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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

(Public)

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Tuesday, 22 November 2016

Members in attendance: Senators Abetz, Back, Chisholm, Farrell, McCarthy, O'Sullivan, Rice, Sterle.

INFRASTRUCTURE AND REGIONAL DEVELOPMENT PORTFOLIO**In Attendance**

Senator the Hon Fiona Nash

Department of Infrastructure and Regional Development**Executive**

Mr Mike Mrdak, Secretary

Ms Pip Spence, Acting Deputy Secretary

Ms Judith Zielke, Deputy Secretary

Corporate Services Division

Ms Justine Potter, Chief Financial Officer

Surface Transport Policy Division

Mr Alex Foulds, Executive Director

Ms Stephanie Werner, General Manager, Maritime and Shipping

Mr Marcus James, General Manager, Road Safety and Productivity

Mr Andrew Hyles, Acting General Manager, Vehicle Safety Standards

Ms Donna Wieland, General Manager, Strategic Policy

Australian Transport Safety Bureau

Mr Greg Hood, Chief Commissioner

Captain Chris Manning, Commissioner

Mr Ian Sangston, General Manager, Aviation Safety Investigations

Mr Colin McNamara, General Manager, Strategic Capability

Mr Peter Foley, Program Director, Operational Search for MH370

Mr Peter Robertson, General Manager, Surface Safety Investigations and Technical Analysis

Mr Mike Walker, Manager, ATSB Brisbane Office

Dr Stuart Godley, Assistant General Manager, Strategic Capability

Mr Jason McGuire, Acting Chief Financial Officer

Mr Patrick Hornby, Legal Services Manager, Strategic Capability

Office of Transport Security

Ms Sachi Wimmer, Executive Director

Mr Richard Farmer, General Manager, Maritime, Identity and Surface Security

Mr Angus Kirkwood, General Manager, Aviation Security

Ms Nicole Pearson, General Manager, Risk and International

Mr Greg Cox, General Manager, Transport Security Operations Reform

Mr Peter White, General Manager, Transport Security Operations

Mr Scott Stone, General Manager, Air Cargo Security Taskforce

Policy and Research Division

Ms Cathryn Geiger, Acting Executive Director

Ms Nicole Spencer, General Manager, Land Transport Market Reform

Mr Andrew Johnson, General Manager, Policy Development Unit & Regulatory Reform Unit

Dr Gary Dolman, Head of Bureau, Bureau of Infrastructure and Transport and Regional Economics

Mr Scott Mashford, Acting General Manager, Regional Jobs and Investment Taskforce

Local Government and Territories Division

Ms Robyn Fleming, Executive Director, Local Government and Territories Division

Ms Karly Pidgeon, General Manager, Indian Ocean Territories Branch

Mr Steve Dreezer, General Manager, Local Government, Mainland Territories and Regional

Development Australia Branch

Ms Glenda Kidman, General Manager, Norfolk Island Branch

Western Sydney Unit

Mr Brendan McRandle, Executive Director, Western Sydney Unit

Mr Garth Taylor, General Manager, Communications, Environment and Legal

Mr Greg Whalen, General Manager, Financial, Commercial and Operations

National Transport Commission

Mr Mike Mrdak, Commissioner

Ms Judith Zielke, Deputy Secretary

Mr Alex Foulds, Executive Director, Surface Transport policy

Mr Marcus James, General Manager, Road Safety and Productivity

Ms Donna Wieland, General Manager, Strategic Policy

Committee met at 16:04

CHAIR (Senator O'Sullivan): I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2016-17 and related documents for the Infrastructure and Regional Development portfolio. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee may also examine the annual reports of departments and agencies appearing before it. The committee has before it a program listing agencies relating to matters for which senators have given notice. The proceedings today will begin with the examination of the Western Sydney Unit.

The committee has fixed Friday, 27 January 2017 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice relating to the matters considered at today's hearing should be provided to the committee secretariat by close of business on Friday, 2 December 2016. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to the committee. Such action may be treated by the Senate as contempt. It is also contempt to give false or misleading evidence to the committee.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial affairs of the departments and agencies that are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were developed.

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

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of information or the document.

For those senators who have not attended our hearings, we have adopted the practice of the call for members of the Labor Party and the Greens to go to the voting committee member and then they will yield the time opportunity to a senator from their party if that is what they choose to do. If you are in agreement with that, that is the practice that we will take today.

I now welcome Senator the Hon. Fiona Nash, the Minister for Regional Development, Minister for Regional Communications and Minister for Local Government and Territories; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Regional Development; and officers of the department. Minister Nash or Mr Mrdak, do either of you or both of you wish to make an opening statement?

Senator Nash: No, thank you.

Mr Mrdak: No, I am happy to go straight to questions. Thank you very much.

CHAIR: Senator McCarthy, you have the call.

Senator McCARTHY: I will defer to Senator Farrell first.

Senator FARRELL: Thank you, Senator. Secretary and Deputy Secretary, I guess you thought things would have finished some weeks ago and you cannot believe your good luck to be back here again.

Mr Mrdak: It is always lovely to be back here.

Senator FARRELL: We love having you here. I want to start by asking some questions about the charter letter. Has a charter letter been issued within the portfolio? If the minister knows more about it, I would be very happy if she would answer the question.

Senator Nash: Yes, it has.

Senator FARRELL: Again, Minister, you may wish to answer this question. Can you detail the division of responsibilities for the ministers within this portfolio as they are outlined in the charter letter? Can you start with your responsibilities, Minister?

Senator Nash: I might let the Secretary answer that, given that we have the three ministers across the portfolio.

Senator FARRELL: I was happy for you to answer the questions—

Senator Nash: I am sure you were.

Senator FARRELL: but I am very happy if the Secretary know the answers.

Mr Mrdak: The divisional responsibilities, as set out in the ministerial appointments and reaffirmed in the charter letters, are essentially that Minister Nash, as the senior portfolio minister, has responsibility for regional development and local government and territories matters within the portfolio. The regional development function encompasses all of our regional policy and programs within the portfolio.

Senator FARRELL: Can you slowly to go through those? There is regional development that Minister Nash is responsible for. What were the other two things you said?

Mr Mrdak: Local government and territories. Within that the minister, as the senior portfolio minister, has responsibility for all the regional policy and programs within the portfolio. The Honourable Darren Chester MP is the Minister for Infrastructure and Transport.

Senator FARRELL: I am afraid we are going to have to go, because the division bells are ringing.

Proceedings suspended from 16:10 to 16:20

CHAIR: We are quorate again. Senator Rice, you have the call.

Senator RICE: Good afternoon, everyone. Back in May 2015 I asked a question about the status of the National Cycling Strategy, which was considered to be a work in progress at that stage. We are almost seven years now from the publication, *National Cycling Strategy 2011-16*, which was published in 2010. I understand it is set to expire in about 30 days, therefore. I just wanted to know where the department is at in publishing and implementing a new national cycling strategy.

Mr Mrdak: Certainly, Senator. I will ask Ms Spencer to give you an update in relation to what the Transport and Infrastructure Council of ministers has agreed in relation to the National Cycling Strategy.

Ms Spencer: Currently, we have an independent review underway of the effectiveness of the National Cycling Strategy and also of the Australian Bicycle Council. This process is being managed jointly by our department with Austroads and we are currently negotiating on a contract to actually undertake this evaluation. The strategy has currently been extended to the end of 2017. That has been agreed by transport ministers across all states and territories. We expect the findings of the review to be considered by the Transport and Infrastructure Senior Officials' Committee and the council of ministers in 2017. So effectively we have extended for another year while we evaluate the impacts.

Senator RICE: So what is the expected timing of the development of a new strategy? If you are going to extend it for a year while you do your evaluation, presumably you will not then start preparing a new strategy until you can be informed by that evaluation.

Ms Spencer: Through the Bicycle Council at the moment states and territories already have quite an active role, as you well know, in their cycling strategies. The council at the moment is looking at opportunities to better integrate cycling with active transport generally, rather than cycling being separated out on its own, as part of a broader strategy of active transport.

Senator RICE: So what has been proposed to do that?

Ms Spencer: That is being run through the Australian Bicycle Council with all the states and territories. We participate as part of that process, but we are not directly involved in coming up with the ideas. That is very much a matter for the states and territories.

Senator RICE: Is there anything specific that the federal government is doing, either with that integration or with any initiatives at the moment that are a federal responsibility rather than state responsibilities?

Ms Spencer: I think it is fair to say that until we see the outcomes of the evaluation it is too early to make a call on that. We will see what the evaluation says and whether we should be taking a more active role.

Senator RICE: Basically, it is sitting.

Ms Spencer: It is status quo at the moment.

Senator RICE: It is status quo with the current level of engagement—or lack of engagement, as there has been—for the next year, and potentially after that evaluation it is picking up from there?

Ms Spencer: That is right.

CHAIR: Senator Rice, I am loath to interrupt you, but I would just make a point. You were not here before. The minister has to leave at 4.30 pm, which means that we will have exhausted the opportunity to talk about the policy and research division. The division bells did not help—they were not of any assistance. I would just ask you to give it just a couple of more minutes, and then we will go to Labor. Then, if we have to spill it over we will spill it over.

Senator RICE: I have just one further question.

CHAIR: Thank you for your cooperation.

Senator RICE: My understanding is that for the period the National Cycling Strategy has been in place there were some targets of increase of cycling rates, but, in fact, over that period of time we have seen a decrease of cycling rates. Is that the case?

Ms Spencer: I understand there has been an increase in cycling rates.

Senator RICE: That is good to hear. Last time that I asked the question, a year ago, there had been a decrease in the immediate period before then, so maybe things have changed in the last year.

Ms Spencer: Maybe they have. I will take that on notice and get the exact numbers for you.

Senator RICE: That would be good.

Senator FARRELL: We had just started on the division of responsibilities in accordance with the charter. I think the secretary you had explained Senator Nash's responsibilities, then we moved to Minister Chester and we were rudely called away. What does the charter say about those responsibilities.

Mr Mrdak: The minister's responsibilities include overall responsibility for the Infrastructure Investment Program and the subprograms within. He has responsibility for all matters dealing with aviation, maritime, road safety and the COAG Transport and Infrastructure Council, which includes national regulators and the national agenda in relation to productivity reform.

Senator FARRELL: That is a very big list. What about Minister Fletcher?

Mr Mrdak: Minister Fletcher as the Minister for Urban Infrastructure has been assigned responsibility for specific urban infrastructure projects within the investment program—that is, those falling within the major capital cities. He also has responsibility for the work that the department does on national vehicle safety standards. He also has responsibility for the Western Sydney Airport development. Essentially, he has responsibility for all of the urban investment projects within the overall program administered by Minister Chester.

Senator FARRELL: Does the department have any other responsible ministers?

Mr Mrdak: No, we have just the three.

Senator FARRELL: That is the complete set. I would like, if you do not mind, to go through a number of particular projects and try to get an indication as to which minister is responsible. But before I do that, can you help the committee understand who does what in the government with respect to the particular projects. Minister Fletcher is the Minister for Urban Infrastructure. How do we define urban in this context?

Mr Mrdak: Ministers have resolved that his coverage will be all of the major capital cities and that urban conglomeration around those capital cities, using the ABS definition of capital cities and major urban areas. Those are the areas in which Minister Fletcher has responsibility for the program and projects.

Senator FARRELL: I am going to, as I said, go through a number of projects and ask you some questions about who in particular is responsible.

CHAIR: I am sorry to interrupt, and I know it is inconvenient, but we have less than one minute before we lose the minister, and therefore the committee's ability to answer.

Senator FARRELL: We have another minister, do we not?

CHAIR: Senator McGrath will be representing the areas of Minister Chester, because as a junior senator he can represent the House of Representatives. But, as a senior senator, Senator Nash is only able to be represented by a senior minister from the Senate, and we were unable to schedule that. I have taken advice of the Clerk of the Senate. That is the secretariat's advice.

Senator FARRELL: Far be it from me to question the advice of the secretariat.

CHAIR: I do not.

Senator FARRELL: I am sure it is absolutely correct, but it is not clear to whom I now ask my questions.

CHAIR: We are going to have to talk about that together, and we may have to have a spillover hearing.

Senator Nash: Given that the questions at the moment seem to be about Minister Chester's area, it may be appropriate to continue, but I think we need advice from the secretary.

CHAIR: We are under Policy and Research Division, which has been declared as yours.

Senator Nash: Okay. I see.

CHAIR: Senator Farrell, we are going to—

Senator FARRELL: Chair, I respect your decisions but obviously we had a series of questions to ask. I appreciate the minister has to leave, but do we get another opportunity today in the course of these proceedings?

CHAIR: The minister returns tonight at 7.30 pm.

Senator FARRELL: Seven thirty!

CHAIR: These are the challenges with this, as you full well know. This is already a spillover because we could not cope with a lot of this. We could ask Mr Mrdak to ask officers in relation to this area to remain with us until 7.30, and I am sure he would accommodate that. We can hopefully get through the schedule, and perhaps the end of it can be converted back to this.

Senator FARRELL: Any questions I have in respect of the portfolio divisions—

CHAIR: Let me help you. There are two areas now. If you tick No. 1, Policy and Research Division, we will need Minister Nash or the equivalent. If you go over to No. 7, Local Government and Territory Division, we will need Senator Nash for that. The balance of it will be very splendidly represented by Senator McGrath. You will continue to have the call. We are now onto item 2, because we cannot be on any other item.

Senator FARRELL: Am I able to ask my questions and then you can rule in respect of each of the questions whether it is appropriate for them to be asked while this minister is in the chair or I need to wait and ask those questions to Minister Nash?

CHAIR: If your questions are directed at the area of responsibility for Minister Chester, they are fine. Perhaps Mr Mrdak could guide us as we go. If it is under Minister Nash's portfolio, he may well indicate that, and we will have to deal with those questions separately.

Senator FARRELL: Because I am asking the questions, I will not always know what the answer to them is.

CHAIR: I appreciate that. Why don't we just bumble along and see how we go?

Senator FARRELL: What about doing that?

CHAIR: Let's try that. Mr Mrdak, you will guide Senator Farrell?

Mr Mrdak: Yes.

CHAIR: Let's take a fairly liberal view of this and see if you can accommodate Senator Farrell as best as you can.

Mr Mrdak: Certainly.

CHAIR: Go to the edge of the envelope and then, if it is not, we will have to deal with them separately.

Mr Mrdak: Certainly.

Senator FARRELL: I prefer a Labor view of things, but I am happy on this occasion to take a liberal view! Come to think of it, the LNP are not getting on too well together.

CHAIR: One out of 14,000.

Senator McGrath: I wouldn't believe everything you hear.

CHAIR: One swallow does not a summer make.

Senator FARRELL: So Senator Brandis was wrong about the—

CHAIR: Senator Farrell, direct your questions in relation to the portfolio.

