operational style might vary from a well-organised pharmacy in a shopping centre or major public hospital? How would you know?

Dr Hartley—Again, I apologise if the committee were expecting some details on those matters—

Mr NEVILLE—It is not so much the detail. My concern is the general lack of awareness. I imagine that you do not hesitate to use your authority when it comes to some exercise of your controls over therapeutic goods. Yet, when it comes to the positive delivery of medicine, just about every question we have asked has had to be taken on notice. It seems to me that there is not a general understanding in the department of what the problems are on those offshore islands.

Dr Hartley—I would like to clarify that my particular expertise is fairly narrow. There would be an understanding within the department; it is just that we do not have somebody from the department here who can answer those questions. I regret that but we will certainly make sure that the relevant department—

Mr NEVILLE—Let us go to Mr Baldock. Before the committee's report, were you aware that Mr Baldock was unhappy with the arrangements?

Dr Hartley—I am aware that Mr Baldock had not raised any issues with the office directly. I know that we have been in touch with the Christmas Island administrator, mid last year to late last year, raising some concerns about the amount of urgent permits that were being requested. Whilst a pharmacist's medical supply is a judgment for Christmas Island, there had been a trend to have many more urgent requests than normal requests and we had raised that in a letter to the administrator. We asked whether that was just a shift in arrangements. In that respect we had raised our awareness with him.

Mr NEVILLE—No-one has actually been across to have a look at what these operational difficulties might be and why he might need to—

Dr Hartley—That is true. Yes.

Senator HOGG—I think we should organise for a party to go over there and have a look.

Mr NEVILLE—I quite definitely think they should. Mr Burness, have you seen the hospitals on, say, Flinders Island, King Island or Kangaroo Island?

Mr Burness—No.

Mr NEVILLE—How could we get a basis of comparison for the problems on Norfolk Island if we have never looked at what they might be on the populated islands closer to home? You are probably aware that the Norfolk Island administration is making a global request. I do not know whether it has been formally lodged but we are aware, from evidence we have taken, that there is a global request for \$15 million as a special one-off Commonwealth grant. How would we measure that? How would we know whether that was a reasonable request? How would you advise the minister whether that was a reasonable request? Would we just go to the act at the previous time it was raised with Medicare and say, 'This is not within our purview; we're going to ignore it'? Or would we say, 'The Commonwealth has offered the states a large increase in hospital funding recently—probably not without some justification'? There must be parallel problems on the offshore islands. How would we advise the minister whether the request for a one-off grant was reasonable? Again, how could you do that if you had not been there and you had not seen what similar communities were doing on the offshore islands near the mainland?

Mr Burness—First I would need to look at what the request was and the proposition. But in terms of Norfolk Island—as I said in my original comments—unless there is a shift in government policy on taxation et cetera for Norfolk Island, we have little option or capacity as public servants, in terms of the extension of Medicare and the hospital system for Norfolk Island.

Mr NEVILLE—If the minister asked your opinion would you feel competent, on the basis of your knowledge of offshore islands and their health needs, to make a recommendation?

Mr Burness—Myself, no.

Senator SCULLION—I am trying to keep this in chronological order. I will go back to Christmas Island and the issues associated with the pharmaceuticals. I am very pleased that you have placed on *Hansard* your regret about those circumstances surrounding Christmastime on

Christmas Island. I was certainly very concerned to realise that people who needed pharmaceuticals to control pain went without those pharmaceuticals. That is something that really beggars the mind in Australia. I am delighted that you have dealt with that but from your explanation it appears that there is still an area of this process, irrespective of the best will between the pharmacy and government, where this may well get off the rails again—and that is the export by the actual company. What was the company involved?

Dr Hartley—I do have the name.

Dr El-Adhami—It is Australian Pharmaceutical Industries, I believe, but we can confirm the details.

Dr Hartley—It is a Western Australian firm.

Senator SCULLION—As a part of the Therapeutic Goods Administration, do you have a responsibility to ensure that those people involved in the export of pharmaceuticals come under a particular set of standards?

Dr Hartley—Yes, people who are exporting controlled substances have to be licensed as well as obtain permits. They also have reporting requirements under the states and territories in terms of not only the volume of controlled substances that they are trading in but also where they are supplying them. They have to provide us with movement data against their licence numbers as well as their permit number.

Senator SCULLION—I understand that the relationship must be principally a reporting mechanism. We now have a system where there is a need and an exporter, and they are obviously required to do a number of things. Where that falls down and is outside of our purview, is there any requirement under their standards to expedite their deliveries?

Dr Hartley—I think there is goodwill in terms of the urgent medicine requests. They will comply with those. Certainly we have had training programs with industry in the past to explain to them how the export-import permits arrangements work. I think the company has shown in the past that it has been very good. From the moment of request from Christmas Island, the issue of the export permit to that company has only taken 24 hours—one working day at the most—in the majority of cases. It seems to be just that one particular case out of the 40 that we have dealt with in the last two years or so. If it had not been such a serious consequence, you would almost think that every particular process that could go wrong went wrong. The actual import permit expired on 3 January; the export permit failed to get through to us. I guess we had created a situation that relied on somebody making the effort to ring another number once they had faxed the form over.

Senator SCULLION—In short, Dr Hartley, you can assure me that all the processes—not only your own processes but also the processes of those people in industry who are delivering pharmaceuticals—have been amended, so next Christmas we cannot expect pain on Christmas Island.

Dr Hartley—As much as I can guarantee anything, I am certainly assuming that this will not happen again.

Senator SCULLION—You have engaged this particular company, and you have informed industry of the potential for—

Dr Hartley—Yes. In terms of putting the new arrangement in place, as long as we can keep it moving, that will eliminate that need. We are now aware that, while none of my staff acted irresponsibly, they followed processes. I think at some stage we now have a different warning light to be rung with regard to urgent medicines so that someone senior can make decisions beyond what is actually in the due process of permits et cetera. I share your concerns completely, Senator Scullion. The thought that somebody may have been denied adequate medication is an anathema to us. We are taking every step to avoid that.

Senator SCULLION—Thanks, Dr Hartley. I will turn now to Norfolk Island. In your response, Mr Burness, you indicated that the grants commissioner had basically just made a report and you could not recall any policy. In terms of the uniqueness of Norfolk Island, I wondered if you can recall any connection being made in that report to a contribution from Norfolk Island to Australia? Was that an aspect of the report? Clearly they do not make a contribution—

Mr Burness—Not from memory. That report came down a long time ago—we are talking about 1998-99.

Senator SCULLION—Perhaps I can get that from somewhere else. My general feeling on Norfolk Island was that there seemed to be a policy, whether articulated or not, that the Australian government was prepared to fund capital items and equipment—anaesthetic machines and that sort of thing—but was reluctant to take on the cost of the running of the whole hospital system. I went around and said, ‘Who pays for that?’ ‘How old is that?’ and ‘Where did you get the money for that?’ One of the areas that we were concerned about is that, in areas of high-cost preventative medicine, like breast screening, many of the people on Norfolk Island still have to travel to New Zealand. We all recognise that, in any health scheme, it is so important to have that sort of access to preventative medicine. In terms of gender equity, to live on an island that is so isolated, without access to that sort of equipment, is obviously of great concern. Since I would have thought that it came within the general ambit of a capital cost or that there could be some arrangement, are there any negotiations or considerations of arrangements to make breast screening accessible to the occupants of Norfolk Island?

Mr Burness—Not that I am aware of, outside the current arrangements.

Senator LUNDY—My understanding is that there are no mammography screenings on Norfolk Island. Is Norfolk Island accessed by some of the outreach programs for mammography screenings and, if so, how are those services provided?

Mr Burness—I do not believe so, but I know they have fairly close links with the New South Wales government. It may be linked through that, but I can check that for you.

Senator LUNDY—My understanding is that BreastScreen Australia do not cover Norfolk Island. Please follow that up and get back to the committee. If there are no services, please give us your views on how they could possibly be provided to the women of Norfolk Island.

Mr Burness—I will.

Mr NEVILLE—On that point, some five or six years ago the Commonwealth made special funds available to assist the states deliver mammography services. I know that vans go around Queensland and examine women in country towns. Would equity not demand that something similar to that be available in Norfolk, if only on an intermittent basis? For example, could the RAAF deliver that service by sending a medical team over there once every 12 months?

Mr Burness—I can only take that on notice in terms of what is there. As with Senator Lundy, we will certainly check if services are extended and, if they are, who they are extended by.

CHAIRMAN—On behalf of the committee, I thank you all for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you may make editorial corrections. On behalf of the committee, I thank you once again.

[10.13 a.m.]

CARLTON, Mr Timothy Joseph, General Manager, Finance and Information Strategies, Australian Quarantine and Inspection Service, Department of Agriculture, Fisheries and Forestry

GORDON, Ms Jenni, National Manager, Animal and Plant Programs Group, Australian Quarantine and Inspection Service, Department of Agriculture, Fisheries and Forestry

CHAIRMAN—Welcome. These hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your request. Before we ask you some questions, do you wish to make an opening statement?

