



COMMONWEALTH OF AUSTRALIA

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates Supplementary Hearings)

TUESDAY, 4 NOVEMBER 2003

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION

COMMITTEE

Tuesday, 4 November 2003

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

Senators in attendance: Senators Allison, Buckland, Colbeck, Crossin, Ferris, Heffernan, Hogg, Kirk, O'Brien and Stephens

Committee met at 9.03 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed from 3 November

In Attendance

Senator the Hon. Ian Campbell, Minister for Local Government, Territories and Roads

Department of Transport and Regional Services

Output 1—Corporate

Mr Ken Matthews, Secretary

Mr Peter Yuile, Deputy Secretary

Ms Lynelle Briggs, Deputy Secretary

Output 1.1—Corporate Group

Mr Roger Fisher, First Assistant Secretary, Corporate

Mr Jeremy Chandler, Chief Finance Officer

Ms Linda Holub, Assistant Secretary, Executive and Governance

Mr David Banham, Chief Information Officer

Output 2—Policy and Research Group

Output 2.1—Bureau of Transport and Regional Economics, Regional and Cross Portfolio Issues

Mr Tony Slatyer, First Assistant Secretary, Policy and Research

Mr Phil Potterton, Assistant Secretary, Transport and Research (BTRE)

Ms Judith Winternitz, Assistant Secretary, Regional and Statistics (BTRE)

Dr Anthony Ockwell, Assistant Secretary, Portfolio Policy

Mr Daniel Owen, Assistant Secretary, Regional Policy

Output 2.2—Transport Policy Functions

Mr Mike Mrdak, First Assistant Secretary, Policy and Research

Mr John Elliott, Assistant Secretary, Infrastructure

Mr Jim Wolfe, Assistant Secretary, Rail, Logistics and Maritime

Mr Nick Bogiatzis, Assistant Secretary, Aviation

Output 3—Regulatory Group**Output 3.1—Surface Transport Regulation**

Mr Bill Ellis, First Assistant Secretary, Surface Transport Regulation

Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards

Ms Maureen Ellis, Acting Assistant Secretary, Surface Transport Regulation and Reform

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer, Australian Maritime Safety Authority

Output 3.2—Transport Security Regulation

Mr Andrew Tongue, First Assistant Secretary Transport Security

Mr John Kilner, Assistant Secretary Maritime Security Regulation

Dr Andy Turner, Assistant Secretary Aviation Security Regulation

Output 3.3—Aviation and Airports Regulation

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Regulation

Ms Linda Addison, Assistant Secretary, Airport Planning and Regulation

Ms Merrilyn Chilvers, Assistant Secretary, Aviation Operations

Mr Mike Smith, Executive Director, National Airspace System Implementation Group

Civil Aviation Safety Authority

Mr Bruce Gemmell, Acting Director of Aviation Safety

Mr Rob Collins, Acting Deputy Director of Aviation Safety

Mr Bill McIntyre, Executive Manager, Aviation Safety Standards

Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance

Mr Rob Elder, Executive Manager, Corporate Affairs

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Ray Comer, Executive Manager, Corporate Development

Mr Peter Ilyk, General Counsel

Airservices Australia

Mr Bernie Smith, Chief Executive Officer, Airservices Australia

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

Output 4—Safety and Investigation Group**Output 4.1—Australian Transport Safety Bureau**

Mr Kym Bills, Executive Director, Australian Transport Safety Bureau

Mr Robin Graham, Director, Safety Investigations

Mr Alan Stray, Deputy Director, Air Safety Investigation

Mr Joe Motha, Director, Safety Research and Education

Output 5—Programmes Group**Output 5.1—Regional Programmes**

Ms Leslie Riggs, First Assistant Secretary, Programmes

Ms Wendi Key, Assistant Secretary, Regional Programme Operations

Dr Leo Dobes, Assistant Secretary, Regional Analysis and Performance

Mr Gary Dolman, Assistant Secretary, Regional Community Liaison

Mr Bill De Jong, Director, Sustainable Regions

Mr Luke Wild, Project Officer, Sustainable Regions Operations

Ms Alexandra Staples, Assistant Director, Regional Programme Operations

Output 5.2—Transport Programmes

Ms Sema Varova, First Assistant Secretary, Transport Programmes
Ms Joan Armitage, Assistant Secretary, Transport Programmes North & West
Mr Barry O'Neill, Director, Investment Policy and Black Spot
Mr Ed Cory, Director, NSW and ACT
Mr Leo Kennedy, Director, WA and SA
Mr Wayne Trappett, Director, VIC and TAS
Mr Martin Cotton, Director, QLD and NT

Output 5.3—Territories and Local Government

Mr John Doherty, First Assistant Secretary, Territories and Local Government
Mr Andrew Wilson, Assistant Secretary, Territories
Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters
Ms Margaret Backhouse, Director, Self-Governing Territories

National Capital Authority

Ms Annabelle Pegrum, Chief Executive Officer, National Capital Authority
Mr Lindsay Evans, Managing Director, Business
Ms Graham Scott-Bohanna, Managing Director, Design
Mr George Lasek, Acting Director, National Capital Estate
Mr Shamsul Huda, Acting Director, National Capital Plan
Mr Ross Addison, Director, Finance
Mr Jeremy Lasek, Director, Promotions
Ms Alison Walker-Kaye, Director, Corporate Business

CHAIR—Good morning, ladies and gentlemen. I declare open on Melbourne Cup Day this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. Today the committee will continue its consideration of the supplementary budget estimates with the Department of Transport and Regional Services. I propose to call on the estimates according to the format adopted in the printed program. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 19 December 2003. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules of the order of the Senate of 20 August 1990.