Senator FARRELL: Secretary, I was starting to ask some questions about particular areas of responsibility. I think you have heard the chair's ruling. If I am asking a question outside of the particular minister, feel free not to answer the question. I am going to ask you for a series of projects and who the particular minister is who is responsible for it. The Western Sydney Airport roads project?

Mr Mrdak: Minister Fletcher.

Senator FARRELL: The \$345 million Victorian regional roads package announced last week?

Mr Mrdak: Minister Chester.

Senator FARRELL: The Perth to Forrestfield rail project?

Mr Mrdak: Minister Fletcher.

Senator FARRELL: The \$20 million Goulburn Valley regional jobs project?

Mr Mrdak: That falls within the responsibilities of Minister Nash.

Senator FARRELL: So we have a Victorian regional roads package that falls to Minister Chester, but a Goulburn Valley jobs package falls to Senator Nash.

Mr Mrdak: It is a regional jobs program as opposed to a roads infrastructure program. The guidelines for that program are yet to be publicly released, but the intention of the government is that it is aimed at assisting areas of higher unemployment and providing a range of funding streams to support job creation. It falls within Minister Nash's regional development responsibilities.

Senator FARRELL: So you would expect it to be an infrastructure project of some sort.

Mr Mrdak: It may be. It may not. In the election announcement, the government also indicated that it will look at job creation opportunities. There may be a range of business assistance measures as well as infrastructure measures.

Senator FARRELL: The \$43 million Hazelwood Power Station closure infrastructure package, which included a \$20 million regional jobs package and \$20 million for local infrastructure?

Mr Mrdak: In our portfolio, Minister Chester has lead responsibility in relation to Latrobe Valley issues.

Senator FARRELL: The Hobart airport roundabout?

Mr Mrdak: That would fall within Minister Fletcher's responsibilities.

Senator FARRELL: The Armidale Airport roundabout?

Mr Mrdak: Armidale, New South Wales. I think that would fall in Minister Chester's responsibilities.

Senator FARRELL: Is there another Armidale?

Mr Mrdak: Yes, there is one in Perth and there is one in Melbourne.

Senator FARRELL: Three Armidales. There you go. I had only heard of the one in New South Wales. I just do not travel enough, I think! The Airport Boulevard in Ballina?

Mr Mrdak: That would fall within Minister Chester's responsibilities.

Senator FARRELL: Why not Senator Nash?

Mr Mrdak: Again, it relates to part of our Infrastructure Investment Program, which falls within Minister Chester's responsibilities.

Senator FARRELL: What in particular about it?

Mr Mrdak: It is a road project. Where it involves land transport infrastructure, road or rail, or intermodal terminals, it will fall within Minister Chester's primary responsibility.

Senator FARRELL: Does somebody make the decision about that at the start? I imagine there are some that could fall within one or other of the categories, depending on the wide-ranging nature of them.

Mr Mrdak: Certainly in terms of the administrative orders and also the instruments appointing the ministers, they make clear certain programs and legislation fall within certain ministers' responsibilities. In relation to land transport infrastructure, those matters are clearly identified as Minister Chester's responsibility.

Senator FARRELL: None of these issues are—

Mr Mrdak: No. The only issue that needed to be determined in relation to it was, essentially, the geographic boundaries of Minister Fletcher's urban infrastructure responsibilities.

Senator FARRELL: What about the Bridges Renewal Program?

Mr Mrdak: Minister Chester.

Senator FARRELL: The Barneson Boulevard in Darwin?

Mr Mrdak: Is that inside Darwin itself?

Senator FARRELL: Yes, in Darwin.

Mr Mrdak: In which case it is Minister Fletcher, as an urban infrastructure project.

Senator FARRELL: The Appin Road upgrade?

Mr Mrdak: Minister Fletcher. It falls in south-western Sydney.

Senator FARRELL: The Barton Highway duplication?

Mr Mrdak: Minister Chester.

Senator FARRELL: The Mount Dandenong Tourist Road upgrade?

Mr Mrdak: Minister Chester.

Senator FARRELL: The concessional loan to upgrade the Sunshine Coast Airport in Queensland?

Mr Mrdak: Minister Chester.

Senator FARRELL: The concessional loan to upgrade Cairns Airport?

Mr Mrdak: I am not familiar with that one. That may fall within the Northern Australia Infrastructure Facility.

Senator FARRELL: I think you are right. So none of these ministers—

Mr Mrdak: That would fall within the Mr Canavan's responsibilities. I am not familiar with any concessional loan commitment to Cairns Airport under our portfolio. If it is a project that has been proposed under the Northern Australia Infrastructure Facility, that falls within Minister Canavan.

Senator FARRELL: And I think it does. You have no role in any of that—once it is in the Northern Australia category?

Mr Mrdak: We have responsibility for Northern Australia road and rail programs, but the Northern Australia infrastructure financing facility and the NAIF organisation falls within the minister with responsibility for Northern Australia.

Senator FARRELL: The Outback Way?

Mr Mrdak: Minister Chester.

Senator FARRELL: The Drought Communities Program infrastructure initiatives?

Mr Mrdak: That falls within Senator Nash's responsibilities.

Senator FARRELL: The Townsville Stadium?

Mr Mrdak: That falls within Minister Taylor's responsibilities as part of the Commonwealth City Deals program. He is the assistant minister for cities. But we have responsibility for the Townsville Stadium project delivery. While Minister Taylor has overall responsibility for City Deals in Townsville, our portfolio is essentially providing the administrative support in relation to the Townsville Stadium development.

Senator FARRELL: So you provide the administrative support. What do they do?

Mr Mrdak: Minister Taylor has responsibility for City Deals. The government has announced Townsville as one of its initial City Deals, and the Townsville Stadium commitment forms part of that funding commitment.

Senator FARRELL: The upgrade to the Cairns marine precinct?

Mr Mrdak: I think that is a regional project which would fall within Senator Nash's responsibilities.

Senator FARRELL: And, finally, the inland rail project?

Mr Mrdak: Minister Chester. Chair, as I mentioned earlier, I need to be excused for a short period. I have a commitment with the minister. I will return as quickly as I can.

CHAIR: Senator Farrell, do you have more questions on this Policy and Research Division?

Senator FARRELL: I do have a few more. Deputy Secretary, are you familiar with all of these areas?

Ms Zielke: Anything I cannot help you with I am sure we will be able to deal with.

Senator FARRELL: Who is the responsible minister for the study linking Inland Rail to the Port of Gladstone?

Ms Zielke: That would be Minister Chester.

Senator FARRELL: Is that in any way linked to the Adani mine proceeding?

Ms Zielke: I would need to take that on notice—I am not familiar enough with it. I do not believe it is.

Senator FARRELL: The provision of the concessional loan for the rail project in Townsville?

Ms Zielke: There is a Townsville rail project, which is a grant, as I understand it, and that would fall within Minister Chester's responsibilities.

Senator FARRELL: The Townsville Eastern Access Corridor project—there are certainly a lot of projects in Townsville.

Ms Zielke: That is the Townsville rail project.

Senator FARRELL: That is the same one, is it?

Ms Zielke: Yes. TEARC is its short name.

Senator FARRELL: So is Minister Chester also responsible for that one?

Ms Zielke: Yes.

Senator FARRELL: The Launceston City Heart Project?

Ms Zielke: I am sorry; I am not familiar with that one.

Senator FARRELL: Would you be able to get back to us with that one?

Ms Zielke: Yes.

Senator FARRELL: The Moreton Bay Regional University Precinct capital works?

Ms Zielke: The Launceston city project is the responsibility of Minister Nash. I am sorry, what was the one that you next listed?

Senator FARRELL: It was the Moreton Bay university precinct capital works.

Ms Zielke: That is still being considered by government so at this stage it may well be the responsibility of another portfolio yet to be determined.

Senator FARRELL: Is there a question mark about whether it will proceed or is there a question mark about who?

Ms Zielke: It is about responsibility.

Senator FARRELL: So is there no doubt it will proceed? What would be the criteria for discussion on that one in determining whose responsibility it would be?

Ms Zielke: It is for government to consider at the moment in relation to the allocation of workload, I suppose, in that regard. It is just one amongst the group that, I am afraid, have not been determined as yet.

Senator FARRELL: Do some ministers have a greater workload in this space?

Ms Zielke: I meant from an administrative perspective.

Senator CHISHOLM: In relation to the funding for the Townsville stadium, what the process is the government using to ensure that local contractors get work on the new stadium in Townsville?

Ms Zielke: The projects that are funded generally all are linked to the need for an Australian industry participant plan or a local industry participation plan, which is the state version, which are agreed under a national framework under COAG. So that framework is what would be used by Townsville in actually applying whatever procurement arrangements it has under that process.

Senator CHISHOLM: And practically what does that mean for local contractors in Townsville? Are they going to see work out of this proposal or is it all going to go to contractors from down south or from overseas?

Ms Zielke: It will be up to the local management of the project in that regard. The Commonwealth provides support to the state in relation to the projects and then they are managed through the state and local government arrangements so that would be determined by state and local government arrangements.

Senator CHISHOLM: So from a federal point of view, is there no guarantee that that money that is being invested in Townsville is going to result in local employment?

Ms Zielke: The industry participation arrangements will have to be lived up to by Queensland and state arrangements as well so that would normally determine that work needed to be offered locally, but that is a consideration for state and local government not for the Commonwealth.

Senator CHISHOLM: In regards to the government announcement of \$200 million in the Regional Jobs and Investment Package during the 2016 federal election campaign, would it be possible to get an update on how that has progressed and how much money has been spent in local communities since it was announced?

Ms Zielke: Minister Nash is considering the arrangements in the Regional Jobs and Investment Package, which are 11 packages around the country, at the moment. Guidelines are yet to be issued. After the guidelines

have been issued then funding would be made available in response to applications. But the actual final arrangements have not been determined as yet.

Senator CHISHOLM: So we are five months on from the election campaign when these promises were made, and we are still no closer to actually seeing any money spent on creating local jobs in these communities where they were promised?

Ms Zielke: I know the minister is consulting with colleagues in the various areas and making sure that the commitment to provide community involvement in relation to design arrangements is delivered on. I know that that is why time is being taken in relation to the guidelines, but that is, again, a consideration for government.

Senator CHISHOLM: Is there any particular reason why the guidelines are taking so long? I would have thought that, given the mantra of the government in the campaign was around jobs and growth, getting this into action would be a priority.

Ms Zielke: Yes, very much a priority. The minister has made that very clear, and we have been working very hard to make sure that those guidelines are provided as quickly as possible.

Senator CHISHOLM: Would it be possible for you to confirm the 11 regions that are receiving money as part of this proposal?

Ms Geiger: There are 10 regions. First of all we have, in Queensland, Cairns, Wide Bay-Burnett and Bowen Basin; in New South Wales, we have New South Wales South Coast and New South Wales North Coast; in South Australia, we have Upper Spencer Gulf; in Victoria, it is Goulburn Valley and Geelong; and in Tasmania, we have regional Tasmania. Sorry—also in Victoria, we have Latrobe Valley.

Ms Zielke: Latrobe was recently announced and is, in effect, therefore the 11th in the group. The program was originally announced with 10 regions.

Senator CHISHOLM: I think the original 10 that were announced during the campaign were \$200 million—

Ms Zielke: Yes.

Senator CHISHOLM: and then with the announcement around Hazelwood, is that extra money on top, or does that mean it has been reduced in other—

Ms Zielke: It is an extra \$20 million on top.

Senator CHISHOLM: So \$220 million all up. I imagine the department would have had some sort of criteria to determine which regions were eligible for this sort of funding?

Ms Zielke: This was an election commitment. It was determined by government.

Senator CHISHOLM: So there was no input from the department about which areas were necessary, or which areas were in need of this sort of funding?

Ms Zielke: It was actually announced during the election; so, no, that was not the case.

Senator CHISHOLM: Would it be possible for the government to shed any light on why some regions with high unemployment like Townsville—which has a youth unemployment rate of around 20 per cent—missed out compared to other places in Queensland?

Ms Zielke: Maybe that is a consideration, again, to the minister. I am also conscious that we are talking about areas that are in Senator Nash's area of the portfolio. I am sorry, Chair, I had strayed without thinking about the previous conversation.

CHAIR: You might hold that thought, if you like, Senator Chisholm, and we can put it to the minister when she returns here at 7.30, all things being equal.

Senator CHISHOLM: Sure.

CHAIR: Have you completed?

Senator CHISHOLM: Yes, I will wait for Minister Nash.

Senator McCARTHY: Ms Zielke, with the regional jobs and investment package—I know that you have said you are working on the guidelines—does that include Indigenous employment in terms of a focus to encourage Indigenous participation?

Ms Zielke: I am now conscious of the fact that this is Minister Nash's responsibility. My apologies for not thinking of that when you first asked the question.

Senator McCARTHY: Okay. Thank you, Chair.

CHAIR: Ms Zielke, that deals with the Policy and Research Division. We would like to extend our thanks to your officers who have attended in that area. They are free to go, and we wish them a safe journey to wherever it is they are going. **We will move on to the next unit now—the Western Sydney Unit.**

Senator McCARTHY: Senator, or Ms Zielke, the department wrote a brief about the Western Sydney City Deal that was announced by the Prime Minister on 20 June 2016. It is listed as WSUEC02 in the incoming brief. Are you familiar with that?

Ms Zielke: No.

Senator McCARTHY: Is there anyone who might be familiar with it?

Ms Zielke: I am not familiar with the fact that—we do not do incoming government briefing, so I am uncertain as to what it is that you are actually referring to.

Senator McCARTHY: That is okay. I will take a note of that. So if we are talking with the Western Sydney Unit, can you indicate which LGAs form part of Western Sydney for the purpose of the City Deal?

Mr McRandle: In relation to the City Deals, those matters are managed by Minister Taylor in the Prime Minister's portfolio. So I am unable to give you an answer. They are better directed to Minister Taylor.

Senator McCARTHY: Just through the chair, I do have a few questions. Again, if we come up against the relevance in terms of who can respond, I might just ask the questions and get a sense of what I can get from here.

CHAIR: Ms Zielke, were you here before when we put that arrangement in place?

Ms Zielke: Yes.

CHAIR: So we will just go forward to the extent that you can accommodate Senator McCarthy. We would appreciate it.

Senator McCARTHY: So what I might do, Mr McRandle, is: I might just ask these questions, and then at least we can have a sense of where we will go with it.

CHAIR: Can I just say, Senator McCarthy: in the event that—

Ms Zielke: Western Sydney is Minister Fletcher's—

CHAIR: Yes. So we are going to be fine here in any of this Western Sydney—

Senator McCARTHY: This is going to be difficult then, isn't it?

CHAIR: If you bump up against a question that is for Senator Nash, and we cannot—no, no, you can ask areas under Senator Fletcher; they will respond where they can there. But if you bump up against a question that cannot be answered here, you will have a choice. We can either take the jeopardy path—that is, at 7.30 we will get time to be able to deal with it with the minister—or you can put it on notice, obviously.