Mr Carlton—Yes, Mr Chairman. The AQIS post-entry animal quarantine station located on Cocos Island has not been used for the purpose of holding animals subject to quarantine requirements since January 1997. Following extensive consultation with industry, the station was formally closed in January 1999. In April 1999, approval was given to sell the property. Subdivision plans were subsequently developed in conjunction with the Department of Transport and Regional Services, the Department of Finance and Administration and the Cocos Island council. The subdivision plans were due to be considered by the Cocos Island council in October 2001.

In September 2001, the Department of Immigration and Multicultural and Indigenous Affairs used the station temporarily to house people who had arrived on the island without appropriate authorisation. The Department of Transport and Regional Services subsequently withdrew the subdivision plan pending the Department of Immigration and Multicultural and Indigenous Affairs no longer needing the station. DIMIA exited the station in March 2002 but requested that the station remain available until the new Christmas Island detention centre was built and operational. Since that time AQIS has continued to pay for basic maintenance, including grass slashing and weed control.

During recent months AQIS has received several requests from the island administrator and members of the local community to use various parts of the station. In March 2003, the Cocos Island water corporation advised AQIS that serious repairs were required to essential services and that fire monitoring was no longer possible, given the degradation to the line. Quotes are currently being sought to undertake a review of essential services. In the meantime, in view of the advice from local authorities regarding the station's essential services, all requests for use of the station facilities are being rejected. Subject to the government's requirements for the station, AQIS's preferred option remains to divest itself of the station as soon as possible.

CHAIRMAN—Ms Gordon, do you have anything to add?

Ms Gordon—No, thank you.

Senator CROSSIN—What sorts of requests did you get for the use of the quarantine station?

Mr Carlton—The requests have ranged from a request to use one of the sheds temporarily for a trial of a coconut oil pressing machine, to builders on the island wanting to use the sheds for storage of machinery and working under shelter.

Senator CROSSIN—Why were those requests denied?

Mr Carlton—Mainly because of the advice that we have had from the local authorities that the essential services—including fire services and the fire monitoring service—were not working.

Senator CROSSIN—What does that mean?

Mr Carlton—It means that we have been advised that the island's facilities are unsafe for human occupation.

Senator CROSSIN—The quarantine station is unsafe?

Mr Carlton—Essential services are not working because of the degradation of the water pumps, some of the electrical work and the sanitation facilities in some of the buildings at the quarantine station. It is our view that, if we allowed people to use the site while those essential services were in that state of disrepair, we could have insurance problems.

Senator CROSSIN—How can they have got into such a state of disrepair in a little less than 12 months?

Mr Carlton—I understand that the disrepair has occurred over longer than 12 months; that before the Department of Immigration and Multicultural and Indigenous Affairs used the island to—

Senator CROSSIN—So that state of disrepair was in existence when detainees were being held there; is that correct?

Mr Carlton—There were some temporary arrangements made, I understand, for the sanitation system. But before that the sanitation system had degraded to some extent. The work that the Department of Immigration and Multicultural and Indigenous Affairs undertook was all on a temporary basis to make the island safe at the time that those unauthorised arrivals were housed at the station.

Senator CROSSIN—Have those temporary facilities been withdrawn or taken away?

Mr Carlton—They were temporary and they did not last.

Senator CROSSIN—How often do you actually ensure that the property is mowed or maintained to a point where it is not a fire hazard?

Mr Carlton—We have a contract with a local contractor to slash and undertake weed control four times a year.

Senator CROSSIN—Four times a year?

Mr Carlton—Four times a year.

Senator CROSSIN—Is that enough?

Mr Carlton—We are advised by the local authorities that that is enough. There have been times over the past two years where we have been advised by the local authorities that the growth has been a fire hazard and we have undertaken to do the slashing and the weed control after that.

Senator CROSSIN—What is the state of the property now, in terms of possible sale?

Mr Carlton—We are currently getting quotes to do a review of what needs to be done to the station to get the essential services up to scratch. We are using our property managers, Jones Lang LaSalle, to organise those quotes. Once we have those quotes we will be talking to the Department of Transport and Regional Services and the local council on what needs to be done.

Senator CROSSIN—So your intention is to bring the property up to scratch. What will you do with it then?

Mr Carlton—We have not made a decision on that. We are waiting to see how much those repairs would cost.

Senator CROSSIN—Is there any indication that whoever might want this land in the future needs those repairs to be undertaken?

Mr Carlton—No. The proposal that was adopted back in 2000 and approved in 2001 was for the station to be subdivided. For the subdivision to go ahead, something like \$845,000 to \$1.7 million worth of work would be required to bring the essential services up to standard. Given the amount of time that has gone by since those decisions were made, we would have to look again at what the best option is to divest ourselves of the property. We would do that in conjunction with the Department of Transport and Regional Services and the local island council.

Senator CROSSIN—Wouldn't you do that first, before deciding to invest money in rehabilitating essential services?

Mr Carlton—Absolutely, which is why all we are asking for now is a quote to undertake the work, to let us know how much we would have to spend.

Senator CROSSIN—But there has been no decision to spend that?

Mr Carlton—No.

Senator CROSSIN—Have there been any discussions with the shire council about providing them with the land?

Mr Carlton—That is an option we have looked at in the past. I was not involved in the original decision to subdivide the land and sell. It is an option we are actively talking to the Department of Transport and Regional Services about at the moment, and I think it is an option we would be willing to pursue.

Senator SCULLION—I am particularly interested in the unique biodiversity of Norfolk Island, Christmas Island and Cocos (Keeling) Islands and the fact that all of those communities expressed some hope that that would play a large part in their economic future. All of those areas enjoy visits from vessels, sometimes as the first port of call. Could you tell me whether the protocols for ballast procedures on those places are parallel with ballast procedures on the mainland?

Ms Gordon—We will have to take that question on notice.

Senator SCULLION—Thank you. On Cocos (Keeling) Islands in particular there have been a number of proponents of fisheries projects and aquaculture projects relating to clams, prawns and those sorts of things. Clearly one of the principal markets will be Australia. Has anybody conducted any baseline PCR testing for white spot syndrome virus or any of the standard testing? We know that it will take some years, and no doubt we will be preventing them from exporting unless we have completed those. I take it that they are under way?

Mr Carlton—My apologies—we have come along to answer questions on the future of the quarantine station itself, and unfortunately neither Ms Gordon nor I am qualified to answer that.

Senator SCULLION—Perhaps you can take that on notice.

Mr Carlton—We will certainly take that on notice.

Senator SCULLION—Perhaps you could extend the question to diseases in clams and whether there are any endemic diseases in clams that are unique to Cocos (Keeling) Islands and might potentially prevent import.

Mr Carlton—We would be happy to do that.

Senator SCULLION—Thank you.

Mr SNOWDON—What is the asset value of this quarantine station?

Mr Carlton—It is not valued on our books at all; we do not see it as having a value to us.

Mr SNOWDON—So you are prepared to give it away?

Mr Carlton—The Australian Valuation Office valued it at between \$415,000 and \$510,000.

Mr SNOWDON—If it is not on your books, and presumably it does not appear anywhere on the Commonwealth's books, there should be no difficulty in transferring it straight over to the council should they request it.

Mr Carlton—It is held on our books as an asset but with a nil value. It is fully written down. From an AQIS point of view, I cannot see anything that would prevent us from transferring it if that were required.

Mr SNOWDON—I just want to push this maintenance issue a bit. There are, from memory, four dwellings on this block, plus the yards, the buildings that were used for animal testing and all the rest of it. Do the services need to be upgraded to all of those buildings or just to some of them?

Mr Carlton—I will quote from a note we received from the local authority on what some of the problems with the essential services are. They say:

The underground reticulation has leaked for a long time ...

Power. Rodent damage exists to some areas.

Sewerage. ... The whole situation regarding sewerage treatment can be best described as a very temporary solution to an emergency situation. One of the main sewerage pumps is also burnt out, as is its control circuit. Some pipe blockages and temporary bypasses exist. All septic tanks drain into this sewerage system, and it is turned off. As such septic tanks cannot be used at the Q—

that is, quarantine—

station.

They talk about some fire risk, but then they go on to say:

To disconnect power would lessen, but not eliminate the risk of fire.

They say that disconnecting the power:

... would also take power from the water pumps, which includes a fire pumping system.

Mr SNOWDON—I would like to follow up on Senator Crossin's question about the clearing of the property. Presumably, there ought not to be an issue if someone wanted to use part of the property but not the facilities. It is a big area of land; it is the largest area of land—

Mr Carlton—If someone were using the land rather than the buildings it would be a different proposition than if people were actually inside the buildings.

CHAIRMAN—There being no further questions, on behalf of the committee I thank you both. If there are any matters on which we need additional information, the secretary will write to you. You will be sent a copy of your transcript, to which you may make editorial corrections. On behalf of the committee, I thank you again.

Proceedings suspended from 10.27 a.m. to 12.33 p.m.

[12.33 p.m.]

ELDER, Mr Rob, Executive Manager, Corporate Affairs, Civil Aviation Safety Authority

ILYK, Mr Peter, General Counsel, Civil Aviation Safety Authority

SHIRLEY, Mr Jim, Head of Airspace, Air Traffic and Aerodrome Standards Branch, Aviation Safety Standards Division, Civil Aviation Safety Authority

WHITE, Mr Arthur, General Manager, Airline Operations, Aviation Safety Compliance Division, Civil Aviation Safety Authority

WONG, Mr Frank, Principal Aerodrome Engineer, Air Traffic and Aerodrome Standards Branch Aviation Standards Safety Division, Civil Aviation Safety Authority

MRDAK, Mr Mike, First Assistant Secretary, Territories and Local Government Division, Department of Transport and Regional Services

WILSON, Mr Andrew Murdoch, Assistant Secretary, Non Self-Governing Territories, Department of Transport and Regional Services

DAVIN, Mr Hugh Thomas, General Manager, Business Development, National Jet Systems Pty Ltd

CHAIRMAN—Welcome. Do you have anything to add to the capacity in which you are appearing?

Mr Davin—I look after my company's Indian Ocean services.

CHAIRMAN—We apologise most sincerely for keeping all of you waiting. It was an unfortunate event. We have had difficulty getting some of our witnesses to meet on a date that suited us all and, when we did meet with them, the evidence that has been building up for some months now needed to be brought out—it was a very important issue, but no more important than the evidence you will give us today.

These hearings are legal proceedings of the parliament and warrant the same respect as the proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your particular request. Before we ask some questions, do any of you wish to make an opening statement?

Mr Elder—No, thank you.

CHAIRMAN—We will go straight to questions.

Senator CROSSIN—Category 5 level at the Indian Ocean Territories runways relates to the fire and safety standards. Neither Christmas Island nor Cocos Island meets the category 5 standard. Therefore, it is difficult to be able to get a broad expression of interest when it comes to the next retendering round. Can we go to the current situation? I am not sure who can best answer this—CASA or the department—but has consideration ever been given to upgrading the airports to category 5 level?

Mr Elder—I think that is really a question for the department to take first.

Mr Mrdak—Yes, it has. As part of our management of both airports, and in terms of the air services contracts that we have in place, we constantly do look at where there is a requirement. The current operations to the island do not require that level of fire service but, if there are operators in the future who do require it, then that is when we would look at it. At the moment it would not be cost-effective to maintain that level of fire service within our budget and with the level of service.

Senator CROSSIN—No, but it is a bit of a catch-22, isn't it? What would be the point of, say, Merpati or Singapore Airlines putting in an expression of interest for the next round of tenders, knowing that they would not have a hope in hell of meeting the requirements because they require a category 5 standard in order to land? What comes first, the expression of interest or the upgrade? If you are saying that the expression of interest comes first, do major international airlines know that?

Mr Mrdak—In terms of the tender process for the IOTs' air services, we have deliberately structured a two-phase process for that very reason. We have gone for an expressions of interest process and asked potential operators to identify any barriers that they would have for operating to the islands, including the commercial barriers obviously—considerations in terms of patronage and the like. What we have sought through the EOIs is to identify where there is a regulatory constraint or a service constraint to enable us to then reach a decision as part of our tender process as to whether we will offer to provide that service. We have in the past got costings in relation to providing a tender and providing training and all that, so we have got some idea of the cost of that.

Senator CROSSIN—Is that first phase out there already or has it closed?

Mr Mrdak—It has now closed; it closed at the end of April. We have now received expressions of interest from a number of firms which have identified a range of factors which we will work through. I think it is fair to say that to this point the level of fire services at the airport has not been identified as a primary issue in terms of the expression of interest process, but we are currently working through that and we will go back to operators to discuss those types of issues.

Senator CROSSIN—Did you get any comment from major airlines?

Mr Mrdak—We have received expressions of interest from a number of carriers. We have obviously received expressions of interest from operators such as National Jet. I might check with them whether they are happy to have that in the public arena, but they have given us an expression of interest.

Senator CROSSIN—What about Qantas, Malaysian Airlines or Merpati Airlines?

Mr Mrdak—We did not receive expressions of interest from Qantas or Malaysia or any of the airlines that you would call first-tier international carriers. With respect to whether that expression of interest was not there simply because of the fire service or other impediments, or whether it is simply a market decision on their part, all the evidence to us at this stage is that it is a market commercial decision—based on their equipment, schedules and commercial judgment, they do not see themselves operating to IOTs at the moment.

Senator CROSSIN—What is the barrier to actually lifting the standard to a category 5?

Mr Mrdak—It is a cost to the Commonwealth as the operator of the aerodrome.

Senator CROSSIN—Has that been costed out?

Mr Mrdak—We have done some costings in the past in relation to providing a fire tender and the level of training required. As you would appreciate, category 5 carries with it quite a high level of presence, not just in terms of the tender but in terms of having a fire service. That carries quite a high cost. Mr Wilson, do we have an indication of what the cost might be?

Mr Wilson—Senator, we have costed it—I do not have the exact numbers here—at approximately \$1.5 million to purchase an appropriate machine.

Senator CROSSIN—For both Christmas and Cocos islands?

Mr Wilson—That was for Christmas Island.

Senator CROSSIN—And to staff it?

Mr Wilson—I do not have the figures available on staffing.

Mr Mrdak—We can take it on notice in terms of what costings we have done.

Senator CROSSIN—We are talking here about a fire engine, are we?

Mr Mrdak—That is right.

Senator CROSSIN—There are no second-hand fire engines for sale in some other part of the country that you could use?

Mr Mrdak—Not readily. We did examine that last year because we did have questions raised with us about whether there was equipment available. We did look at that and the answer is no; aerodrome fire tenders are highly specialised equipment. There was no equipment at that stage available on the second-hand market.

Senator CROSSIN—So where is this at? Is it being progressed or do you just sit on it until enough pressure is brought to bear to move on it?

Mr Mrdak—We are looking at it, as I said. My understanding is that it has not been raised as a primary issue at the moment in the companies that have lodged expressions of interest for air services in the future to the IOTs. We will work through that. If there was a proposal by an operator to fly to the islands and the requirement was for a higher level of fire service then we would have to work that through. But, as I say, there is an up-front cost to the department in terms of equipment. It is an ongoing cost, which we will be seeking to recover from the operators for providing a service. They would have to build that into their commercial judgments as to whether it is commercially viable to operate a service to the islands. We are trying to strike a balance here between providing an aerodrome which is not a cost impediment to providing services to the islands but, at the same time, obviously meeting all the safety requirements that we have to meet.

Senator CROSSIN—What is the situation now with the extension of the runway on Christmas Island now that the IRPC has been put on hold, so to speak?

Mr Mrdak—The airport extension has never been contingent on the IRPC; it was part of a package of works which the government announced would proceed, contingent on the space centre proposal for the island.

Senator CROSSIN—So it is linked to the APSC rather than the IRPC.

Mr Mrdak—That is right; it is linked to the APSC project. It is not linked to the IRPC at all. So at this stage, we have progressed it to the point where we have completed preliminary design work. The project has been through the Public Works Committee process. The environmental impact statement for the project has been concluded, and it is currently with Environment Australia for assessment to complete that process. So essentially we have taken it to the point of achieving virtually all of the regulatory approvals necessary and all of the design and planning work. The decision to proceed on the project is now dependent on the space centre project proceeding.

Senator CROSSIN—I will save those questions for estimates, I guess. But if the space base actually goes ahead, does that mean that you will look at increasing the level of safety to category 5, given the extension to the runway and the heightened movement expected?

Mr Mrdak—We may need to. The design for the upgrade of the airport has not included a fire tender or the service as such. Again, judgment will have to be made, depending on the operators who operate services on behalf of APSC to the airport. The upgrade has been designed around upgrading the airport to an Antonov, large freighter standard. That is not to say that those companies who might operate those charter services for the space company will actually require a fire service. That will very much depend on those companies and their statutory bodies in their home countries, if it is an international operator, and what requirements they have. So it is not clear-cut that we will need one, because companies may be prepared to operate into the airport without a fire tender, if they are carrying cargo, for instance. It would be a different matter, obviously, if they were operating scheduled passenger services on large international jets. That would be a separate matter.

Senator CROSSIN—Have you got an idea at this stage of who is likely to want to land there if the space base goes ahead and what movement there would be?

Mr Mrdak—It very much depends on the loads. The space centre proposal is predicated upon bringing in the satellites essentially on Antonov freighters. That is as far as we have got. We do not have an indication from the company at this stage as to what frequency of movement that may involve.

Senator CROSSIN—How and why was a decision made to extend and upgrade the airport, then?