Senator McCARTHY: Can I just clarify then: if we are talking about City Deals, then that is completely not something that you can answer.

Ms Zielke: City Deals are the responsibility of Minister Taylor, who supports the Prime Minister. So, no, they are not things that we can respond to questions on. We do have some projects, though, that sit within the areas of the City Deals. It is those projects that we might be able to assist you with—but not in relation to the breadth of the City Deals.

Senator McCARTHY: Okay. I might have to move on from the Western Sydney Unit because I have a fair few questions in regard to that area.

Senator FARRELL: Chair, does that mean we cannot ask any questions about the Western Sydney City Deal?

CHAIR: No, no. That it is fine to do.

Ms Zielke: Sorry. Not about the Western City Deal—no, Senator. If you were wanting to ask questions about the projects that we are responsible for—Western Sydney Airport, for example, or any of the road or rail projects that we are working on—

CHAIR: This is covered with the Western Sydney Unit. That is the category of—

Senator FARRELL: Okay. So we can ask some questions about the Western Sydney Rail study?

Unidentified speaker: Yes.

Senator McCARTHY: Let's go on to the Western Sydney Rail study then. What involvement is the department having in community and stakeholder consultations on the discussion paper?

Mr McRandle: Together with Transport for New South Wales—the New South Wales government department—we have operated a public discussion paper for a period of six weeks, where the community was invited to comment on possible options for rail services in Western Sydney. That consultation period concluded on 28 October, and we are now reviewing the submissions that have come in, together with our colleagues in Transport for NSW.

Senator McCARTHY: Just how many submissions did you receive in that time frame?

Mr McRandle: A hundred and twenty-five long-form submission were provided through that process. There were also 902 online surveys completed as part of that work.

Senator McCARTHY: And you are still going through those submissions?

Mr McRandle: That is correct.

Senator McCARTHY: When do you see yourself completing those submissions in terms of looking through them?

Mr McRandle: It is a piece of work that will take us a few months to do. I am expecting that it will be early in the new year before we complete our review of those submissions.

Senator McCARTHY: What discussions has the department had with Infrastructure Australia?

Mr McRandle: In relation to the rail study?

Senator McCARTHY: Yes.

Mr Whalen: I look after the Commonwealth's contribution to the Western Sydney rail study. The involvement of Infrastructure Australia to date has not been a lot. They have taken an interest in the project, as you would expect them to do for the broader activities occurring in Western Sydney. But, for any detailed questions about their level of involvement, it is probably better to address those questions to them.

Senator McCARTHY: So it is not unusual that they do not take a lot of interest in it? That is just out of curiosity.

Mr McRandle: At this stage of the project it is fairly early. We are looking at some very broad options around the rail needs in Western Sydney. It is not around any specific proposal at this stage. Infrastructure Australia, I think, would take a larger role once state and federal governments had settled which options worked with that.

Ms Zielke: Once there is actually a business proposal for Infrastructure Australia to consider, yes, you will see that engagement change. I am also conscious that Infrastructure Australia responded to a range of questions at our last session as well in that regard.

Senator McCARTHY: Yes. Thank you. Has the Western Sydney Unit been consulted by Angus Taylor or PM&C on the City Deal?

Mr McRandle: Not the unit directly. Minister Fletcher is the responsible minister for Western Sydney Airport and the rail deal, but we obviously work with our counterparts in Prime Minister and Cabinet.

Senator McCARTHY: Just ignoring how some costs might be recovered for the moment, can you provide rough estimates of the capital cost of the following options that are listed in the paper, which connect with the new airport: 'Option 1: Western Sydney Airport. WSA to South West Rail Link.' What might be the amount for that?

Mr Whalen: It might be better for me to give you a bit of an explanation as to how the costing process will occur going forward. At this stage of the process, the actual costings of specific options that are in the discussion paper have not been undertaken.

Senator McCARTHY: Why is that?

Mr Whalen: Because at this stage it is not the appropriate time in the development of the study to actually do that work. The first part of the process is to identify the scenarios that would best address the needs of Western Sydney, and that was the purpose of the public consultation process: to put forward a range of scenarios that the Commonwealth and Transport for NSW had actually arrived at and to seek feedback from the public and industry as to whether there were any other options that were worthy of considering.

Senator McCARTHY: When you say it is not the appropriate time, can you just walk me through when the appropriate time is to look at those costings.

Mr Whalen: The next stage in the scoping study is to settle the scenarios that will be assessed in more detail against the key criteria that were also identified in the scoping study. There will be a high-level strategic business case done against the key options that are more likely to be rated higher in terms of the criteria. Subject to the

final report and what options or scenarios are recommended for further investigation and when, any specific options that are likely to be pursued in the short to medium term would require a full business case—that comes back to your point about Infrastructure Australia—and then that would be an appropriate point where the likes of Infrastructure Australia would get involved in such projects.

Senator McCARTHY: I am curious to know about the costings. If I can seek some guidance here, I have six options here that I would like to put forward. If I could do that, you could take it on notice or at least be aware that the committee would like to have some indication of these costs. Could I just provide this to you?

Ms Zielke: I am happy to take the list from you, but I am very conscious that until such time as the scenarios have been prioritised and considered, and until we have proposals on the table that are actually able to be costed, it is extremely difficult. At the moment we would not be able to respond to those questions at all. It would be quite some time in the future before we were able to address that. The process of seeking input from industry and from various proponents et cetera in coming up with those costings is quite lengthy and quite costly, particularly for industry.

Senator McCARTHY: I want to understand this a little bit better. The most expensive option is about \$25 billion, so you have clearly thought of the costings in some respects there. I just want to work out how that statement can be made if costings are not done at least roughly.

Mr McRandle: We need to be very general on costs for transport in New South Wales, just to give the public some indication of the relative magnitude of different options. Probably the best thing is if you provide those particular routes to us on notice and we can determine whether we can provide any more information.

Senator McCARTHY: All right. I will read through them to put these six options on notice. Option 1 is western Sydney airport to the South West Rail Link. Option 2—

Mr Whalen: Sorry, Senator. To help us out, can you identify where exactly? The South West Rail Link is—

Senator McCARTHY: Where would you see the end of that link be?

Mr Whalen: Are you talking about Leppington?

Mr McRandle: It sounds like Leppington. If you provide those, we can do our best to put some geography around that.

Senator McCARTHY: Option 2 is WSA to Sydney Metro Northwest. Again, I will be guided by your location on that. Option 3 is WSA to Liverpool. Option 4 is WSA to T1 Western line via Saint Marys. Option 5 is a direct rail express service from WSA to Parramatta. And option 6 is a north-south link—Macarthur, WSA, St Marys to Schofields. Thank you very much for taking that on notice.

Senator FARRELL: We were just asking you some questions about some of those options. Can you tell us whether a high-speed rail proposal is being looked at as part of the rail study?

Mr McRandle: In terms of intercity high-speed rail?

Senator FARRELL: Yes.

Mr McRandle: No, it is out of scope for the—

Senator FARRELL: Out of scope?

Mr McRandle: Yes, it is. It is set out in the consultation paper that was released in September that high-speed rail is not part of the scope.

Senator FARRELL: Is there any high-speed rail study going on anywhere in the government?

Ms Zielke: No, government is not currently considering high-speed rail.

Senator FARRELL: That perhaps answers my next question, but I will ask it anyway. Has the possibility of using a fast train through Sydney and the new airport been considered as part of a much larger east coast high-speed rail planning?

Ms Zielke: Not at this stage.

Senator FARRELL: Has the potential for linking the HSR and the Western Sydney rail through the airport been considered as a potential stage 1 for the HSR?

Ms Zielke: No.

Mr Whalen: Just adding to that, in terms of the current study, that is correct. There have been earlier studies, as you are probably aware, on high-speed rail which did look at lines that would venture further west of Sydney than the lines that were identified as preferable in that study, and which found that the additional travel time associated with heading further west would be so significant that it would not be viable from that point of view.

Senator FARRELL: How far west? Where does the unviability come in?

Mr Whalen: I do not have that information now.

Senator FARRELL: When was that study done?

Mr Whalen: I can find you the dates.

Ms Zielke: There were several done a matter of years ago, which—

Senator FARRELL: Were these done under the former government—the Rudd government?

Ms Zielke: They were done under the former government, yes.

Senator FARRELL: And that is the study that you are referring to, is it, Mr Whalen?

Mr Whalen: I would have to check which government was in at the time.

Senator FARRELL: Is the WSU aware of the corridor discussions occurring with the HSR senior officials group?

Ms Zielke: The senior officials group for HSR is managed through the policy and research division, so they would be aware, but I do not believe there is a direct connection.

Senator FARRELL: No connection? Okay. Is the department's rail options study work and its HSR corridor protection work connected?

Ms Zielke: The two areas—policy and research and our infrastructure and investment divisions—are in contact with one another and are dealing with rail issues on a regular basis, yes.

Senator FARRELL: How is that done?

Ms Zielke: Through working together and both being represented at various groups. Also working together when it comes to the presentation of any papers or briefs to ministers or consideration more broadly of rail issues by, for example, the Transport and Infrastructure Council.

CHAIR: Do any other senators have any questions on the Western Sydney Unit? There being no other questions on that, we will thank your officers, Ms Zielke, and wish them a safe journey home or to wherever they are going. We appreciate your time and effort.

National Transport Commission

[17:13]

CHAIR: We will now do the National Transport Commission.

Ms Zielke: Senator, I will assist you with questions in relation to NTC this evening.

CHAIR: Very good.

Senator RICE: I am interested in asking about autonomous vehicles. There was an NTC policy paper released this month that recommended that human drivers should retain full legal control and liability for any accidents or civil lawsuits for autonomous vehicles. What led the NTC to make this decision?

Ms Zielke: The NTC actually released a discussion paper for consultation many months ago in relation to that issue. It has been consulting broadly in relation to a range of proposals that it put forward in that paper, noting that most of that consultation has not only been with stakeholders but, of course, discussions across jurisdictions in relation to various road rules and harmonisation in relation to those issues. The role of the NTC is to work on harmonisation of road rules and also to consider support for policy arrangements going forward, so anything that would affect it. The NTC does not take decisions though in relation to those proposals. It submits proposals to the Transport and Infrastructure Council, which is Commonwealth, state and territory ministers under COAG. So ministers considered the proposals put forward by NTC at its meeting earlier this month.

Senator RICE: But it was a recommendation in the policy paper that the ministers across the jurisdictions say that the human drivers should be retain full legal control, yes.

Ms Zielke: In effect, saying that, at the moment, this is the basis for which our road rules work under, and noting that, for work to be subsequently done on how you might progress with that into the future, there is actually a work plan that sits under the discussion paper in effect that says: to work on how we move forward from there, here is the range of issues that we actually need to have addressed. There is a work plan that council has agreed to that will progress that work going forward.

Senator RICE: So you are saying that that position was discussed by the council of transport ministers earlier this month and they accepted that position?

Ms Zielke: Yes. In that they have accepted the work plan but will progress the issues. Obviously, at this stage, we are not in a position whereby automated vehicles can be put on our roads. We do not have infrastructure in place. We do not have a number of regulatory requirements in place, so therefore the discussion paper that NTC prepared was largely focused on: so how can we move forward and what are the positions that we need to be considering—and that is what NTC laid out in that.

Senator RICE: I am interested as to why NTC came up with that position and it was subsequently accepted. You say how it aligns with the position of the US federal Department of Transportation—their position is that the entity responsible for the automated driving system should be legally responsible rather than the driver for complying with road rules. So why the difference between what is being proposed for Australia with what is being proposed for the US?

Ms Zielke: My general understanding in that regard is in relation to the regulatory arrangements that the US has in place as opposed to our system here in Australia where they have taken decisions to allow certain arrangements to occur in some areas of the US, not across the whole of the US. In Australia, we have taken an arrangement whereby we would agree to that across the country where we can before moving forward. At this stage, we do not have a basis on which to proceed with a rule other than that. It does not mean that testing or trialling cannot be undertaken—and we have a number occurring around the country; particularly, various states are showing a great deal of leadership in relation to how to move forward; and also technology—so we have companies that are heavily involved in various forms of technology to work on how we move to automated vehicles. They were other issues that were raised in that same paper.

Senator RICE: Obviously, it is a rapidly developing field where progress is being made quicker than what people thought was going to be made. Could you take on notice why the analysis as to why it is—

Ms Zielke: A further explanation in relation to—

Senator RICE: appropriate for us having the driver responsible compared with the US position, because I would have thought the technology is going to be global—there is no doubt about that. It is already here, and we have got to US taking one position and we seem to be taking another.

Ms Zielke: I do not know about taking different approaches but, most certainly, I will come back to you with that detail.

Senator RICE: It is a pretty fundamental difference in terms of legal liability as to whether it is the driver who is responsible or the manufacturer of the vehicle that is responsible.

Ms Zielke: The NTC paper does actually talk about the range of options going forward but it restates what our current position is, and so it actually opens the conversation in relation to all of the other arrangements. I will take on board the difference between the two and come back.

Senator RICE: Can you just talk through a bit more now, or take on notice, what the work is then to be done from here; what is in that work plan—how firm that position currently is or whether through the work plan there would be consideration of it potentially changing in the future?

Ms Zielke: That is what the work plan is about. I am sorry; off the top of my head, I am not able to give you a list of activities. But basically the work plan looks at the progression to automated vehicles, so, in the first instance, what we could be doing more of in relation to connected vehicles, where we are actually connecting one vehicle to another and connecting it to local infrastructure, to the next progression after that—obviously three or four steps after that—where you have a fully automated vehicle. For example, recently at the ITS global congress in Melbourne, there were actually demonstrations undertaken of semiautomated vehicles, so vehicles where, under certain infrastructure arrangements, they can actually be driven fully automated and then, when you return to other areas of road that do not have the same infrastructure arrangements, you take control of the vehicle again. It is most likely that that might be what we progress towards before we actually move through the various levels of automation to get to what might be fully automated—at 'level 5' is the colloquial term, I think.

Senator RICE: And that is particularly for the legal liability, where they are fully automated, as to who is responsible.

Ms Zielke: Yes.

Senator RICE: If the driver is sitting back and not paying attention, it does seem to be strange that our system would say that they are still legally liable, particularly given the US have decided that, no, it is a fully automated vehicle and it is the manufacturer that is liable for the decision-making of that vehicle.

Ms Zielke: I agree, and the paper does suggest that that actually be the case at that time. What has been stated is the current case, not what would be the case for automated vehicles. It is probably best if I come back to you with that in detail.

Senator STERLE: I came in after Senator Rice started asking questions, so I am going to clarify this. Was it about, in terms of legal liabilities, who is responsible should there be an accident? Is that what you were answering?

Ms Zielke: Yes, if it was an accident or anything where insurance might be applied et cetera.