Mr Mrdak—When I say ‘movements’, we certainly have a physical requirement in that the airport cannot accommodate aircraft larger than weight restricted 767s at the moment. If you are looking to land 747 freighters and Antonov freighters then you do need a longer runway and also a widening and strengthening of the pavement. That is really what the project is about. As to how many aircraft would use that enhanced facility, we do not have details beyond knowing that that is how they intend to bring in some of the more highly specialised equipment.

Senator CROSSIN—I might leave it there for a minute.

Senator SCULLION—I have a supplementary question to those of my colleague Senator Crossin. You talked about the category 5 general safety levels and ensuring that people who are considering using these airports see that it meets their standards. Are there any other standards? I allude to the fact that at the end of these runways it gets pretty wet if you miss it and you require some other sort of access. The fire engine only goes to the beach. Are there any other requirements?

Mr Mrdak—There would be a whole series of requirements under the CASA aerodrome standards for large aircraft using such a field. It would probably be more appropriate if CASA commented in relation to what those standards are.

Senator SCULLION—I will preface your answer with this supplementary question: what have you done to go and work out what you need and what sort of cost will be associated with the provision of those requirements?

Mr Elder—I think I will ask Mr Wong to answer questions about the extension.

Mr Wong—We had a number of meetings with the consultant, GSG, and the Western Airports Corporation. They put up a proposal for extending the runway to cater for the larger freighters up to 747 size. This was not so much on the cost of the development but on whether they can meet the safety standards. Based on the assessment of the proposals, there were no show stoppers. There might be certain areas where they cannot fully meet our standards, such as the terrain, where it would cost too much to be 100 per cent compliant with standards. But because of the level of aircraft activity that is expected the risk level is very low and the development can go ahead. But CASA have not been involved in the actual planning of the project or the cost estimate of the project.

Senator SCULLION—I will ask this specific question: would there be a requirement, for example, that in order to meet the safety requirements there be a vessel available for rescue; some sort of ship available to facilitate rescues should there be a landing that goes wrong over the water?

Senator WONG—That would have to be an assessment. I do not know at this point the actual assessment of the risk involved and of the need for rescue at sea.

Senator SCULLION—It was my understanding that it was required. Perhaps someone from CASA generally can qualify that, but I certainly understand that in Darwin there is an arrangement with the pilot service; in Sydney with the airport there are specific arrangements for safety with some tug arrangements. I could go on. That, as I understood it, is an arrangement to meet certain safety requirements of an airport that is associated with the ocean.

Mr Shirley—I cannot give you a defined answer off the top of my head. I think you are alluding to the water rescue requirements of an aerodrome near water, and I would be safe in saying that we have not gone in to any detail of considering that yet.

Senator SCULLION—The reason I ask is with an extension there is no point just having the fire engine if we do not meet the requirements. In that context can you take that question on notice?

Mr Shirley—Yes.

Mr NEVILLE—On this matter of the Antonovs and the Boeing 747s, surely if those aircraft are to land there you will require upgraded firefighting by the very nature of the aircraft that will be landing there?

Mr Mrdak—Not necessarily.

Mr NEVILLE—But aren't you requiring this of Rockhampton at present on very similar grounds—that they have Singapore Airlines 747s landing there infrequently and so on?

Mr Mrdak—I am not familiar with Rockhampton, but certainly the arrangement as I understand is very much a judgment—

Mr NEVILLE—Are any of your colleagues familiar with Rockhampton?

Mr CAUSLEY—It is in Central Queensland!

Mr NEVILLE—Recently, the runway was extended somewhat.

Mr Wong—To cater for 747 occasional use?

Mr NEVILLE—Occasional use. It has now become virtually a pure jet port with Virgin and Qantas 717s and 737 400s and Singapore Airlines 747 troop carriers that come in there to use Shoalwater Bay. My understanding was that you were requiring the firefighting service to be upgraded on those grounds. Is that the case? If so, in Rockhampton at least you have a fire department in the city of Rockhampton that in an emergency can back up the airport. But on Christmas Island you have not got any back-up. What you have at the airport is all that there is.

Mr Mrdak—On Christmas Island we do have an arrangement whereby we use the volunteers from the local fire brigade who provide the service to the airport. The way in which these

arrangements work is very much dependent on the regulatory authority of the operating airline and the company's policy in relation to what fire service it will require. A first tier carrier like Singapore Airlines does require a level of fire services to be available to an airport to which they will operate. That is a decision that other companies around the world do not necessarily make, particularly the freight industry. They will often operate to fields which do not have a fire tender. They make a risk judgment and it is a matter that they develop with their insurers as to whether they will operate to airfields that do not have fire tenders to a certain category and level. In relation to Singapore Airlines, my understanding is that they do. That is the company policy with respect to the type of equipment that they operate. Other companies do not. For instance, Merpati Airlines operates a wet lease service on behalf of Christmas Island Community Air to operate a fortnightly service to Christmas Island. Merpati is happy to operate with the current fire arrangements on Christmas Island—that is what they are comfortable to work with. A different operator, as Senator Crossin indicated, in the future may want a higher level of service.

Mr NEVILLE—But you are CASA, the safety authority. Don't you set the minimum standard?

Mr Shirley—I will endeavour to answer that question. We have just set the minimum standards in our new regulation CASR part 139 subpart H. Prior to 1 May we applied the International Civil Aviation Organisation standards to those designated international airports. Subsequent to 1 May, with the making of our regulations, we now have criteria which apply to aerodromes that have international passengers that have a throughput of 350,000 domestic total passengers or on a voluntary basis if an aerodrome operator wishes to provide it. Those are the criteria that have now come into effect. I would suggest that Rockhampton as an international airport had the fire service because of the international services before and should logically continue to have the provision of service if it is going to remain designated as an international airport.

Mr NEVILLE—Why do you require it to be upgraded?

Mr Shirley—I would have to take that on notice, because I cannot answer that off the top of my head.

Mr NEVILLE—On the basis of comparison, do you have supervision over Norfolk Island as well?

Mr Shirley—Yes.

Mr NEVILLE—What level do you require on Norfolk Island?

Mr Shirley—I cannot answer that. Perhaps Frank can.

Mr Wong—I cannot answer that.

Mr NEVILLE—That must have 50,000 passengers or about 1,000 a week.

Mr Shirley—The level of service there is based on the size of the aircraft. Whatever is the largest type of aircraft that would be providing a regular service there would dictate the level of crash fire rescue.

CHAIRMAN—It is not the size of the aircraft, necessarily?

Mr Shirley—The size of the fuselage of the aircraft is one of the main factors that is taken into consideration.

CHAIRMAN—So you are saying that if a Cessna 150 delivered 50,000 people a year, which sounds improbable, you would not require any firefighting infrastructure, but if a 747 delivered 2,000 passengers a year you would require that infrastructure?

Mr Shirley—That is correct. Our category of fire service is based on the 747 category type aircraft.

Mr NEVILLE—I thought your colleague said there was a requirement when there are 50,000 tourists for a basic service to be provided.

CHAIRMAN—Maybe if you took it on notice you could provide a more definitive answer. Would that be to your satisfaction, Mr Neville?

Mr NEVILLE—Yes. Like my colleagues, I would be interested to know what part CASA plays in determining what is a reasonable airfare. I know that does not come into your normal operations on the mainland, but in respect of these offshore places \$1,700 seems an excessive amount. When this tendering process goes on, do you take into account what the impacts might be on the local population?

CHAIRMAN—Before you answer, who is going to take responsibility for getting that question on notice back to Mr Neville?

Mr Shirley—I am. Could I clarify—is it for Rockhampton?

Mr NEVILLE—And Norfolk.

CHAIRMAN—Yes, on the passenger fuselage size for firefighting infrastructure.

Mr Shirley—Yes.

Mr Elder—As a safety regulator, we do not have any involvement with commercial issues relating to airfares, so we do not have a view on that. It is a commercial decision.

Mr NEVILLE—Are subsidies in the same category?

Mr Elder—Subsidies are the same issue—it is a commercial decision or a matter for the government. We do not have a view on that, either.

Mr NEVILLE—Thank you. I have no further questions.

Senator CROSSIN—Could the department answer Mr Neville's question about the level of airfares?

CHAIRMAN—I think we are taking it on notice.

Mr Shirley—No.

Senator CROSSIN—No, not that one.

Senator HOGG—It would be good to hear the department's view.

Mr Mrdak—The air services of the Indian Ocean territories—the IOTs—as you know, operate under a contract that we have with National Jet Systems. In establishing that commercial arrangement, we set a fare and we subsidise, essentially, the cost of the service. In the year we are currently in, we anticipate—

Mr NEVILLE—I thought Mr Elder said you had no interest in that at all.

Mr Mrdak—Sorry, I am talking about the Department of Transport and Regional Services as opposed to CASA—my apologies. We have a contract with National Jet Services to provide services to the IOTs. We have a subsidy arrangement in place for that. We set the fare to what we judge is a comparable mainland fare for the distance and the level of service provided. We then subsidise the service over and above that. In the financial year we are currently in, we anticipate the subsidy will be in the order of something less than about \$2 million on top of the fares being paid. While the fares do seem high, they are pegged at what we regard as a comparable commercial rate on the mainland when they were set, and there is a significant taxpayer subsidy to the travellers to the IOTs—well above what other equivalent mainland communities would receive.

We have no subsidy arrangement in place for commercial services in Norfolk. There are three airlines operating in Norfolk, and they do so on a fully commercial basis. Mr Davin may wish to comment but, in going out to tender for that contract we are currently in, we looked very closely at the fare level and tried to get a balance between what is a reasonable fare to charge and minimising the taxpayer subsidy on the route. The subsidy fluctuates very much depending on the level of activity. Over the last year we have had a relatively high level of activity; therefore, our subsidy has been reduced. In previous years, the subsidy has been much higher owing to less patronage of the services. This will, obviously, depend on the level of economic activity on the islands.

Similarly, in the tender process which we are currently going through—the current contract with Mr Davin and NJS ends in March next year—we will again look at trying to minimise the taxpayer subsidy. If at all possible, we would leave it to a commercial outcome but, given that that may not be possible, given the small demand and Australia's needs to have an air service to the IOTs, we will make a judgment about what the level of the appropriate fare is, if we again have to subsidise the service. NJS may want to comment on that.

Senator HOGG—Just before you do, what you mean by ‘a comparable mainland route’?

Senator CROSSIN—Are you talking Sydney-Perth?

Mr Davin—Perth-Brisbane was the original comparable route.

Senator CROSSIN—\$1,700 for Perth-Brisbane?

Mr Mrdak—We looked at miles flown and the level of service of the aircraft being operated—that sort of thing—in setting a fare level under the contract.

Mr Davin—One of the differences is that, in the Australian domestic scene, we have seen quite a number of factors come into play which have influenced the airfares—the emergence of Virgin and so on as another significant player—whereas you do not have the populations and economies of scale when you are looking at the islands. The cost of flying to the islands is higher because they are so far away—it is as simple as that. The cost is greater than the revenue by the amount of the subsidy. We have seen more activity on the islands in the last 12 months or so, particularly with the immigration reception and processing centre—the IRPC—and the rocket facility. We have seen the immigration initiative and the space centre initiative generate a fairly high profile and rate of activity on the island, which has led to increasing revenue, which has led to a very demonstrable decrease in subsidy.

Of course, if these initiatives slow down or disappear then the revenue tends to drop off as well. So you are constantly chasing your tail. In addressing the future, I think all air service operators, including National Jet Systems, will be trying to take advantage of the very depressed international scene, particularly aircraft availability, to lower the cost base—which, in turn, may lead to a reduced subsidy, no subsidy, or other benefits to the island.

Senator HOGG—Would your airfares be reduced if you had the opportunity to fly on to Singapore, Jakarta or one of those places?

Mr Davin—It is a very difficult question to give a definitive answer to. We have tested the demand to Singapore, in particular. When we undertook responsibility for the current arrangements we gave an undertaking that we would test the market, in response to community perceptions that there was a serious market between Cocos and Christmas islands, to the north. Late last year we flew four pre-planned missions between Christmas Island and Singapore, with the opportunity for the Cocos Island people to flow through onto those services. On a 71-seat aircraft the average loading was 25 passengers. That was after advertising six months in advance, with an extremely attractive break-even fare structure—with no profit whatsoever.

Senator HOGG—I accept that. That is going north, but at the hearings it has been put to us that Christmas Island and Cocos (Keeling) see a possible future market for people coming south, as people in Singapore and Indonesia look for some alternative safe havens as their tourist destinations. Christmas Island and Cocos (Keeling) could provide those venues for those people. So I am not just thinking about going north; I am thinking about going the other way as well. Have you tested that?

Mr Davin—I would say we are very conscious of it. To say we have tested it may be an overstatement. As an experienced person involved in providing air services to these pristine destinations, I have no doubt that they have significant potential in that regard. Probably the most important factor that needs to be considered at the moment in terms of giving the European dive market, in particular, the confidence to test those markets is stability within the air service structure. In addressing the issue, that is one of the things we are looking at. We are looking at going forward with a very predictable, internationally visible arrangement to promote confidence within the tourism sector so that tourists will flow from the north to the south. That is a long-term thing that will take a lot of effort to reap significant gains from.

Mr NEVILLE—I know that your department is not responsible for government policy but it appears from the evidence you have given here today that you have a fair degree of interpretation. It seems to me that in air services a level of subsidy exists between the mainland and Tasmania; a level of subsidy exists between the populated offshore islands and a number of the states; and there are even mainland subsidies—for example, the Queensland government subsidises air services to south-western and north-western Queensland. The point of those subsidies is to give the people of remote areas—who do not have the benefit, for example, of the Commonwealth subsidy on Highway 1 or whatever it might be—a reasonable level of engagement with the broader Australian community. Do you really think an airfare of \$1,700 does that?

Mr Mrdak—I suppose at the end of the day we have to make judgments about what is a reasonable airfare. Are we holding back the growth of travel to the territories by that airfare? That has to be balanced with the amount we have available in the budget to subsidise that service.

Mr NEVILLE—My question is: in your considerations, do you take into account the level of engagement of the people of those islands with the mainland as part of the Australian experience?

Mr Mrdak—Very much so. The fact that the islands do get that degree of subsidy—which is, I would say, in excess of the sorts of subsidies which are available from state governments to air services within most states and which has been as high as \$3 million to \$3½ million per annum for those communities—reflects the judgment of the Commonwealth government that they should have access to the mainland and the same access arrangements for education, health and all of those things. We do factor that in—very much so.

CHAIRMAN—I ask this question of CASA first. What is the condition of the Cocos (Keeling) Islands airstrip? What types of aircraft are licensed, or could be licensed, to land there? What is the future of the strip—what has been budgeted, in other words, to upgrade it et cetera, and when is that likely to take place? We were there about two months ago.

Mr Mrdak—Again, that is probably a question for the department, rather than CASA, as the owners and operators of the airport.

CHAIRMAN—It does not matter. We are just looking for an answer.

Mr Mrdak—Over the last couple of weeks we have had some damage to the runway following heavy rains and some P3 Orion traffic that the RAAF put through the islands coming back from the Middle East. We have had some surface damage and water getting under the seal.

Senator HOGG—Did you charge the RAAF for that damage?

Mr Mrdak—We would like to.

Senator HOGG—If not, why not?

Mr Mrdak—We are talking to Defence about their becoming increasingly part of meeting the costs of future resurfacing. The condition of the runway at the moment is stable. We have put limits on the use of the runway following some recent incidents with the P3 Orions.

CHAIRMAN—What are those limits?

Mr Mrdak—We have required, for instance, limits on where they taxi to, commence their roll and the like to try to minimise damage around the centre line of the runway. This has come from structural damage which occurred probably 20 or 30 years ago when the aircraft using the strip were 727s and similar types of aircraft. Essentially, what we have got is some damage around the centre line of the runway. Some structural engineering reports are now being completed. It is most likely that those will bring forward the requirement for resheeting and strengthening the runway. The time frame for that is yet to be set. We are engaged in discussions with the Department of Defence about meeting some of our costs and in our forward capital works budgets we have identified the need to reseal the Cocos strip. It is a bit early to say when that will take place, however.

Senator HOGG—Are Defence paying a charge to use these airport facilities?

Mr Wilson—I believe that they are paying landing fees, but to give you 100 per cent accuracy I will take that on notice.

Mr Mrdak—They are paying landing fees, but we are seeking a contribution which goes well beyond the landing fees.

Senator HOGG—For the damage that they have caused as well, which I think is quite appropriate.

Mr Wilson—We are seeking a contribution not only for the damage but also in relation to the operational requirements of the airport. To meet their needs, rather than designing the strip only for passenger use, we are looking at what Defence need the strip for as well to ensure that our investment in the strip takes that into account. We are also discussing their making a contribution towards the up-front capital cost.

CHAIRMAN—What is the commercial equivalent of the P3 Orions? I am trying to get a definitive answer to the question of what types of aircraft can land there. The P3 Orion is one that often lands there, and that must equate to some sort of civilian aircraft. Can you give the committee some idea of what it equates to?

Mr Davin—There are so many different aircraft types. The civil equivalent of a P3 Orion is a Lockheed Electra.

CHAIRMAN—That is going back before my time.

Mr Davin—They go back some time. I think that you would be looking at aircraft in the medium sized jet range.

CHAIRMAN—Such as a 737?

Mr Davin—I think a 737 is reasonable for limited operations but not for regular operations.

CHAIRMAN—So the department and CASA have no problems with 737s landing there?

Mr Davin—I would not think so, but I cannot categorically state that.

CHAIRMAN—What about 767s?