Senator STERLE: I read in Tuesday's *Australian*—I know I'm sick; I need a life, because I had to read *The Australian* newspaper, but I did. I was stuck on plane on Tuesday and I read that the Insurance Council or someone has agreed that, by 2020, it would have proposals to take to government. Is that right? Are you aware of that?

Ms Zielke: I am sorry; I am not familiar with that. I know that the Insurance Council has been engaged in a number of the conversations in relation to it, as part of both the NTC paper that we were just talking about and more broadly. Obviously that is a conversation that is being had by a lot of industry associations as well as a lot of stakeholders at this stage.

Senator STERLE: Has NTC had any input into those conversations—that by 2020 there will be a resolution to put to governments?

Ms Zielke: I do not believe so, but I am happy to take that on notice.

Senator STERLE: If you could please. While you are at it, has the NTC had any follow-up or involvement in the Coors brewery driverless truck trial in San Francisco about four or five weeks ago?

Ms Zielke: I am sorry; I would have to take that one on notice.

Senator STERLE: If you could. It was a fully loaded semitrailer, with 20-odd pallets of beer, and it went for about 150 kilometres. Someone was in the bunk, but the truck was driverless.

CHAIR: Knowing facts like that, you do need to get a life! Are there any other questions under the National Transport Commission?

Senator FARRELL: Deputy Secretary, the NTC annual report for the current year refers to an opt-in road user charging trial in Oregon in the United States that was still underway. Can you tell us whether that project is still proceeding?

Ms Zielke: I will do my best, although I will note that my colleagues under Policy and Research Division were actually responsible for our engagement in that work. But, yes, I understand the trial in Oregon is continuing at this stage and that we have had some involvement in understanding what it is that they are doing and learning from some of their arrangements.

Senator FARRELL: Can you tell us what that involvement is? Are these actual officials over there engaging in it or are we getting some other reports?

Ms Zielke: More engaging in conversations with them in relation to the work they have been doing and the outcomes they have achieved from that, as well as, more recently, some of the trials that have been undertaken by Transurban, for example, in Melbourne, which are in some ways similar to those trials—testing out different payment methods and the way in which users react to the different options that are presented to them.

Senator FARRELL: What is the purpose of the trial? What are you trying to elicit from that trial?

Ms Zielke: I do not know that we are trying to elicit anything. We are interested in learning about what it is that they had experienced in the Oregon trial. The one I mentioned in Victoria is a Transurban trial and the government has not commissioned that work that has been undertaken by them.

Senator FARRELL: And what are they doing?

Ms Zielke: They undertook a trial which was on a voluntary basis with various citizens—I think there were a few thousand—where people could try different arrangements, such as paying per kilometre or having a GPS-type unit in their car that would monitor what they were doing and basically trying to gauge how users best want to interact with that, depending on whether they are a significant user of the road or whether they are using it for only small portions, say, once a week. It was about understanding how users wanted to engage with it. I think they also engaged in whether people understood what they were currently paying for as opposed to how it might work under a user-pays arrangement.

Senator FARRELL: So this survey would have been to try to better match the charging with the amount of time that—

Ms Zielke: No, it was about different forms of charging, is my understanding.

Senator FARRELL: Can you explain that a bit more? I am not quite understanding.

Ms Zielke: My apologies. I am going from memory. For example, one user might like to have a GPS unit in their car and at the end of a period of time—a month, say—have somebody send them a bill that says, 'This is what you used of the road and here's the charge we're attributing to that.' Somebody else might prefer to pay \$50 a month and use only that \$50—for example, like a mobile phone, where you actually limit your costs by saying, 'I'm only going to spend this much a month.' So it was about different mechanisms that could be used.

Senator FARRELL: Not about getting a fairer or more proportionate way of charging?

Ms Zielke: The work that would need to be undertaken on road charging or road pricing more broadly is a significant piece of work. You may be aware that COAG actually agreed to some investigation of that and therefore our department has been responsible for giving early-stage consideration in collaboration with our colleagues in states and territories to what work needs to be done to be able to look at what costs would be and how you might undertake that work.

Senator FARRELL: What is your thinking on that at the moment?

Ms Zielke: At this stage we have been asked to return to COAG next year with a framework for consideration of those issues.

Senator FARRELL: And you are currently discussing it with the state governments?

Ms Zielke: Yes.

Senator RICE: Regarding the work COAG will do on road charging, what work will be done before you come back to COAG with that framework?

Ms Zielke: You might be familiar with the fact that heavy vehicles are already charged to use the road. We have been working on heavy vehicle road reform for many years now. In effect, that is I suppose a subset of road charging in that regard. We are looking at working on reforms for that at the moment, and COAG has asked that consideration be given to—if you were to do it at all—what framework you might do that under and what the key steps would be that you would need to consider. It is that framework that we have been asked to go back to COAG with.

Senator RICE: So, the department will be doing more work looking at the broader framework. You will be taking a proposed framework to COAG next year, so obviously you are doing work on what that framework would look like more broadly than just the heavy vehicle charging that you are currently doing.

Ms Zielke: Most certainly. So, we are talking about the impact on all vehicles, not just on heavy vehicles.

Senator RICE: What is the timing for coming back to COAG next year?

Ms Zielke: From memory it is midway through next year. I do not believe it is in early 2017. I can take that on notice, though.

Senator FARRELL: I started to ask some questions about the Oregon trial, and we diverted to Transurban. Can you tell us what the department has learnt from the Oregon trial?

Ms Zielke: Sorry, but I do not believe I could give you enough detail. I am happy to take that on notice, though. That is probably a more effective way.

Senator FARRELL: Yes, if you could. You do not happen to know what the government in Oregon plans to do with the results of the trial, do you?

Ms Zielke: They have actually been applying it, as I understand, so they have moved to where they have put charging in place on a voluntary basis. From memory they have a 10-year engagement schedule. But, again, it is probably best if I take that on notice and come back to you.

Senator FARRELL: Do you happen to know why Oregon decided to do this? Is there something special about that state?

Ms Zielke: I recall that it has something to do with their current funding issues, but no, nothing beyond that at this stage.

Senator FARRELL: I want to ask you some questions about autonomous vehicles. I would like to read from an IPA transport breakfast speech in August of this year regarding autonomous vehicles. It IPA site says: 'Mr Mrdak also discussed the theme of emerging technologies, such as automated vehicles. He acknowledged that while we may not know for certain what changes are needed, we should be open to asking the right questions and exploring the opportunities these new technologies offer. For example, we should be considering how new modes

of mobility will affect demand for traditional public transport. We need to find the opportunities to leverage these technological advancements to maximise the existing network.'

I appreciate that Mr Mrdak is not here, but I wonder whether you have an idea of what he meant by 'we should be considering how new modes of mobility will affect demand for traditional public transport'. Are you familiar with his address on that occasion?

Ms Zielke: I am not familiar with the details; I will be honest. But obviously mobility as a service is very much an issue we are considering—things such as Uber, for example, and the impact that might have. We also have local government considering how it could better meet its communities' needs—for example, whether a service that comes to a person's door and picks them up through a prebooked arrangement in a suburb rather than having a bus service that goes through with nobody using it in one suburb as opposed to overusing it in the next suburb. They are all issues that are being considered in relation to what technology might offer in the future. And automated vehicles are part of that conversation.

Senator FARRELL: Is the department aware of concerns that different state-by-state approaches to regulating autonomous or semi-autonomous vehicles may retard the development of the technology in Australia?

Ms Zielke: It is obviously a concern, hence why it has been greatly appreciated that states and territories and the Commonwealth at this stage are working together to make sure that we do not rush in and try to regulate something when we do not truly understand how it will work at this stage. It has been good that we have not had that occur.

Senator FARRELL: So how do you see the regulation proceeding from here?

Ms Zielke: At this stage just broadly there is nothing that is prohibiting trials and testing of automated vehicles going on around the country. That is progressing quite well at this stage. It also gives us, from a regulation perspective, the opportunity to engage in those trials and understand what might be the most effective way to regulate.

Senator FARRELL: I saw recently on television that South Australia is doing something in this area. Did you happen to notice that they were doing that?

Ms Zielke: South Australia actually closed off some of its roads for a weekend in conjunction with a conference that it held and had a trial of automated vehicles on one of its highways, from memory.

Senator FARRELL: Were you there?

Ms Zielke: I was not in Adelaide at that time.

Senator FARRELL: Have you had any reports on the outcome of those trials?

Ms Zielke: Some of my team were there. I understand that they went fairly well. They were not without glitches, from what I understand, but that is the whole purpose of testing and trialling technology. It is to see what is required.

Senator FARRELL: Which state is most advanced on this?

Ms Zielke: I do not think I can answer that question. We have a range of states that are being quite proactive. In addition to South Australia, Queensland comes to mind. But I also know that New South Wales and Victoria are doing work as well.

Senator FARRELL: Are they doing similar things to South Australia or different things?

Ms Zielke: In some ways they are similar, but there are always different things. There is a huge amount of work to be done. I think there is a willingness to try to work on various aspects rather than all of them doing the same thing.

Senator FARRELL: The federal government is big on innovation. Are they assisting in this process?

Ms Zielke: We have been coordinating part of that work—obviously the work we were talking about earlier by NTC. We have been inputting to that work as well. There are some trials that are being undertaken, for heavy vehicles in particular. We have been supporting and assisting that with both resources and advice. They have been undertaken in New South Wales. There have also been some automated trials in relation to some rail activities occurring in Queensland that we have been engaged with as well.

Senator FARRELL: Is your engagement with the state governments or with companies that are doing this?

Ms Zielke: Both.

Senator FARRELL: Is there some group that is particularly outstanding at the moment that you think are heading down the right track?

Ms Zielke: It is probably fair to say that there are a large number of organisations that are heavily engaged in this regard. I have attended a number of roundtables and conferences in the last year in particular that have shown the range of players eager to see automation not just for passenger vehicles but for buses, trains and ships. So it is quite broad.

Senator FARRELL: How does it work on ships?

Ms Zielke: Ships in some ways can be put on autopilot, just like a plane can, but I do not believe there is the opportunity at the moment for them to be fully automated, as with cars.

Senator FARRELL: Is the pace of this accelerating? Are you coming across more and more research in this area?

Ms Zielke: I think there is so much interest in this that, yes, the pace of research being undertaken particularly by companies is increasing tremendously. Google, Apple and all of those players, for example, obviously see this as an opportunity for the future.

Senator FARRELL: Are any of them doing research on it in Australia or is it all being done in the United States?

Ms Zielke: I think there is some work being done here, but I would need to take that on notice to confirm it for you.

Senator FARRELL: It would be good if you could, thank you.

ACTING CHAIR: As there are no further questions, we will go to ATSB.

Australian Transport Safety Bureau

[17:40]

Mr Hood: I have an opening statement but, in the interests of time, I am happy to table that.

ACTING CHAIR: Fantastic. We are happy for you to do that. Thanks, Mr Hood. I want to raise an issue. I have a little bit of a preamble to go through. I am not going to do a Senator Heffernan; I will get straight to the point. My nephew is a pilot. His surname is the same as mine. I was talking to him the other day. He was at 1,100 metres in what they call 'the teardrop' south of Jandakot Airport, which is where a lot of the young ones learn to fly. You would be aware of that. I was not even aware of that. It is down at Bunbury. He is not a young one learning to fly. A drone zapped in front of him within, I think he said, 100 metres. Do not hold me to that. He said he had written a report to ATSB. Would any of you or your offices have that incident report? Have you received it?

Mr Hood: No, but I can talk in more general terms about the trend in RPASs, if that—

ACTING CHAIR: We are going to do an inquiry and I do not want to pre-empt that, but I have checked with the secretary and you can tell me all about it.

Mr Hood: At this stage in Australia, since about mid-2014, we have seen a number of encounters between what we call remotely piloted aircraft systems—they are commonly referred to as 'drones'—and fixed wing and rotary wing aircraft. I have the numbers here on that increase. I think it is fair to say that those numbers are steadily growing. We call them 'encounters' because it is very difficult for us to be able to say exactly how close they came to an aircraft. We have had no collisions in Australia that we know of between RPASs and manned aircraft.

ACTING CHAIR: You better touch wood saying that!

Mr Hood: We do have a particular hotspot, and that is around Sydney. We have investigated five such encounters. We currently have three under further investigation. We have been talking to the UK and the USA on this and they are experiencing exactly the same phenomena that we are, which is an increasing trend in encounters with unmanned aircraft.

What we do not have a lot of research on—and we have been talking in particular to the UK, who are about to commence some research on this—is the consequence associated with a potential collision between a fixed or rotary wing aircraft and a drone. The UK has only just commissioned some research in the last month or so. There are so many variables—relative speed, whether it strikes the undercarriage, the wing, the tail, the windscreens or the power plant et cetera. I think it is fair to say that we are looking carefully at this space. We are obviously looking at CASA's new regulations. We have done a number of investigations and we have a number more on foot.

ACTING CHAIR: Tremendous. I do not want to go on about this too much, but what will happen to my nephew's complaint?

Mr Hood: Your nephew's complaint will be assessed, as we assess every single incidents that occurs in Australia on a daily basis. A decision will be taken about (1) whether we investigate or (2) whether that goes into the statistics bucket and we say, 'This is useful information.'

ACTING CHAIR: I do not want to be a smartie, but how are you going to investigate?

Mr Hood: It is an interesting area, as you would be aware. The ATSB have purchased our own drone for accident investigation. In going to a rail, marine or aviation accident it is of great benefit to us to be able to send the drone up to take airborne footage of the accident site for an assessment of risk et cetera.

ACTING CHAIR: Does this information get passed through to CASA? CASA will speak for themselves. I have heard from CASA. They can put out all the best wishes in the world that these kids will do the right thing—they might not even be kids—but there is no way known I am going to be bought on that nonsense. You already got that. Does it go to CASA?

Mr Hood: Certainly, most of the reports that we get are passed to us through Airservices Australia, because pilots will report to air traffic control that they have had an encounter with a drone, and then Airservices puts in an incident report, and that goes to both the ATSB and CASA.

ACTING CHAIR: Thank you, Mr Hood. I appreciate your answering that.

Senator McCARTHY: Mr Hood, you were just saying that you are looking at a number of investigations, and I want to have a look at that and examine that a little bit closer. How many incidents are being investigated?

Mr Hood: Are you talking in specific terms about drone investigations?

Senator McCARTHY: Yes, that is correct.

Mr Hood: We have completed five investigations into drone incidents and we have another three currently underway. In the past 12 months we have had 171 occurrences reported in relation to drones; 126 were aircraft crews reporting sightings and encounters and 45 related specifically to remotely piloted aircraft systems specific accidents and incidents. For example, a company that is authorised by CASA to conduct photography operations, if their drone crashes they will report that as a loss of the drone under the legislation.

Senator McCARTHY: If I can just go through those figures again: you completed five, three are underway and 171 occurrences were reported—what was it that you said just after that?

Mr Hood: We had 126 where aircraft crews had reported sightings or encounters with RPAs, similar to when Senator Sterle's nephew saw one. We do not have any information that is able to point us to who is operating that—whether it is one you can buy from ALDI supermarket or whether you can buy it anywhere else. And there were 45 related specifically to accidents and incidents reported by operators.

Senator McCARTHY: When you look at what you are going to investigate, what are your criteria?

Mr Hood: I will pass to Dr Stuart Godley, because he is involved in the daily meetings, and we have a set of criteria that we use to rate the risk of the occurrence and make a decision about the investigation.

Dr Godley: Every day we go through the list of occurrences that have been notified the previous day. We have a list of the minister's expectations, and the travelling public are at the top of that list. When it comes to drones, anything that involves either injury or potential injury to a third party would be fairly high on an investigation priority list. Otherwise, if it is an encounter, we have done some investigations in the past, some of the earlier ones, but we found that we had no real way of determining who was flying the drone, and the investigation came down to what the pilots of the main aircraft saw. In terms of other remotely piloted aircraft, in the last month or two we have had three investigations where they are fairly new aircraft coming in and these are larger aircraft—not two-kilogram ones but 10- to 20-kilogram aircraft—that are either being tested to go on sale or being tested by the operator, such as we had up in Ballina, with one being used for shark spotting.

Senator STERLE: At what heights are these interactions or incidents?

Dr Godley: The majority of encounters with the other aircraft happen above 500 feet, and that is a fairly significant level, because the drones under two kilograms are allowed to be flown only up to 400 feet within line of sight. Most of the encounters are actually above 1,000 feet.

Mr Hood: Just to put it into perspective, in 2015 there were 2,000 animal strikes on aircraft; 97 per cent of these were birds, and there were a number of kangaroos and wallabies, one dog and I think one cow.

Senator STERLE: If I am sitting on one of those little pencils of death with no air conditioning, I do not care what hits it, a drone or a bird, you are not going to make me feel any better.

Mr Hood: I just make the point to Senator McCarthy that we are still looking—we are doing a research project currently. We do not yet understand the consequence of a potential impact between a drone and an

aircraft, but, of course, daily we see collisions between birds or animals and aircraft. This is where the UK is going to pursue its research activities.

Senator McCARTHY: Do you have a view on whether drones should have mandatory identification tags on them that link back to the owner?

Mr Hood: I think it is probably a better question for the Civil Aviation Safety Authority. For ATSB, it is important that, whatever the rules made by CASA, we are independent and investigate the circumstances surrounding any incident.

CHAIR: But it would be helpful in the event of an event that, in the course of your investigation, you could identify the unit.

Mr Hood: Absolutely. It would be very helpful.

CHAIR: I think that was the burden of the senator's question.

Senator McCARTHY: Taking you back to those statistics that you gave me earlier, you said you have completed five investigations. Would you share with the committee the outcome of those investigations?

Mr Hood: Certainly. They are publicly available, as are all our reports, on the website and I would be happy to provide those to the committee.

Senator McCARTHY: You have three underway. Is that information public as well?

Mr Hood: The notifications of those investigations are on our website, so the public know that we are investigating. One involves the loss of a drone at Ballina and two were in Victoria.

Senator McCARTHY: Have your views been sought on recent regulatory proposals in this area concerning drones?

Mr Hood: The way the CACA regulatory system works is that they issue an NPRM, which is a notice of proposed rule making. That is publicly advertised and submissions are sought. Certainly from CASA's rule-making perspective, we are able, as are other government agencies, drone companies and the general public, to provide input to the rule-making process. In this particular case, I do not think we provided an input to the NPRM.

Senator McCARTHY: Why is that?

Mr Hood: I am not certain. That was before my tenure.

Dr Godley: I can answer that. It was for two reasons. Firstly, the proposed rule making did not affect accident investigation, which is our primary purpose. Secondly, the ATSB likes to remain independent of rules coming in so that, in the future, if we have to investigate accidents and incidents, we can make comment on those rules in an independent way.

Senator McCARTHY: Going forward, would you stay consistent with that view or would you at some point feel that you have to then start contributing?

Dr Godley: Looking to the past, we have always been consistent in that way over the many years I have been involved with ATSB. We have never commented on an NPRM unless it actually affected our ability to investigate accidents and incidents.

Senator McCARTHY: But you do have the legal capacity to comment.

Mr Hood: Anyone has the legal capacity to comment—that is my understanding. Obviously, the function of our act is to improve transport safety. So, in discussions within the ATSB, obviously if we thought matters were arising that could improve transport safety, we would consider our position in that regard.

Senator McCARTHY: Given that it is still an area with a lot of unknowns, and clearly with the research that you are doing with the UK and other areas, I am just interested to know if that is a viewpoint that you will hold consistently or think you will contribute to.

Mr Hood: Certainly. We look forward to providing input to the Senate inquiry in this space.

Senator McCARTHY: Thank you. On Pel-Air, where is the Pel-Air reinvestigation report?

Mr Hood: Thank you for the question. In my opening remarks, which I have tabled—

Senator McCARTHY: I have them here.

Mr Hood: The accident occurred when I was involved in regulatory oversight with the Civil Aviation Safety Authority. Prior to my appointment as the chief commissioner of the ATSB, I declared to the minister and to the ATSB commission a potential or perceived conflict of interest in relation to my involvement and approval in that report. With that in mind, the proposal I put forward to the minister and to the commission is that Captain Chris

Manning would be the commissioner who would be responsible for the ongoing approval of and release of that report. As a result of this committee and the ASRR, the Aviation Safety Regulation Review, which recommended the appointment of an aviation commissioner, Captain Manning is the first aviation commissioner of the ATSB. He is a former chief pilot at Qantas and the former president of the Australian and International Pilots Association. So he is very well-qualified in this area. With respect to my conflict of interest—or perceived or potential—Captain Chris Manning and the other aspect are being cared for by Pat Hornby, who is the manager of our legal services, so for any questions I will defer to those two.

Senator McCARTHY: Where is the reinvestigation report is at?

Capt. Manning: An investigation update was put on the ATSB website yesterday. That goes into a time line and to what is being done. It is a significant update. It says that the draft report, which is the first iteration, should be ready, and I expect will be ready, early in January. The three commissioners then look at it. That normally takes a week but this report is in excess of 300 pages. Assuming that the report passes that step, it then goes to the directly involved parties, who are people and companies directly affected by the report. They normally get 28 days reply, but it is not unusual to ask for an extension, especially given it is in the January/February area and the length of this report. It would not surprise me if they had an extension. Depending upon their replies—whether they are issues of fact or comment—then the final report is written.

Mr Hornby: If I may, we have a copy of the investigation update that went onto our website. I can table that.

Senator McCARTHY: Thank you, Mr Hornby. Given that that information went up yesterday and, obviously, with over 300 pages to read there is quite a significant amount to read there, what steps might have been taken on the 26 recommendations from the Senate inquiry arising from the incident? Or are you saying that that—

Capt. Manning: All of the inquiries and all of the comments have been taken into consideration. That is one reason why, obviously, the report is extremely detailed—because the ATSB fully acknowledges that they have to be all answered.

Senator FARRELL: I would like to go to one matter you referred to in your opening address—that is, Malaysia Airlines flight MH370. You might recall that the then Prime Minister, Mr Abbott, did reasonably confidently predict that we were going to find the aircraft. Why do you think we have not?

Mr Hood: To re-cap, on 8 March 2014, 227 passengers and 12 crew boarded MH370 on a flight from Kuala Lumpur to Beijing and they never arrived at their destination. There were many machinations surrounding the disappearance of the aircraft, but the Australian government volunteered to undertake the underwater search. The responsibility for the actual investigation and what happened on that flight remains the responsibility of Malaysia. The ATSB's responsibility is to conduct the underwater search. Before I throw to Peter Foley, who is the program manager for the search for MH370, we have covered now an underwater search of more than 110,000 square kilometres—

Senator FARRELL: On that point, is there any chance you have missed the plane, or that it is actually within that vicinity but, for whatever reason, it has not come up on the sonar?

Mr Hood: I will get Mr Foley to elaborate. What has been proven is our methodology for the underwater search. We have had several ships out there with nine-kilometre tow cables and sonar on the end of the nine-kilometre-long cables 4,500 metres below the surface of the sea. They have been trawling up and down doing the sonar detection. We can prove the methodology because we have actually found four ships. When we come up with a sonar contact, we send in an AUV, an autonomous underwater vehicle, or an ROV, a remotely operated vehicle, which is a camera on a cable. We go down and have a look at what those contacts. In the process of searching 110,000 square kilometres we came up with roughly 50 of those underwater contacts where we did not know what they were. We are in the process currently of eliminating whether they are MH370 or they are something else. Mr Foley, would you care to elaborate.

Mr Foley: You ask why we have not found it? It is a good question.

Senator FARRELL: What is the answer?

Mr Foley: It certainly has not been for the want of trying.

Senator FARRELL: I accept that.

Mr Foley: The wide search area, if you looked very broadly at where the aircraft could have wound up that night, is about 1.2 million square kilometres in the Indian Ocean. We have searched over 110,000 square kilometres—about 10 per cent of that area. We have searched an area that is our best guess and our best analysis, based on some very scant data, which is primarily radar data early in the flight, and then the satellite

communications data. More recently, we have had some debris come ashore in Africa, which has assisted our understanding of where the aircraft wound up in the southern Indian Ocean.

Senator FARRELL: Has that been identified definitely as part of the plane?

Mr Foley: Some pieces are absolutely from MH370 and some are almost certainly. We distinguish between the two because the ones that we know are from the aircraft have unique identifiers on them. The others are certainly from a Malaysian B777 aircraft and almost certainly, for all practical purposes, they are from the aircraft. In all we have had about 26 pieces of debris of different kinds that can be tracked back to the aircraft. There are pieces from outside the aircraft—flight control surfaces, parts of the wing, parts of the tailplane and the vertical stabiliser on the tailplane—but we have also had some from within the fuselage, so we know the impact was severe enough to open the aircraft and the fuselage.

Coming back to the way in which we have progressively refined our analysis that defines our search area, we have worked very hard with very scant data to arrive at the most prospective area. You asked also whether or not there is a possibility we may have missed it in the area. It is a very slim possibility, but bear in mind that we are looking for something that is relatively small in the scale of the search area. We have a very rigorous process of, firstly, acquiring the sonar data, specifying the systems that we use and testing the systems that we use to make sure that they will detect relatively small objects that we know are going to within the degree field. Then, we have very rigorous systems for acquiring the data and then assessing and analysing the data and quality assuring it.

Mr Hood indicated that we have had 50-odd contacts. We have actually investigated 50 to 60 sonar contacts that looks anomalous—man-made potentially—and indeed some of them have been man-made. We have located a number of shipwrecks in the area, the first of which was a timber vessel that went down in the 1850s or 1860s. It had similar iron parts, including anchors, frames and so forth. Effectively, all of the timber was gone and all we had on the sea floor is the bits that were iron. We detected that debris field and that shipwreck.

We are confident that the systems we use would detect the aircraft debris field. Some of the terrain in the area is really challenging—about 1.5, 1.6 per cent of the area is hard, rocky, rough terrain—and it is very difficult to search and very difficult for a sonar system to discern the difference between what are hard igneous rocks and aircraft debris. But we have a level of confidence that we have not missed it in those areas either. It is not a short answer in either sense. We have defined, based on continuing analysis, the best area to look, and we have looked to the best extent possible.

Senator FARRELL: You mentioned 50 possible sites?

Mr Foley: We have investigated 50 to 60 already. We have an ongoing ROV program at the moment on board one of the search vessels. An ROV is a remotely operated vehicle, which we drop over the side. We look, we acquire what are prospective sonar contacts and we ascertain whether or not they are geology or, indeed, something that is man-made. None of those look like an aircraft debris field or a typical aircraft debris field.

Senator FARRELL: I thought you said that there were still some sites that you were looking at.

Mr Foley: Yes, there are. We probably have another 30 contacts of interest to acquire. But, as I said, none of them look like what we consider to be a typical aircraft debris field. We have looked around, all over the world, for sonar data of other aircraft debris fields, so we know what we are looking for, basically. We have modelled the water column dispersal, so we know the likely size and general shape of an aircraft debris field as well.

Senator FARRELL: You have examined about 10 per cent of the most prospective sites in the total area.

Mr Foley: Absolutely.

Senator FARRELL: What happens from here?

Mr Foley: Every time we get some fresh analysis that indicates there is an area of higher probability to look at, we amend our search area and we have done so in the past. What happens from here is a decision for governments. Once we have completed what has been agreed, which is 120,000 square kilometres, the decision has been taken by the governments of Australia, Malaysia and China that the search will be suspended unless there is some credible new information that leads us to a better idea of where the aircraft is specifically.

Senator FARRELL: Wasn't there any radar following the plane anywhere along the way?

Mr Foley: For a period, yes. Certainly as the aircraft turned back and recrossed the Malaysian peninsula, there was primary radar. As you probably are aware, if you have read anything about MH370, there was no secondary surveillance radar. The actual transponders on the aircraft had been turned off or had failed. So what we had, recrossing the Malaysian peninsula, was primary radar from a number of sources, both civilian and military, and the aircraft was tracked taking a turn around the island of Penang and then flying up the Malacca strait.

Senator FARRELL: It was off the Western Australian coast at some point.

Mr Foley: A long way off.

Senator FARRELL: There was no radar that picked it up in Australian territory?

Mr Foley: There was no radar that picked it up within Australian waters or, indeed, anywhere throughout that track south. We lost the aircraft at 1822 UTC on primary radar, and we had no other radar information which tracked that aircraft. Had we done so, it would have narrowed down our search area significantly.

Senator FARRELL: I hope you find it.

Mr Foley: So do we.

CHAIR: I just want to touch on—and I do not get too deeply involved in this—the question of drones. I understand the position of the ATSB in terms of where they will fit in that scene. But do you anticipate that within, let's say, two decades we will, or will potentially, be dealing with some sort of highway in the sky with these unmanned vehicles—these unmanned drones?

Mr Hood: Certainly, from the ATSB's perspective, we are moving from being a slightly reactive to a predictive organisation. We are delving a lot deeper into the data and research about what aircraft manufacturers are doing into the future. As you heard from Deputy Secretary Zielke earlier, the autonomous vehicle, in terms of the roads, has started to progress a lot quicker I think than a lot of people thought. So, in this space, all I can say is that we are moving into that predictive space and we are engaging a lot more data scientists in the ATSB to be able to track and to monitor those future trends.

CHAIR: Would it be fair to characterise it—and not just where you or other agencies and certainly the government might fit in it—as likely to be a very challenging space, in terms of manned, controlled aircraft sharing the air with these unmanned vehicles?

Mr Hood: I think the growth in Australian aviation and the growth in Australian marine movements and passengers, as you see with the cruise ships, and the growth in rail are all challenges to the Australian government and certainly to agencies such as the ATSB.