Mr Mrdak—Some have landed there, but with some pavement concessions having to be issued. It becomes a judgment as to the degree of wear and tear we are prepared to take for the future. We have allowed large aircraft to land there, but with pavement concessions being in place. That is something we do. In the past where, for instance, the department of immigration has chartered aircraft such as 737s, and I think on one occasion a 767, to operate to Cocos to remove asylum seekers, we issued pavement concessions for the strip for those occasions. We recognise that one-offs may not do damage to the strip but regular use certainly would bring forward the need for major works.

CHAIRMAN—Obviously Airbus fuselage equivalent would be the same. There is a catch-22 situation in that the Cocos (Keeling) Islands are of particular natural beauty. They are great dive sites, the corals are pristine and the land, given its population, is relatively pristine too. There are untouched islands, with no buildings on them at all. It has a great lagoon in the middle of it. By world standards, it would be a great destination for divers and people going there for general holidays—albeit short holidays. The catch-22 situation is that there are insufficient beds on the island to attract a scheduled aircraft there. The airlines say, ‘You get the beds and we will consider coming into the island.’ With respect to that, what is the department’s view—beds aside, as they could get those—on aircraft not flying Australian colours, such as Air Mauritius, diverting slightly in a northerly direction from Mauritius, picking up and letting down passengers, terminating in Perth and then picking up and/or letting down passengers on the Cocos (Keeling) Islands when they go back to Mauritius? If you do not have a view on that, can you get back to the committee with a view.

Mr Mrdak—The Commonwealth government certainly has a very liberal approach to international air services vis-a-vis most countries. If I may, I will come back to the committee with a statement in relation to that. There are various issues involved in cabotage and other areas. But, as I say, a couple of years ago the Commonwealth government issued a policy statement which set out quite clearly its intention to develop northern gateways through its use of bilateral air service agreements and the like. I will come back to the committee with a statement of policy in relation to those matters. However, we would heartily encourage operators

to put forward proposals which involve servicing those sorts of points to the mainland if it was at all commercially viable.

CHAIRMAN—Yes, but it does not seem to be happening. The same thing happens with flights originating out of Jakarta bypassing Christmas Island on their way to Perth. If you are talking about cabotage, we are not suggesting that those flights pick up passengers and fly across Australia or go from Perth to Sydney, Perth to Adelaide or Perth to Melbourne. They are Australian territories, but they are surrounded by a fair amount of water—the Australian mainland is too. For the sake of this particular exercise, please come back to those flights originating in Jakarta and Mauritius. We should keep in mind that Cocos (Keeling) in particular costs the Australian taxpayer a significant amount of money annually, and one of the reasons for doing that would be to assist the poor Australian taxpayer in not having to contribute so much to those two particular territories. You are going to come back to us with respect to the strip on Cocos (Keeling)?

Mr Mrdak—Yes.

CHAIRMAN—Have you had any applications with respect to the strip at Christmas Island taking larger aircraft, and could you better define the firefighting infrastructure that you mentioned already exists on Christmas Island?

Mr Mrdak—In relation to the strip, the runway on Christmas Island is in relatively good condition.

CHAIRMAN—Is an extension planned or under way?

Mr Mrdak—An extension is planned, subject to the space centre proposal going ahead. The government has identified an extension to the runway of up to 500 metres, with shoulder widening, strengthening of the pavement and the like. But that project is very contingent on the space centre.

CHAIRMAN—Is it very contingent or absolutely contingent?

Mr Mrdak—It is absolutely contingent. I want to make it clear that the government's decision is that the runway project will only proceed if the APSC project proceeds. In relation to the fire service, there is currently a fire service provider—the Christmas Island fire service, which is manned by volunteers. We provide services to that under a service delivery arrangement with the WA department of fire and emergency services. I can get you some details on the equipment that is available and the sort of tender that is available.

CHAIRMAN—Some of our members would not have any idea of whether it is a bucket brigade, has a horsedrawn vehicle with a hand pump on it or whatever. We would like to know precisely what it is.

Mr Mrdak—I will find out for you.

CHAIRMAN—As there are no further questions, it remains for me to thank you personally, gentlemen, and your staff for your attendance here today. If there are any matters on which we

need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you may make editorial corrections. To those of you who are not staying—and also to those of you who are—I apologise again for our being so late. We beg your forgiveness and we will try to do better next time. Thank you for your attendance here today.

[1.18 p.m.]

GREER, Mr Anthony John, Group Manager, Schools Group, Department of Education, Science and Training

BERESFORD-WYLIE, Mr Adrian, Assistant Secretary, Self-Governing Territories, Local Government and Natural Disaster Management Branch, Department of Transport and Regional Services

MRDAK, Mr Mike, First Assistant Secretary, Territories and Local Government Division, Department of Transport and Regional Services

WILSON, Mr Andrew Murdoch, Assistant Secretary, Non Self-Governing Territories Branch, Department of Transport and Regional Services

CHAIRMAN—Welcome, gentlemen. These hearings are legal proceedings of the parliament and warrant the same respect as the proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your request. Before we ask some questions, do you wish to make an opening statement?

Mr Greer—No.

Mr Mrdak—No.

CHAIRMAN—Since there are no opening statements, we will move straight to questions.

Senator HOGG—I only have one question: Mr Mrdak, I want to know how that poor group on Christmas Island is going—the one that was, in my view, so miserably treated.

Mr Mrdak—I think they have been treated much better since we last spoke.

Senator HOGG—That is very pleasing.

Mr Mrdak—As you know, we put in a place with them a lease for occupancy of the community centre facilities they use, for which we have waived the first year of the fee. We will get a rental fee which is 40 per cent less than our valuation. On top of that, they have been successful in receiving two grants from the department.

Mr Wilson—One grant from the department. There is a second grant.

Mr Mrdak—They have received grants from the department.

Senator HOGG—How much?

Mr Mrdak—There is \$15,760 for them to provide services, as they do, and a second payment for—

Senator HOGG—What strings are attached to that grant of \$15,760?

Mr Mrdak—That is in their role of providing a musical development program and their activities as a youth group. A second payment—

Mr Wilson—A second grant has been provided of \$34,500 for the employment of a youth worker for the CI neighbourhood centre. You may be aware that the Club Hi youth group occupies space in the neighbourhood centre. The grant for \$34,500 for a youth worker will enable the youth worker position, which to date has not been filled, to assist Club Hi in its activities.

Senator HOGG—Good. I was very pleased to hear that the rental has been waived for the first year.

Mr Wilson—That is right.

Senator HOGG—I hope there will be the same degree of generosity and spirit of goodwill on the part of the department for the next year.

Mr Wilson—Could I just explain the structure of the lease.

Senator HOGG—If you could, I would love to know.

Mr Wilson—It is a three-year lease. The first year of the lease was between April 2002 and April 2003. There were no lease payments required that year. For April 2003 to April 2004, there is a \$900 per annum payment. I understand that the payment was made in 2003—so the payment has been made for the \$900.

Senator HOGG—Where would that \$900 come from, as they did not have a dollar to their name when we were there?

Mr Wilson—They received their \$15,760.

Senator HOGG—So it is out of their grant?

Mr Wilson—I assume that that would be out of the grant or out of moneys that they would have raised through general—

Senator HOGG—I would hate to be rattling the tin out there to raise money. I hear what you are saying. What about 2004?

Mr Wilson—For 2004-05 it will be \$1,800—which is, as Mr Mrdak indicated, approximately a little over 40 per cent of the valuation of the property given to us.

Senator HOGG—With the greatest of respect, they are a community organisation. I still think that you need to go back and look further at the contribution that they are making to the community and at the rental that you are charging. Whilst it might be insignificant and whilst they have achieved a grant of \$15,760 and a grant of \$34,500 for a youth worker, which I think is highly commendable, given the isolation and nature of the place, could I recommend that one go and see if there is a person in your department somewhere who can appeal to the minister—to tug at the heart strings—to see if that rental can be tapped into and made to look a little bit better. That is a personal request, if you will take that away with you.

Mr Wilson—Okay.

Senator HOGG—Again, I must commend you on the first instance, but I would like to see a little bit more done for them.

Mr CAUSLEY—I think these questions arose before and I am being curious, but I note here that the Apprenticeship and Traineeship Act 2001 (NSW) excludes Norfolk Island. Does this come down to the argument between governments about the autonomy of Norfolk Island and the fact of raising taxes in Norfolk Island as compared to the state government? Is that where the argument lies?

Mr Mrdak—Essentially, that is right. Norfolk Island is a self-governing territory. Under its establishment act, the Norfolk Island Act, responsibility for these matters rests with that level of government. It is not a matter in which the state legislation would apply, and it is an area where the Commonwealth has not to this point been involved. Mr Beresford-Wylie might want to add to that.

Mr CAUSLEY—If they want to use those services, they have just got to pay the state for them.

Mr Beresford-Wylie—That is right, Senator. There is not much more I can add to that.

Mr CAUSLEY—I am not a senator—I am almost offended by that!

Mr Beresford-Wylie—Sorry.

Senator HOGG—There are some of us who are not offended either!

Mr Beresford-Wylie—Indeed, Senator.