CHAIR: Volumes in other transport movements are clear, but would you agree with my personal view that sharing space with thousands of these unmanned aircraft and dealing with the issue of aviation pathways is going to be an extremely challenging space to deal with?

Mr Hood: Absolutely. I absolutely agree. The advent of the traffic collision avoidance system on aircraft, almost 30 years ago now, was a major step forward in terms of preventing a collision. As we have discussed with drones, there isn't any of that technology on drones, or a requirement for the drones to have it, currently.

CHAIR: Whilst it not might not yet be a major problem, is it fair to say that there is a possibility this has got out in front of us a little bit? We understand that there are now thousands of these vehicles around the country being operated recreationally, in particular. Is it fair to say that there is something of a sense of urgency requiring an over-the-horizon view about how we should react to all of this?

Mr Hood: I think that is fair to say. As I said, that is why we have been working closely with our counterparts in the UK and the US, who are grappling with exactly the same issue.

CHAIR: We will certainly be looking forward to your input with the inquiry of this committee. Senators, are there any other questions for the Australian Transport Safety Bureau. There being none, I will just formally ask the committee to agree to adopt the opening statement by Mr Hood. Mr Hood, to you, and through you to your team, thank you very much for your attendance today. The committee wishes you safe travel to wherever it is you are intending to head.

Mr Foley: Thank you.

CHAIR: We now move to the Office of Transport Security. Mr Mrdak, you might as well go home! Ms Zielke has done a sterling job in your absence.

Mr Mrdak: Much better than me!

Ms Zielke: That would never be the case, of course. I will just check if our colleagues are here, because—

CHAIR: I have never said this before, and I do not anticipate saying this again, but we are slightly ahead of schedule. Just before we close off on that section, Mr Mrdak, Senator Rice has a question that results from some correspondence the committee received. You will probably need to take a little bit on notice, but if you could satisfy us, while we are here today, we would be grateful. I will give the call to Senator Rice.

Senator RICE: My question relates to the cost-benefit analysis of WestConnex. I asked questions of Infrastructure Australia about it at estimates on 17 October. Further to that, the committee received some correspondence from an individual who was also asking about the benefit-cost analysis and the correspondence

that he had with Mr Parkinson. I will read what he has said to you: 'At the supplementary estimates hearing, Senator Rice put to Mr Parkinson that the WestConnex benefit-cost analysis of 1.7 was based on costs of \$13.5 billion, and Mr Parkinson replied, "As set out in our project evaluation summary for the WestConnex project, for capital costs we are using the \$16.8 billion figure." He goes on to say: 'My own calculations match those of Senator Rice. The benefit-cost analysis of 1.7 is broadly consistent with a cost of \$13.5 billion and is inconsistent with a cost of \$16.8 billion.' He says, 'I duly made an inquiry of Mr Parkinson. He was good enough to reply that the \$13.5 billion total cost figure is the present value of total cost at the seven per cent real discount rate. The \$16.8 billion capital cost figure is a nominal outturn figure which is not discounted. In other words, Mr Parkinson has privately acknowledged that, contrary to the answer he gave Senator Rice, the benefit-cost analysis of 1.7 is based upon discounted costs of \$13.5 billion, not upon the undiscounted cost of \$16.8 billion.' I want to clarify then, given what is going on here. He knows it is not a trivial matter and that the difference here is in excess of \$3 billion of public money.

Mr Mrdak: I will take that on notice and get you an answer as quickly as possible. I suspect we will need to clarify. As you are aware, there are essentially two assessments underway. We have the nominal outturn cost, which is the \$16.8 billion, to which the benefit-cost analysis would normally apply, because that is your capital cost.

Senator RICE: Yes. Exactly.

Mr Mrdak: The \$13.5 billion, as I understand it, is effectively the net present value assessment, which is a different assessment to the benefit-cost analysis. Generally, with most business cases, you will end up with a benefit-cost analysis, which is the number that is greater than one. Separately, you will have what we call an NPV analysis, which is essentially the discounted financial transaction cost, which gives you essentially your financing value of the project. I will take on notice the question that has been raised by the correspondent and yourself and will come back to you, if I may, in detail.

Senator RICE: What you just said and what I was going to ask is: in normal practice, you would use the \$16.8 billion, but it appears that the benefit-cost ratio has used the \$13.5 billion.

Mr Mrdak: That is what I need to establish. Generally, under a business case you will have what we call an NPV, a net present value of a project, which is the discounted cash flow analysis, essentially, and then you have the benefit-cost analysis, which is done on your outturn cost. It might just be a case of having to explain the definitions of the two assessment methodologies that would be utilised. Let me take that on notice and come back to you.

CHAIR: Mr Mrdak, the secretary will make an attempt to produce a redacted copy of the correspondence that we have and then we will give consideration as to whether there are any implications in providing you with that, but you will have the exact figures and terminology used to assist you.

Mr Mrdak: That would be utilised, and we can obviously—

CHAIR: We will try to do that through the break, if we can.

Mr Mrdak: That is fine. I will get an answer and an explanation for Senator Rice as soon as possible.

Senator RICE: This evening?

Mr Mrdak: I do not think I would be able to do it this evening because I need to go back. Given the hour, I just do not think I would be able to get hold of the officers who have the details, including Mr Parkinson. I need to take it on notice, I am sorry.

Senator RICE: Thank you, Mr Mrdak.

Proceedings suspended from 18:19 to 18:41

Office of Transport Security

CHAIR: We resume this hearing of the Senate Regional Affairs and Transport Committee's supplementary estimates. We are now on the Office of Transport Security.

Senator FARRELL: I have a question regarding ANAO audit of passenger safety screening. In its performance audit released on 31 August this year, the ANAO made its conclusion. It said:

The Department has implemented a regulatory framework that establishes minimum standards for passenger screening and a program of compliance activities at security controlled airports. However, the Department is unable to provide assurance that passenger screening is effective, or to what extent screening authorities comply with the Regulations, due to poor data and inadequate records. The Department does not have meaningful passenger screening performance targets or enforcement strategies and does not direct resources to areas with a higher risk of non-compliance.

Mr Mrdak, are you familiar with that reference?

Mr Mrdak: Yes I am.

Senator FARRELL: I would like to ask you a number of questions in relation to that. Can you tell us what steps the department is taking to address the criticisms made by the ANAO?

Mr Mrdak: I would say at the outset, as we made clear the response to the ANAO, we do not share the ANAO's view in relation to the effectiveness of the system. I will ask Ms Wimmer to take you through the steps we have been taking over a period. As the Executive Director of Transport Security, she has been handling our response to the ANAO report.

Ms Wimmer: I would just like to preface, it is very difficult in security to often measure how well you are doing because the measure is that security events do not occur and sometimes that can be quite a difficult thing to measure. That said, we are doing a number of things to follow up on the ANAO's findings. Firstly, we are working with industry on sharing industry's performance data to support the development of measurable key performance indicators so that we can actually, as much as we are able, measure the performance of passenger screening. We are conducting a training and needs analysis to inform—

Senator FARRELL: What is the key performance indicator?

Ms Wimmer: We are developing them. We do not collect data around how screening points operate, because we do not operate them ourselves. We are working with industry to access their data so that we can come up with some useful key performance indicators. Does that make sense?

Senator FARRELL: No. Can you be a little bit clearer?

Ms Wimmer: Sure. The way screening points operate is that they are actually industry owned. They have service providers that have the screeners that look at the X-rays et cetera. So they collect data around how those screeners perform. We do not have access to that data—

Senator FARRELL: Why not?

Ms Wimmer: because we regulate what they do. The only time we have access to their data is when we are conducting an audit or some kind of a compliance activity around whether they are meeting our regulations.

Senator FARRELL: Why wouldn't that be in the contract?

Ms Wimmer: We do not have a contract with them. The way it works is that we regulate an airport and the airport contracts service providers to provide the screening. So we do not have a direct regulatory relationship with the service providers.

Senator FARRELL: Do the airports have that information?

Ms Wimmer: The airports can get that information, and that is with whom we are working to access that data.

Senator FARRELL: I get it.

Mr Mrdak: It is important to differentiate what we are talking about in terms of data. The data could be issues of throughput: how many passengers they are processing, and also what they are detecting in terms of whether the equipment detects a certain item. How many of those are false—what we call 'false positives'—where they might have detected something and someone will have to go back through and, after divesting themselves of shoes or belts, they will be fine. It is those types of data. What the ANAO was focusing on was: how do you know that a screening point is actually meeting the test of ensuring that there is not an attack on an aircraft or a piece of aviation infrastructure? The difficulty for us is: how do we make that judgement? We can collect all of what is essentially output data of what is happening at the screening point. The difficult point for us is: how do you manage the outcome in terms of performance data, which gives you that performance management system, because, as Ms Wimmer has indicated, the ultimate test is that the aircraft and the system remain secure?

Obviously, we are continually picking up items through screening points. That is happening. What we are unable to identify is how many we are not picking up. But based on the outcomes that we are seeing—that is, the safety of the whole system—we do not believe there is a threat taking place through the screening points. That is where we diverge in opinion from the ANAO. The ANAO are always asking us to develop a performance measure for an outcome for which we think it is very difficult.

Senator FARRELL: Ms Wimmer was starting to explain to me how that process was going to develop, weren't you?

Ms Wimmer: I was just explaining how we were going to work with industry to get their data, and we were going to work with industry to see if we can identify some things that will give us an indication of how effective the system is, noting the challenges that the secretary has just outlined.

Senator FARRELL: How far down the track are you in that respect?

Ms Wimmer: We have set up a committee, or a working group, with industry to work with them around their screening points and accessing data for the activities that they undertake at screening points. I think that has met about two or three times—three times is what is being indicated to me. We are progressing, but there is a way to go yet.

Senator FARRELL: Have you had some discussions with the ANAO about the time frames? Are they continuing to pursue you about this?

Ms Wimmer: No, they are not; but it is in our interests to pursue this, so we are working on it with industry.

Mr Mrdak: In our response to the ANAO, we report through our audit committee any responses to ANAO. Obviously, the ANAO at some point will come back to review our progress against the recommendations we have agreed.

Senator FARRELL: What do you think is the most important KPI in this process? What would you think the Australian people would be happy with in terms of—

Ms Wimmer: I wouldn't like to speculate—

Senator FARRELL: Why not?

Ms Wimmer: what a KPI might be. But I would suggest that the confidence—

Senator FARRELL: You must have given it some thought—

Ms Wimmer: Well, obviously, the confidence in the system is how we do not have any attacks that occur through a screening point.

Senator FARRELL: Yes.

Ms Wimmer: But that is very hard to measure, as I have described.

Senator FARRELL: Yes. Well, we have not had any attacks, have we?

Ms Wimmer: No.

Senator FARRELL: And would that be a KPI?

Ms Wimmer: It could be, but it becomes a very difficult one to measure.

Senator FARRELL: Not if you do not have any.

Ms Wimmer: That is right, but that is very difficult to determine—whether that is actually as a result of the system, which we would like to think it is. But to prove that and to find the evidence for that would be difficult.

Senator FARRELL: Isn't it self-evident that if there are no attacks, and that is one of your KPIs, then—

Mr Mrdak: There are many elements to the transport security system. Screening points are one element. Whether the lack of attacks has been the result of intelligence or law enforcement activities—we know, and the law enforcement community has talked publicly, about people who have been preplanning attacks and they have been dealt with through interventions before those have been able to materialise. So whether the safety of the system is due to a single point in the system or due to early interventions or beyond is somewhat hard to determine.

Certainly, through the work that the Office of Transport Security does—through our ordinary compliance work and through working with industry—we have significantly lifted the standards of our screening points. That has certainly contributed to a much safer system than had been the case some years ago

Senator FARRELL: The ANAO does not seem to think that.

Mr Mrdak: Well, as I said, I am not too sure that the ANAO has thought through some of the practicalities of its thinking in how you actually operationalise those.

Senator FARRELL: How did they interact with you? How did this audit take place?

Mr Mrdak: The audit is identified through the ANAO audit process. They identify that, they come in and do pre-meetings with our team, they do an assessment—

Senator FARRELL: Do they interview you?

Mr Mrdak: No.

Senator FARRELL: Did they interview you, Ms Wimmer?

Ms Wimmer: No, they did not, although I did meet with them on occasion. But it was not in terms of actually collecting data.

Senator FARRELL: So who did they talk to?

Ms Wimmer: They largely refer to documents that we have. Basically, they look at data that we own. They also, I think, spoke with our regional office and they also interviewed a couple of industry participants.

Senator FARRELL: I notice that Mr White just joined the table. Do you have something you would like to tell us?

Mr White: The secretary and Ms Wimmer have covered the vast majority of the background. I would only add that we do have a performance indicator that relates to risk and to threat assessments. Under our PBS we are required to undertake a number of compliance activities against high-risk areas that are assessed. We met that KPI in the 2015-16 year to 100 per cent.

Senator FARRELL: Right. Did you tell the ANAO about that?

Mr White: When we met with the ANAO the year was not complete. But, certainly, we were able to provide them with the—

Senator FARRELL: So they met with you? You were the contact person?

Mr White: No. I only joined the department in this role in February, but I was at—

Senator FARRELL: Well, your predecessor?

Mr White: Yes.

Senator FARRELL: Yes, okay. You took over from this person?

Mr White: I did.

Senator FARRELL: And they did not interview you, they interviewed your predecessor?

Mr White: We participated in what I would call an 'exit interview' by the time I was there at the department.

Senator FARRELL: I see. Is there a suggestion that there is a resourcing problem here? Is that the fundamental criticism of the ANAO, that you do not have the resources to do the sorts of activities which the ANAO expects of you? Is that the problem?

Ms Wimmer: That is not how I would read their findings. I would read their findings as these are things that we should just be thinking about in terms of our processes and systems.

Senator FARRELL: All right. Are you subject to the efficiency dividend? Is that part of—

Mr Mrdak: Yes. The department and this division are subject to the efficiency dividends.

Senator FARRELL: Are they being asked to provide savings in terms of the efficiency dividend?

Mr Mrdak: Yes. All of the divisions in the department are subject to the efficiency dividend.

Senator FARRELL: What savings are this particular department being asked to provide?

Mr Mrdak: The cumulative effect of the efficiency dividend—and there are several, dating back some time to successive governments—operates at around \$6 million to \$8 million per annum year-on-year for us.

Senator FARRELL: Those are the savings that you are expected to deliver?

Mr Mrdak: Each year.

Senator FARRELL: But in respect of this part of the process, how much of that \$6 million is being—

Mr Mrdak: It would be apportioned across the division. I would need to take that on notice. The cumulative number is around \$6 million to \$8 million a year.

Senator FARRELL: How are you making those savings?

Mr Mrdak: Mostly, we have been looking at more efficiencies in terms of our corporate services provisions. We recently made some savings in relation to accommodation. We have been looking at our IT systems and our travel—the normal operating costs for the organisation. And, clearly, we have also been operating with a lower staffing level than in previous years.