CHAIRMAN—I will just expand on that because I think it is a good question. It cannot be merely brushed off by saying that that is the responsibility of Norfolk Island because it has a measure of self-government. The territories on mainland Australia—the Northern Territory and the ACT—as well as the states, have responsibility for education. Why is it that Norfolk Island misses out, given that fact?

Mr Greer—From the Commonwealth's perspective, the acts that impact on the funding of VET activities: the Vocational Education and Training Funding Act, VETFA, and the Australian National Training Authority Act, the ANTA Act are both federal acts and currently do not apply

to Norfolk Island. Both of those acts define 'state' to include both the Northern Territory and the ACT. Neither makes mention of Norfolk Island. I think section 18 of the Norfolk Island Act 1979 may come into play. My understanding is that, if the Norfolk Island legislation wished to accommodate the recognition of those acts, there may be some latitude, but there are some policy issues there that we could follow through. My further understanding is that, as has been indicated, the provision of VET services is really a matter that is currently under a memorandum of understanding between the island's administration and New South Wales, much in the same way.

CHAIRMAN—So is there a lack of initiative by the Norfolk Island government?

Mr Greer—We are saying that there are no legislative preclusions from the Commonwealth perspective of allowing Norfolk Island to participate, but there may be policy imperatives there within the application of the Norfolk Island legislation. If you recognise the acts, you recognise the totality of those acts and what those acts—

CHAIRMAN—That is extraordinary discrimination. If you looked at it without examining some of the minutiae of perhaps the reasoning behind it, it is an extraordinary discrimination to leave out a group of Australians because they have a measure of self-government—and only a measure of self-government; nothing like the ACT or the Northern Territory have.

Senator HOGG—Just to follow up: in respect of those two acts that you just mentioned, was there a deliberate exclusion of Norfolk Island from those two acts and, if so, do you know the reason why, or was it just an oversight?

Mr Greer—Certainly, my understanding is that Norfolk Island is expressly excluded from the act—that is, both of those key Commonwealth acts define 'state' in there specifically to include normal state jurisdictions, and the Northern Territory and the ACT.

Senator HOGG—So it was a deliberate legislative direction that was taken?

Mr Greer—That may be the case. One would have to track back on that. VETFA was passed in 1992 and so was the ANTA Act, so one would need to go back and see.

Mr NEVILLE—To clarify that point, I thought you said you could not see any legislative impediment.

Mr Greer—I think what I said—and I stand to be corrected—was that, evidently, section 18 of the Norfolk Island Act 1979 provides:

(1) An Act or a provision of an Act (whether passed before or after the

date of commencement of this section) is not, except as otherwise

provided by that Act or by any other Act, in force as such in the

Territory, unless expressed to extend to the Territory.

So there may have been at some distant point a good, sound policy reason why the Norfolk Island administration did not wish to import the balance of what VETFA or the ANTA Act make provision for to Norfolk Island.

Senator HOGG—I am not doubting you.

Mr CAUSLEY—Maybe you could come back on this issue because, from my state experience, I understand that when the Commonwealth offers some money there are usually some ties to it—the fact that the state has to also make contributions to the programs—and perhaps there was some reticence by Norfolk Island to be involved in that type of an agreement. Maybe that could be an explanation as to what it is about.

Mr Greer—That is probably putting a sharper edge than I put on it, in the sense that if the act was recognised in the territory it would be the full implications of that act, including matching provisions or reporting accountability provisions et cetera. The policy decision at that point in time may have been not to bring it.

Mr CAUSLEY—Similarly, Norfolk Island has said that there are few block training courses available in New South Wales for apprentices. I find that quite interesting because I thought that there were plenty of block training courses in New South Wales.

Mr Beresford-Wylie—I do not have information on the youth training courses in New South Wales. To be honest, we have taken advice on the education area of responsibility from the Department of Education, Science and Training. Perhaps I should say that our previous understanding—from advice from the Department of Education, Science and Training about Norfolk Island and its eligibility for special purpose education grants or for vocational education and training funding—has been that the decision of Norfolk Island not to participate in normal federal financial arrangements was a significant issue in terms of its non mention in the act that Mr Greer has referred to.

Mr Mrdak—As Mr Beresford-Wylie has set out, the whole premise on which the Norfolk Island Act was set up was that Norfolk Island would have responsibility for these matters. They do not participate in the Australian tax system and in a whole range of areas. The presumption in the act, as Mr Greer has pointed out, is that the Commonwealth legislation has to expressly mention that it will apply there; it does not automatically extend there, because Norfolk Island is not part of the normal Australian tax system. For those financial reasons—and inter-government financial relations not being in place, as they would be with any other state or territory—they do not necessarily apply. That has been the policy position to this point. The chairman made a point about whether that situation should continue in the light of a group of Australian citizens not having access to the normal services that other Australians have. It is an issue which I know the committee is grappling with on a whole range of inquiry fronts.

CHAIRMAN—Mr Mrdak, I will just take that to its improbable conclusion: if the whole of the island were to be in a state of penury and the schools were to close, the children were to remain or becoming semi-literate and the health system were to collapse completely—and that appears in some areas to be well on the way now—the Australian government and your department would not assist them because the 1979 act, put in place by Prime Minister Fraser,

excludes them from participating in some of these grants that go to the other states and territories.

Mr Mrdak—I think that is taking it to a quite—

CHAIRMAN—I said that it was an improbable conclusion, but nonetheless it is possible.

Mr Mrdak—I think successive federal ministers have recognised that quite clearly the Norfolk Island government has not maintained a level of investment in some areas, such as infrastructure, which you would have liked. As you know, the current minister has worked with the committee in relation to identifying those areas. As to where that leaves the Commonwealth, we are working with them wherever we can, but we have not reached that point yet. We would hope that it never reaches that point. I do not think you can presume what the Commonwealth's view would be at any one time on that.

CHAIRMAN—Mr Mrdak, you said that the Norfolk Island Act 1979 was the very reason—in fact you implied it was the sole reason; that may not have been the case, but you implied it—that Norfolk Island does not participate in grants from the federal government as the other states and territories do.

Mr Mrdak—There certainly is some legislation where Norfolk Island has benefited from grants. Networking the Nation, for instance, was applied expressly to Norfolk Island in recognition of the fact that their telecommunications system was not able to—

CHAIRMAN—That was a one-off, was it?

Mr Mrdak—That legislation actually provided for Norfolk.

CHAIRMAN—It can be done, can't it?

Mr Mrdak—It can be done. It is a judgment that needs to be reached by the Commonwealth and the Norfolk Island government as to whether that legislation should apply—and that is a judgment which has not been made in relation to other pieces of legislation to this point.

CHAIRMAN—I have been on this committee for five years and I can tell you that every time I go to Norfolk Island it is quite apparent and abundantly clear that they are the poor relatives of mainland Australia.

Mr Mrdak—As I said, if you look at Networking the Nation and other programs, the Commonwealth has not expressly ruled out their participation in every Commonwealth program, but to this point—as Mr Greer has pointed out—there are certain pieces of legislation that still do not apply.

CHAIRMAN—You give the committee some hope by saying that it has not been ruled out.

Mr NEVILLE—It did not stop with Networking the Nation. I am not sure which department it was, but a department gave a special grant to reinforce the cliff behind their landing operations—

Mr Wilson—That was us.

Mr NEVILLE—because that was seen to be something beyond the infrastructure capacity of the islanders to do.

Mr Wilson—That is right.

Mr NEVILLE—I understand that Environment Australia, or perhaps the department—I am not sure which; there would be a fine line there anyhow—spent \$3½ million on a number of projects involving the unique environment there, including a road to their lookout through their national parks system. Again, that is an infrastructure project that would probably be beyond the capacity of the islanders. Then there is the recognition within the DVA that those people served Australia. Whether or not they pay taxation to Australia, an inherent responsibility is recognised. Think about the education of young people. I do not really mean the ordinary reading, writing and arithmetic that kids learn, but the specialist areas where the Commonwealth intrudes into state matters, such as in the building of libraries, science blocks, assembly halls and art centres—there are heaps of these in my electorate, where the Commonwealth comes in over the top of the state and helps with special projects because of special needs in high schools. Why can we not accommodate that as well? Would you comment on that briefly?

Mr Mrdak—I cannot really add much at this point, except to say that where need has been identified—as you, Mr Neville, indicated in relation to Cascade Cliff; and, as you know, the Commonwealth has made an offer at the moment to provide a no-interest loan for the resealing of their airport runway—and Norfolk Island has approached the Commonwealth, we have worked our way through those issues.

CHAIRMAN—I ask the committee whether they would be kind enough to accept as submissions the annual report on the review of external territories, dated May 2003, and the APRA report dated 9 May 2003. There being no objection, it is so ordered. On behalf of the committee, I thank you very much indeed for your attendance here today, and I apologise once more for your late calling. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence to which you may make editorial corrections. On behalf of the committee, thank you again.

[1.39 p.m.]

FERNANDEZ, Mr Ronald Gerard, Customer Service Manager, Centrelink

SALVAGE, Mr Robin Peter, National Manager, Business, Rural and Rent Assistance, Centrelink

SHAKESPEAR, Mr Phil, Project Manager, Rural Services Team, Centrelink

BERESFORD-WYLIE, Mr Adrian, Assistant Secretary, Self-Governing Territories, Local Government and Natural Disaster Management Branch, Department of Transport and Regional Services

MRDAK, Mr Mike, First Assistant Secretary, Territories and Local Government Division, Department of Transport and Regional Services

WILSON, Mr Andrew Murdoch, Assistant Secretary, Non Self-Governing Territories, Department of Transport and Regional Services

CHAIRMAN—Welcome. These hearings are legal proceedings of the parliament and warrant the same respect as the proceedings of the parliament itself. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your request. Do any of you wish to make an opening statement?

Mr Salvage—No.

CHAIRMAN—We will now proceed with questions.

Mr NEVILLE—Mr Mrdak, this is probably straying a little bit outside the briefing and cascading back into the previous set of questions, but you mentioned the infrastructure being discussed with respect to the airport runway. I think there is a good case for that, bearing in mind that the RAAF, the New Zealand Air Force and others like that use that runway. We found evidence over there at the time that, the last time that was done, the company doing it—I think it might have been a New Zealand company—offered to do all the major roadways on the island for another \$1 million. Has any approach been made to you with respect to that this time? Since you have gone to the trouble of bringing hot mix and various things onto the island by barge and so on, is there some innovative or creative way the island could benefit? Perhaps the Commonwealth could even make some small subsidy payments and say, ‘If you guys are prepared to put up half, we have all the equipment there and we can get some of your island roads done cheaply.’ Do we get into that area?

Mr Mrdak—We have not had any approach that I am aware of by the Norfolk Island government along those lines. It makes very good sense to do it that way. This would be the ideal time. I suppose it brings to the table one of our concerns: the lack of an asset management

plan on behalf of the Norfolk Island government. Such a plan would bring the timing of runway reseals, roads, upgrades and all of that together at one time. The only approach we have had from the Norfolk Island government that I am aware of is for the loan for the runway, which was clearly beyond their means. We have had no approach from them in relation to funding other infrastructure.

Mr NEVILLE—Did they get any Roads to Recovery money?

Mr Mrdak—I would have to check, but not that I am aware of.

CHAIRMAN—With respect to Centrelink and its reduced payments to the co-op, as it is called, on Cocos Keeling, are any further reductions envisaged in that already reduced amount?

Mr Salvage—We operate an agency arrangement on Cocos Island, which is paid a rate per hour based on a discussion between ourselves and that organisation.

CHAIRMAN—That was explained to us when we were there a couple of months ago.

Mr Salvage—Back to July, we have not actually decreased the amount of hours we are paying Cocos Island. In fact, as of 2001 we increased the rate paid to them. So, from a starting point, I am not sure where the reference to the reduction comes from.

CHAIRMAN—I think it is down to about a \$7,000 per quarter payment which—not to put too fine a point on it—in the federal government's scheme of things is not a terribly large amount of money. But that is barely enough to cover costs on Cocos Keeling. Because of the tyranny of distance of these things, it is easy to put a line through something when you are looking to extend payments somewhere else. I am just wondering whether, in view of the fact that that is barely covering costs, it is going to be further reduced.

Mr Salvage—At this stage we are keeping the arrangements there under review.

CHAIRMAN—Is that a yes or a no?

Mr Salvage—That is a maybe—

CHAIRMAN—It is an unequivocal maybe.

Mr Salvage—because we have to keep it under review. As an organisation we have a budget limited capacity to provide agent services around the country. We have reviewed the arrangements at Christmas and Cocos, and measured them by things like the average number of customers who use that service and the like. They are at the lower end in terms of traffic through that particular agency in comparison to many other agencies. In our reviews of those arrangements we have indicated that we think the amount should be less. But, in those reviews and discussions with the communities, we have agreed to keep them at this level.

CHAIRMAN—What amount should be less?

Mr Salvage—The amount being paid in agency terms to that agent.

CHAIRMAN—Less than the \$7,000 per quarter being paid?

Mr Salvage—Less than the amount of those number of hours. That is based on the workload due to Centrelink business that is being conducted by that agent. However, I was going to go on to say that for the time being we have agreed to keep it at this level. We recognise there are specific issues concerning language and distance for those agencies that they have to grapple with and in our last review, which occurred recently, we agreed to keep it at that level. There are a couple of components in what we pay agents. Firstly, there is an hourly rate based on the provision of service. We also then provide an incidentals allowance, facilities—that is, facsimile machine, PC and photocopier—the maintenance of those facilities and the phone line and rental. So it is a fairly comprehensive package which is currently more in the order of, on our rough calculations, \$28,500 per year.

CHAIRMAN—Does that include the \$27.50 per week that is paid to cover postage and things of that nature?

Mr Salvage—That amount includes postage for Centrelink business. The only other point I would make is that in the year 2003-04 it is proposed to give to our agents nationally a five per cent increase in those rates, so in the short to medium term at least that amount would go up. Our proposal, which would be a contract that has to be agreed with the service provider, for 2003-04 is that that amount—that is, the rate paid—would increase by roughly five per cent. So we are looking at about \$30,000 in total.

CHAIRMAN—Could you tell the committee—and if not you could take this on notice—about the areas or departments to which the Christmas Island youth group could apply for grants?

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

CHAIRMAN—That is okay.

Mr Salvage—Centrelink is primarily a service delivery organisation. Normally I would expect one of the policy departments—possibly DOTARS—

Mr Mrdak—Two years ago the Commonwealth established a states equivalence payments system, which enables community groups on both islands to apply through us for grants which would otherwise be available under state government programs. Essentially in our role as the state government for the IOTs, we have established an equivalent program. Where a community group identifies that had they been part of Western Australia they could have applied for a Western Australian community program, they can then apply for that through us. We then through our contacts with the Western Australian government have that assessed and, if they meet those equivalent conditions, we will pay out DOTARS money.

Mr Wilson—They can apply for the full range of state based community grants, and the Western Australian government will assess them in line with their criteria and then we will fund them if they meet those criteria.

CHAIRMAN—You may be kind enough to take that on notice and give us some more specific details.

Mr Wilson—Certainly.

Mr NEVILLE—With respect to the special programs, does that apply to Norfolk as well?

Mr Mrdak—No.

Mr NEVILLE—Does Centrelink have any interface with Norfolk at all?

Mr Shakespear—Not directly. I believe it is administered by one of our officers as a region in some right but there is not a specific caseworker.

Mr NEVILLE—Do you have an officer who is nominally accredited to Norfolk Island?

Mr Shakespear—Not directly, no.

Mr NEVILLE—It comes under one officer as other responsibilities?

Mr Shakespear—Correct.

Mr NEVILLE—Does he ever go across to liaise with the Norfolk Island government on how they are delivering their Centrelink type services? I know they have their own system. Do we give them the benefit of Commonwealth knowledge and Commonwealth methodologies to keep them, albeit independent, in sync with what we are doing at the moment?

Mr Salvage—I believe we would have a visiting service, but I would have to take that on notice to provide the details.

Mr NEVILLE—Could you get back to us on that?

Mr Salvage—Yes.

CHAIRMAN—Could I ask about community consultation with the Indian Ocean territories and Centrelink? Is there anything of a manifest nature that you could give to the committee?

Mr Fernandez—In my former capacity as the manager of the Milligan Street branch in Perth, I visited the islands in March last year to negotiate the 2001-02 contract.

CHAIRMAN—Did you visit both territories?

Mr Fernandez—Yes. I engaged in consultation with a range of community organisations and people, but it was mainly with both the shires.

CHAIRMAN—So you consulted, then, with the local authorities on both the islands. Can you tell the committee what other contacts Centrelink has had with the IOTs?

Mr Fernandez—We have contacted the hospitals there.

CHAIRMAN—Was that in both territories?

Mr Fernandez—That was in both territories. With the Cocos Islands it was the nursing sister who was based there and the local welfare officer. It was community based.

CHAIRMAN—Were those supplementary to your visit last year when you were in Western Australia?

Mr Fernandez—No, it was done at the same time.

CHAIRMAN—It was concurrent.

Mr Fernandez—I spoke to a range of organisations.

CHAIRMAN—But there were no other visits?

Mr Fernandez—No.

CHAIRMAN—There was just that one?

Mr Fernandez—Yes.

CHAIRMAN—As there are no further questions, I will just apologise again for calling you late to give evidence today. It was unavoidable; nonetheless, I apologise on behalf of the committee. On behalf of the committee, again, I thank you very much for your attendance here today. You are always most cooperative. If there are any matters on which we need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you may make editorial corrections. On behalf of the committee, I thank you again for your attendance here today. I also thank my colleagues, the secretariat and Hansard for their wonderful cooperation as usual.

Resolved (on motion by **Mr Neville**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 1.52 p.m.