Senator FARRELL: Has that lower staffing level contributed to some of these criticisms that the ANAO have made?

Mr Mrdak: No, I do not believe so.

Senator FARRELL: I have some other questions regarding the serious and organised crime announcement. In the incoming-government brief, the OTS identified a commitment on 28 June 2016 by the Prime Minister and Minister Keenan and in fact provided a brief. The commitment is described as being to 'strengthen the background checking regimes to ensure individuals with links to serious and organised crime cannot gain access to our airports, ports or other Commonwealth sites where security is a concern'. Is a copy of that announcement available?

Ms Wimmer: I am sure we could track it down for you. We can take that on notice.

Senator FARRELL: Thank you. Was there a media release associated with that?

Mr Farmer: I do not think there was a media release.

Senator FARRELL: But you can supply us with a copy of the announcement?

Ms Wimmer: We will see if we can find you one.

Senator FARRELL: Where will you look for that, Ms Wimmer?

Ms Wimmer: Most likely the internet.

Senator FARRELL: Thank you very much.

CHAIR: We now move on to the Surface Transport Policy Division.

Senator FARRELL: I refer to shipping policy to start with. The 2016-17 portfolio budget statement lists a target to achieve regulatory performance criteria as being to:

Amend regulations to deregulate port service providers and ships undertaking interstate voyages.

What is the department doing in terms of regulation of interstate ship voyages?

Ms Zielke: At the moment the department has been working on assisting government by reviewing the coastal trading act, which deals with licences for operators to be able to move goods around the coast—normally across state boundaries.

Senator FARRELL: Has the department had its work more precisely defined since the start of the financial year?

Ms Zielke: Not since the start of the financial year. The review of the legislation has been going on for a good 18 months now, since just prior to the election Minister Chester became responsible for maritime issues and undertook to seek feedback from stakeholders in relation to the legislation prior to the election, with the intention being that that feedback could be provided for him to act on after the election if that was appropriate. More recently, therefore, he has been receiving feedback and considering what action might be taken in relation to any amendments to the legislation.

Senator FARRELL: What sort of feedback has come back to him in that regard?

Ms Zielke: A large number of submissions have been made over the course of the review—well over 100.

Senator FARRELL: Where have these submissions come from?

Ms Zielke: From industry, whether it be people who are actually participating in the program or regulated under the legislation or shippers—so those businesses that are actually having their goods moved by the various ships and operators around the coast. They have articulated a range of issues over that period of time, and they have been the subject of not only a discussion paper, which was then responded to, but also face-to-face consultations since that time. Minister Chester, in becoming responsible for that earlier this year, has continued to engage with stakeholders and seek their feedback in relation to those issues. Largely they relate to issues regarding administrative burden in relation to the legislation, and how that is viewed, and also cost pressures for shippers, in particular, and the costs associated with moving those goods.

Senator FARRELL: You seem very familiar with this, Deputy Secretary. Have you been involved directly in some of these processes?

Ms Zielke: Yes, I have. Sorry.

Senator FARRELL: No. It is good to hear somebody so forthright and au fait with the issues. So that is the response. What is the minister proposing to do in response to this feedback?

Ms Zielke: The minister is currently giving consideration to that feedback.

Senator FARRELL: Can you anticipate anything that might come out of this feedback?

Ms Zielke: There are currently before him a range of options, of course one being that he might suggest amendments to the legislation.

Senator FARRELL: Is the department doing anything about deregulating port services at the moment?

Ms Zielke: Port services specifically are generally a state issue; they are not a Commonwealth matter.

Senator FARRELL: So you have not had any discussions with the states?

Ms Zielke: Not other than where things like Commonwealth regulation would sit across ports, but, no, nothing comes to mind.

Senator FARRELL: Can you tell us whether coastal shipping volumes increased in 2013-14 over 2012-13 and, if so, by how much?

Ms Zielke: Basically the goods being moved by ships around the coast have not been increasing in volume if they are considered as part of the total freight volume that Australia is responsible for. Road transport has been increasing, for example; however, the maritime sector is not increasing or is not showing an uptake in relation to the goods that it is moving in comparison. But overall, yes, there has been an increase.

Senator FARRELL: Can you tell us by how much?

Ms Zielke: I think it is probably best if we take that on notice for you.

Senator FARRELL: Are we talking a large or small amount—just in the ball park?

Ms Zielke: Generally it is measured by way of either container shipments or weight of shipments. There has been an increase but—I am sorry—without checking those figures, I would be guessing.

Senator FARRELL: I had a couple of questions regarding motor vehicle standards. Can you tell us when the legislation will be available for the government's overhaul of the motor vehicle standards?

Ms Wieland: The government announced its intentions in relation to the Motor Vehicle Standards Act in February this year. Since that time, we have undertaken quite an extensive range of consultation in relation to the policy details that will inform the development of the legislation, and we are currently working on the development of that legislation package at the moment.

Senator FARRELL: What is the next step in that process?

Ms Wieland: I would expect as government continues to refine its views on the detailed policy, it needs to be resolved in the legislation, and then government will be ready to table that legislation in parliament.

Senator FARRELL: When do we think that might be?

Ms Wieland: I would hate to guess that at this point.

Senator FARRELL: Are we talking months or years?

Ms Wieland: Potentially the former.

Senator FARRELL: Is the government's position on motor vehicle standards the same as it announced in February?

Ms Wieland: As I said, there is a whole range of policy details that are being worked through at the moment.

Ms Zielke: I am sorry; I did find those figures, having said I did not have them—my apologies—but not necessarily for the years you were asking for though. Australian ports handled 104.4 million tonnes of coastal freight during 2013-14, which was a 2.5 per cent increase on 2012-13 but an average annual decline of 0.4 per cent over the five years to 2013-14. So it increased but, in comparison with what it should be as a mode of transport, it is not increasing at the same level as others.

Senator FARRELL: Thank you very much.

CHAIR: There being no further questions for the Surface Transport Policy Division, we thank you for your attendance and we wish you safe travel to your destination. We now have a slight dilemma because we are onto the Local Government and Territories Division, which really requires Minister Nash to be present.

Senator FARRELL: Should we adjourn until 7.30 then?

CHAIR: We could do that. We might ask Mr Mrdak to guide the committee with his responses, Senator Farrell, if you or Senator Sterle want to run through them and I am certain, at the same time, Senator McGrath has already sent a communique to Senator Nash.

Ms Zielke: Senator Rice asked a question earlier that we have a response to, which I could share.

CHAIR: Yes, let us do that and we can have it on the *Hansard*.

Ms Zielke: Senator Rice asked whether cycling participation rates, or the rate of cycling, was reducing and my colleague Ms Spencer said that she thought it was actually increasing. As the figures turn out, in 2011, 17.8 per cent was the figure of cycling participation rates, as in those cycling to and from work. In 2013, it dropped to 16.6 per cent, but in 2015 it has gone back up to 17.4 per cent, hence the inconsistencies in the discussion.

CHAIR: We will direct her attention to that; it is on *Hansard*. Senator Sterle, you have the call. I do not think you were here at the outset: we are in the zone now where Senator Nash would be here, so Senator McGrath will not be able to assist us with any clarifications. But we have muddled through once before, with Mr Mrdak giving us some guidance, so if you go to an area where he thinks we should wait for Senator Nash, of whom it has been reported that she will be with us in 20 minutes, we can leave it until then or you can put it on notice.

Senator STERLE: I suggest that after sitting through about 33 Senate estimate sessions, Mr Mrdak is well and truly qualified to answer any queries.

CHAIR: I agree with you, but it is not a question of that; it is a question of the standing orders—No. 22 of the Senate. We have had advice from the Clerk today, as well as the secretary, that it is about the conduct of the proceedings. But let us just have a struggle, hey? You and I will—

Senator STERLE: We will get through it. I have great confidence in Senator McGrath. Local Government and Territories Division? I am sorry, Chair, I have been working on a pet project.

CHAIR: That is okay, it is Local Government and Territories Division. Mr Mrdak, are there any questions in this area that—

Senator STERLE: You do not know the questions yet, I have not told him!

CHAIR: No, I appreciate that, but—

Mr Mrdak: I do not believe the minister would have any issues with us commencing a line of questioning.

CHAIR: No, the burden is not with you. It is with our standing orders.

Senator STERLE: Why don't we just have a go, Chair? If there is a problem, we can put it on notice.

CHAIR: Let's suspend these proceedings for a couple of moments while we have a consultation.

Proceedings suspended from 19:11 to 19:29

Department of Infrastructure and Regional Development

Senator STERLE: Since estimates, probably a month ago, have there been any changes or updates to the freezing of the FAG funding?

Mr Mrdak: The pause on indexation on Financial Assistance Grants was for three years, and this is the last financial year of that pause.

Senator STERLE: What was the total figure again?

Ms Fleming: The amount of funding that we provide to local governments annually is around \$2.3 billion. There was a pause to indexation, and the savings from that pause were estimated at around \$925 million over the three years.

Senator STERLE: Over how many councils?

Ms Fleming: Council numbers have recently changed with some of the amalgamations. From memory, it is around 544 councils now. I believe that is the current number, but I will take that on notice and confirm.

Senator STERLE: Out of that, have you had any discussions or consultations with the state grants commissions?

Ms Fleming: Around anything in particular?

Senator STERLE: Over the effect of the cuts. Have they come back with projects that have been cancelled?

Ms Fleming: We have an annual meeting with the officials of state government grants commissions, but it is the general consensus that it is very difficult to isolate the impact of any pause to indexation, as we have outlined before. Whether there was indexation or not, the grants commissions apply the 13 principles of horizontal equalisation. Each year they take individual circumstances into account, and grant payments may go up or down on a council-by-council basis regardless of whether there is an indexation pause.

Senator STERLE: I will tell you why I asked. I wrote to all the Western Australian councils when the freeze was announced. I have to tell you, as you get more into the bush—particularly around the wheat belt in WA—they are parochial, they are not scared who they upset and they will tell you what other councils are scared to. I am not starting a fight at 7.30 on a Tuesday night, but they are scared to upset the government. I do not know why. You still have to go back and say that something had to give. This is what the councils were saying to me: 'There's a project we can't do. We've got two options: don't do projects, or increase collection money off ratepayers.' Was there any blowback? Were councils coming back and saying to you, 'Hang on, these are projects we can't do,' or did they cop it and say everything is hunky-dory?

Ms Fleming: Over the period of the pause to indexation, councils have made representation to government on the reinstatement of indexation. As Mr Mrdak outlined before, the government's policy is that the indexation pause ceases at the end of this financial year, so 30 June 2017. In that period, some councils have had their payments go up; some councils have had their payments go down. You cannot just extrapolate that every council's payment will go up by the rate of indexation, because horizontal equalisation factors come into account, and each year the grants commissions make individual decisions based on the factors at that time. It is true that overall the number of councils receiving an increase over the period of indexation has declined slightly, but you cannot make an analysis for each individual council, nor can you project what they would have received, because, if you look over history, they go up and down like a share chart, rather than a trajectory.

Senator STERLE: Right, but we can work out the money that is gone and is not coming back.

Ms Fleming: There was a saving attached to the pause.

Senator STERLE: Yes, that was \$925 million.

Ms Fleming: That is correct.

Senator STERLE: I will just come back to the grants commissions. Have any of those grants commissions quantified the funding loss from their states as a result of the FAGs freeze?

Mr Dreezer: Not that I am aware of. I think we would need to take that on notice.

Senator STERLE: So you are not aware of the Victorian state government coming back and talking about \$200 million in cuts?

Mr Dreezer: There have been reports, but we have not had specific advice from them on the amounts.

Senator STERLE: Just so I am not confused, of the \$925 million in savings, you could not tell us what each state copped—is that right? Not at all?

Mr Dreezer: No, I cannot give you a state breakdown.

Senator STERLE: Why is that?

Mr Dreezer: Because we need to wait till the end of the indexation pause and give consideration to what that may mean.

Senator STERLE: When the announcement was made for the cuts, obviously there was a figure which we know: \$925 million. Is that right—\$925 million, or \$2.3 billion?

Ms Fleming: \$2.3 billion is the amount distributed each year.

Senator STERLE: Okay—\$925 million was the required saving.

Ms Fleming: We can tell you the amount of money that is allocated to each state—

Senator STERLE: Okay, let's do that.

Ms Fleming: for any one financial year, and then that money is disbursed by each local government grants commission to the individual councils based on the principles.

Senator STERLE: Okay. Do you have them in front of you? Let's run with that.

Ms Fleming: I will ask my colleague to tell you the amount that is distributed to each state for this financial year. We would have to take it on notice for the previous financial years.

Senator STERLE: Okay, that is fine.

Mr Dreezer: For the Australian Capital Territory, the 2016-17 estimated entitlement is \$48.583 million; for Western Australia, the 2016-17 estimated entitlement is \$280 million; for Victoria, the 2016-17 estimated entitlement is \$542.136 million; for Tasmania, the 2016-17 estimated entitlement is \$7.542 million.

Senator STERLE: Seven point five four two?

Mr Dreezer: \$7.542 million. For South Australia, the estimated entitlement total—sorry, it is \$71.5 million for Tasmania.

Senator STERLE: Seventy-one—okay.

Mr Dreezer: For South Australia, the 2016-17 estimated entitlement is \$151.4 million; for Queensland, the 2016-17 estimated entitlement is \$450.2 million; for the Northern Territory, the 2016-17 estimated entitlement is \$32.6 million; and, for New South Wales, the 2016-17 estimated entitlement is \$712 million.

Senator STERLE: But that adds up to a lot more than \$925 million. I am a bit confused.

Ms Fleming: That is the amount disbursed. That is the \$2.3 billion.

Senator STERLE: Oh, disbursed.

Ms Fleming: Yes. Sorry if that was unclear.

Senator STERLE: Sorry, I was looking for the cuts.

Ms Fleming: What we have is the \$2.3 billion disbursed to the states. There is an estimated saving over the forward estimates; I would have to take on notice how that related to each state.

Senator STERLE: Yes, I just wanted to see what the cuts were to each state.

Ms Fleming: There were not cuts; there was a—

Senator STERLE: Freeze.

Ms Fleming: There was a freeze on indexation.

Senator STERLE: Sorry, wrong word.

Ms Fleming: So we cannot predict, other than the global figure, how that would have been disbursed by states. We would have to take that on notice.

Senator STERLE: Okay. I do not want to harp on too much but, if there were a requirement from government to save \$925 million, are you saying the department could not say, 'Well, this is what it's going to cost because of the freeze in the funding'? You could not tell each shire how much they would not be getting that they would have expected normally?

Ms Fleming: That is correct, because for the level of disbursement there is a global amount of money: \$2.3 billion. It is broken up by state by proportion of population. The grants commissions then assess each council's requirements and they make a disbursement. Even without indexation pause, council payments go up and down over a trajectory of years, based on the Grants Commission's assessment of horizontal equalisation. Different councils at different times in different years have different factors impacting on them. I think an analysis of councils would show that they go up and they go down regardless of whether there is a pause to the indexation

amount. So it is very difficult because there is no fixed allocation per council per year. It is based on individual factors each year related to horizontal equalisation.

Senator STERLE: You keep throwing 'horizontal equalisation' around. Senator Heffernan used to have fun saying to everyone, 'What does it mean?' I cannot remember now—but anyway.

Ms Fleming: It is equity principles.

Senator STERLE: What is it?

Ms Fleming: It is equity principles about disadvantage. So rural councils are usually at higher proportions of payments than others.

Senator STERLE: So the way it works is that councils cannot do any planning or make any promises to ratepayers until they have received the money. Is that how it works.

Ms Fleming: I think it is important to remember that the financial assistance grants, whilst substantial at \$2.3 billion, represent less than 10 per cent of local government grants revenue nationally. It is less than 10 per cent, but it is more important in regional and remote councils.

Senator STERLE: Ms Fleming, if you were to run that argument in some of the poorer councils, I do not think they would accept your argument. I think they would tell you, loud and clear, as a number of them have told me, that it may only be small bickies over here but it can be quite sizeable in some of the cash-strapped councils.

Ms Fleming: And the principles of the payments are designed to benefit those councils.

Senator STERLE: Yes, I understand that, but roadworks and all sorts of stuff were mainly done through FAGs. Has the department looked at whether the funding freeze would be harder for rural, remote and regional councils to absorb? Did you do that work?

Ms Fleming: We have been looking at what we can assess and at this stage. It is difficult to actually draw a direct link between the freeze to indexation and to each individual council. So we have not been able to assess the impact of the indexation pause on each council other than at a global level where we can say for the 2015-16 year 41 per cent less councils received an increase in their financial assistance grants payments than on the previous years. This relates to the fact that each council does not have a straight trajectory of an increase every year. It goes up and down, so it is very difficult to assess.

Senator STERLE: Is there a complaints department where councils can ring up and say, 'Thanks very much for nothing. This is what we have lost.'

Ms Fleming: Councils can always write to government around the return of the freeze to indexation. That topic has been canvassed with ministers and the pause will cease, at this stage, at 20 June.

Senator STERLE: So we are back to being hunky-dory after this year.

Ms Fleming: Well, depending on what the indexation rate is set at.

Senator STERLE: All right. I have a different view. I have heard from some councils, and I have heard from other councils that are too scared to say, 'Boo', in case the minister's beat them up. I do not know what they are scared of—for crying out loud—but, anyway, they are scared. Has the department done any analysis as to whether there is any impact on councils' capacity to provide services that are subject to rates capping—for example, in Victoria—at the same time as the FAGs freeze?

Ms Fleming: I think it is the same answer as for regional councils. It is difficult to ascertain the impacts on any individual council when you cannot precisely predict what the council would have received without the pause because the Grants Commission makes decisions that cause their payments to go up and down each financial year.

Senator STERLE: I must be on a different argument to you guys. Has the department done any analysis as to whether this indexation freeze is forcing councils without rates capping to increase their rates?

Ms Fleming: No, Senator.

Senator STERLE: Have you ever done anything like that?

Ms Fleming: No, Senator.

Senator STERLE: Nothing at all? There have been no requests from the government to say, 'Hang on, we better find out what impact this could have'?

Ms Fleming: I have not looked at the level of increases in rates under the pause and whether that would have been higher or lower than if there had been no indexation pause. But my estimation is, given that with the councils that are charging rates the grants are less 10 per cent of a local government's revenue—

Senator STERLE: It's not going to wash, Ms Fleming; it's not going to wash, because I reckon the chair's probably had heaps of complaints; I know I have. And I reckon the minister has, too.

CHAIR: Senator Sterle, I am conscious that our estimates time, for a whole variety of reasons—

Senator STERLE: Oh, we're nearly finished!

CHAIR: Well, you have anticipated my question. Do you think that we are going to be able to deal with what you have got left in the next 10 minutes?

Senator STERLE: I will tell you what I will do: I will go to Senator Chisholm over here; he is waiting patiently because he has some important questions. If there is any time, I will come back; otherwise, I will put them on notice.

CHAIR: I am inclined to—without even asking the minister; I am surprised that she is still here. So why don't we try and make a target of 8 o'clock?

Senator STERLE: Well, she would not want to be anywhere else, Chair.

Senator Nash: I think I was scheduled to be here until 8 o'clock, so I would not want to be anywhere else.

Senator STERLE: And because she loves my company, I reckon we can wring another half an hour out!

CHAIR: These estimates were scheduled to complete at 7.30.

Senator STERLE: So can I take it, Chair, that next time we will get through—

CHAIR: Let us go to Senator Chisholm. I know he will be very quick, and then Senator Sterle can put everything else on notice and we will be out of here by eight.

Senator CHISHOLM: Minister, I was asking questions earlier about the Regional Jobs and Investment Packages, but we left that because you had left, so I was just going to come back to a few questions around that. Have you got any update about when the guidelines for the program will be ready?

Senator Nash: Hopefully, reasonably soon, I think. My intent was always to get them done as quickly as possible and, at this stage, they should be finalised before Christmas.

Senator CHISHOLM: Does it concern you that, on what was such a core part of your election campaign, in terms of progress on the policy, we have not even got the guidelines, and it is some five months later?

Senator Nash: No, not at all. I was very conscious that we needed to make sure that we had a very robust and workable set of guidelines. So I have made sure that obviously the department has taken the time to do that all very thoroughly. So I am not concerned. I think that people would much rather see the government take the time to ensure that we have those appropriate guidelines in place than do a rushed job.

Senator CHISHOLM: In terms of the boundaries for each region—and this might be something you might have to take on notice—is it possible to provide what is the area that is covered by these announcements?

Senator Nash: Yes, we will take that on notice. But it is fine to provide that.

Senator CHISHOLM: The government's announcement around these said that local experts would be engaged to assess the needs of regional communities and develop local investment plans. What is the time frame for this happening? Have any been appointed? And what is the process for establishing the committees?

Senator Nash: Letters have gone out to MPs because they are involved in establishing the committees from the local perspective. The time frame is, I think, 17 November, we are hoping, for the committees.

Ms Zielke: Responses from various areas are due, currently, at the moment, for the minister to then consider the final appointments to those committees.

Senator Nash: It might be useful, as well, to add: with this particular program, I wanted to make sure that we had local knowledge driving it. As you would be well aware, each regional community is different and I am very conscious that often it is that local knowledge and local ability to determine what they see as their priorities that are important, which is why we have had this process of the committee structure being developed locally, with local knowledge, to drive what is appropriate for their local region.

Senator CHISHOLM: Surely, though, that process—about starting to find the members of that committee—could have started a lot earlier?

Senator Nash: I think that, for the MPs that are involved in determining the nominations that they put forward for the committee, that has already started, as an informal process. My understanding is: they have been looking to, perhaps, people within existing groups in their communities and looking at who might be appropriate to go on those. So I think a lot of them are being very proactive and already starting to determine who might be on those committees, even though the formal process has not concluded.

Senator CHISHOLM: When do you think the committees will be announced?

Senator Nash: Before the end of the year, I think, we are looking at.

Ms Zielke: Most certainly.

Senator Nash: Yes, we are looking to announce them before the end of the year, and, given that it is now 22 November, it is not far away.

Senator CHISHOLM: As to the \$20 million Hazelwood Regional Jobs and Investment Package, earlier this afternoon I think it was said that Minister Chester has had responsibility for the \$43 million Latrobe package. Does that include the \$20 million Hazelwood package, as well?

Senator Nash: There are a number of ministers involved in this. As you would be aware, it is very complex area going across a range of portfolios. So it is myself, Minister Chester, Minister Frydenberg, Minister Cash and Minister Hunt.

Senator CHISHOLM: Sorry. Is this in regards to—

Member of the committee interjecting—

Senator Nash: It is very important. It goes across a whole range of areas. As I was just about to explain to the Senator, \$20 million will be for the Regional Jobs and Investment Package.

Senator CHISHOLM: Sorry. Are all of those ministers involved in the Latrobe—

Senator Nash: They are involved in the government response. It will become very clear in about a second. The \$20 million for the Regional Jobs and Investment Package is in my portfolio. There is another \$20 million from infrastructure project work under Minister Chester's portfolio and then \$3 million from Mr Cash's portfolio around employment strategy.

Senator CHISHOLM: Isn't true that the government cut \$10 million from the Latrobe Valley economic diversification package in the 2014 MYEFO?

Senator Nash: Sorry. It was before my time, Senator.

Mr Mrdak: There are projects which were committed to by the former government which were not proceeded with with the change of government.

Senator CHISHOLM: So that was a 'yes' then?

Mr Mrdak: Yes. There were projects which were not progressed and decisions were taken in the 2014 budget.

Senator CHISHOLM: Just in terms of the announcements that were made, I was in Mackay last week, and there was certainly an expectation around the Bowen Basin package. They are disappointed that no money has been spent from that yet, but—

Senator Nash: I have not heard that at all, Senator. I have had a very good response from the people up there in the community through my local members that they are particularly pleased to see the opportunity to drive this locally. I think people out in our communities—and Senator Sterle would know this—get a bit tired of Canberra telling them what to do.

Senator STERLE: So am I!

Senator Nash: I think it has been very well received. I would be interested, if you wanted to provide for me, anybody that has raised concerns with you, because I can certainly follow those up.

Senator CHISHOLM: You need better media clips, obviously, in terms of your process there.

Senator Nash: I am giving you the opportunity to provide them directly to me.

Senator CHISHOLM: In terms of the feedback from local governments around these projects, there is no money spent so far. There are five or six ministers responsible for the Latrobe package. How are they going to see some certainty? And this is really important, particularly for an area like Latrobe. Who are they going to know who they are dealing with in the cases?

Senator Nash: So we have gone from the Bowen Basin down to Latrobe now? Are you talking about Latrobe?

Senator CHISHOLM: Broadly, I was talking about the local experience. What sort of feedback are you getting about that?

Senator Nash: Very good. I think we might be a little at cross purposes here. My very keen sense is that people do not like rushed jobs. They do not think, 'Just get the money out and do it.' That might be your view, but

it is certainly not my view. It is a government that likes to make appropriate decisions and make sure that we have robust decision-making around doing these types of programs. Rushing into them, doing a rushed job and getting them role is not how we operate. You might, but we do not.

Senator CHISHOLM: I certainly think that, with an expectation around jobs, there is a lot of need in regional Queensland for people to see projects happening. There was an expectation built up by the government, which went around making these promises way back in June, and the people have not seen any anything actually happen.

Senator Nash: I think you might have not, perhaps, looked closely enough at the program. It is not just about projects. They will, of course, potentially be part of the response. What we have done with this particular program is look at not only the challenges that have been in these regions but also the challenges of being chosen on the opportunity for structural change and growth into the future. So that does not mean some sort of piecemeal 'just throw a bucket of money around to people'; that actually means an opportunity for these local communities, these local regions, to drive their own futures. They know best how that is going to work. You might want to just spray some money around for a few projects, but we want to make sure that we have a substantive process for these regions that has been very well said.

Senator CHISHOLM: In terms of the local experts that will be contracted to the department, will they be paid, and who will they report to?

Senator Nash: They will not actually be contracted to the department. For the facilitated process, I might just hand over to Ms Zielke.

Ms Zielke: The facilitators will be people who are currently in the various locations. We have been working with both the department of industry and the Department of Employment—as, of course, you would in such a program—to make sure that we are able to use people who are very familiar with the areas already and with the local people.

Senator CHISHOLM: In terms of these committees, once established, what are the time frames around how long they have got to develop local plans, deadlines et cetera that they will be held accountable to?

Senator Nash: Each region, I think, understands that the more quickly they get their committees in place and the quicker they get their plan—

Senator CHISHOLM: You do not want to rush them.

Senator Nash: Just let me finish. The more quickly they get their plan developed, the more quickly they are going to be up to submit for projects. There are not specific dates and time lines. I am hoping early next year to be able to have the rounds open to do this. It will depend on each community; it is not a one-size-fits-all response and we have done that specifically. I think we will see things move quite quickly as the regions realise that the more quickly they have got them in place, the more quickly funding will be available for proponents to apply.

Senator CHISHOLM: I would let Ms Ziekle partly answer this one. Will other departments have responsibility for elements of the program? For instance, for the skills and training in education, how will the interface work?

Ms Wimmer: We would be responsible for those activities but of course we are making sure that we utilise all the other services and advice available across the other departments. But we will be responsible for those activities.

CHAIR: Senator Sterle, do you have any further questions?

Senator STERLE: I will put them on notice.

Mr Mrdak: With your indulgence, Chair, I want to raise a couple of items to finish up. Firstly, tonight is the final hearing for Ms Fleming, who has announced her retirement. She will be retiring from the Australian Public Service very shortly and this will be her last appearance before this committee. I would like to take the opportunity to thank her. She has been an outstanding public servant across many portfolios. In her time with us, she has done a terrific job in areas such as regional, in areas such as territories and local government, obviously, but has also been a great contributor to this department and this portfolio. I would like to place on record our appreciation as a department of her great service to the Australian community through the Australian Public Service and we wish her the best in retirement.

Senator Nash: If I might, I associate myself with the remarks of the secretary. Can I also thank Ms Fleming for the work that she has done. I have not worked with Ms Fleming for all that long a period of time but I do have to say her professionalism and her knowledge has been absolutely invaluable to me, and I know my thanks extend

from my office as well. Coming into a new portfolio is always challenging and certainly Ms Fleming has made that a very easy transition and I am far more knowledgeable thanks to her good guidance and tutelage.

CHAIR: Ms Fleming, you can now join that very rare group of people who have had something nice said about them in the *Hansard*.

Mr Mrdak: Finally I would like to reference another senior officer of our department who did not appear this evening. Mr Scott Stone is also retiring in the next few weeks. Scott works in the Office of Transport Security and has also been an outstanding senior officer over many years, particularly in the aviation division and more recently devising the new security requirements for air cargo, which has made a significant impact on the safety and security of Australian aviation. I wish him all the best as well, if I may. In closing, can I wish you and the committee the best for Christmas and the New Year. We look forward to working with all of you again in 2017. Thank you to you and to the secretariat for your support and assistance through this year.

CHAIR: Thank you, Mr Mrdak. To the extent I am entitled on behalf of that both sides of government, we wish your officers the very best in their retirement. Some of us hope to join you sooner rather than later and reciprocal to you Mr Mrdak and your entire department for their efforts. We wish everyone a happy Christmas and a prosperous New Year and to you, Minister. Do you want to attach yourself to those remarks?

Senator STERLE: You have done well. They are my thoughts as well.

CHAIR: I thank the secretariat once more for their wonderful job in preparing this once more.

Committee adjourned at 20:00