I welcome the Senator Ian Campbell, the Minister for Local Government, Territories and Roads representing the Minister for Transport and Regional Services. I presume it is his first go at estimates as a minister, so congratulations. Senator Campbell is accompanied by Mr Ken Matthews, Mr Peter Yuile, Ms Lynelle Briggs and other officers of the Department of Transport and Regional Services and related agencies.

Officers are reminded the Senate has consistently decided by way of continuing resolution that there are no areas in connection with the expenditure of public funds where a person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. Officers are also reminded that an officer of a department of the Commonwealth or a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officers to superior officers or to the minister. Finally, witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false and misleading evidence to the committee may constitute a contempt of the Senate.

Welcome ladies and gentlemen, Senator Campbell and Mr Matthews. If you would like to make some sort of opening statement, you may do so. We will then move to deep and meaningful questions from Senator O'Brien.

Senator O'BRIEN—I want to make a statement.

CHAIR—I understand Senator O'Brien would like to make a statement.

Senator Ian Campbell—I have no opening statement.

Senator O'BRIEN—At yesterday's hearings, I asked the Secretary to the Department of Agriculture, Fisheries and Forestry about the status of an import risk evaluation developed to facilitate the return of the sheep on the *Cormo Express*. This was a very dangerous option for a number of reasons, and I was keen to see it off the table. The prospect of the ship being returned to Australia has caused alarm amongst our domestic livestock industries and trading partners on quarantine grounds.

As you know, Mr Chairman, the committee was planning to inquire into Mr Truss's plan to return these sheep to Australia but suspended that inquiry on the basis that the plan was to be abandoned. The introduction of exotic diseases into Australia via the return of these sheep should be a matter of concern for every senator in the chamber. Exotic diseases would hit not only the red meat sector but also other industries, including Australia's wool industry. The committee reported to the Senate that we had suspended our inquiry. In response to my question yesterday, Mr Taylor made it quite clear that the bringing them home option was abandoned on 24 October; in fact, he told the committee that the option was killed off at around 3.30 p.m. on that day. That was the time when the sheep commenced their walk on dry land for the first time in 80 days.

I accepted Mr Taylor's evidence as being truthful and had assumed that was the end of the matter. Mr Chairman, on this morning's *AM* program, the minister stated that he was still looking at the option of returning sheep stranded, as were those on the *Cormo Express*, back to Australia. When asked about how such a situation would be handled in the future, he said, 'There were a number of options, including an arrangement with another country or an island or alternatively bringing them back to Australia.'

It is clear that Mr Truss now plans to push on with the development of this option. Mr Chairman, that makes the evidence from Mr Taylor to the committee misleading, to say the least. It is hard to believe that the secretary would not know what options the minister was pursuing in relation to this matter. I will therefore seek a private meeting of the committee at which I will propose that Mr Taylor be immediately recalled. Unless, of course, Mr Truss can immediately correct his statement from this morning, the committee has little choice but to reinstate its inquiry into the import risk evaluation that we all understood was dead and buried.

CHAIR—Thank you very much. By way of explanation, there was a request last night for this committee to give an hour of its time in consideration today to the continuation of the estimates of yesterday. The committee in its wisdom decided that would not be a good idea and, as a consequence, Senator O'Brien requested that statement. We can now move to questions.

Senator O'BRIEN—Unless there is an opening statement from Mr Matthews.

Mr Matthews—No, we do not have an opening statement.

Senator O'BRIEN—Mr Matthews, at the last estimates hearing you reported on the financial woes of your department, and it was revealed that an officer had sought some advice from an insolvency firm. Can you provide an overview of the department's current financial health?

Mr Matthews—I was not here at the last hearings, but the acting secretary was. An overview of the current situation is that we are more or less on track in achieving our financial targets across the department. The department is, as you know, divided into five groups. Each group has a target and, at the end of the first quarter, we have had a review of our financial situation, our work programs and our reports on business programs. The summary that I gave to staff recently was that we are more or less on track financially and tracking well in business outputs.

Senator O'BRIEN—Mr Matthews, you are reported in the *Canberra Times* on 11 October as saying that there is a risk 'of "reform fatigue" setting into the department after a year of major initiatives in the portfolio'. What do you mean by 'reform fatigue'—human fatigue? Are you monitoring the impact on staff?

Mr Matthews—I was talking about the impact—that managers are well aware of and leaders should certainly be well aware of—on staff of a continuous process of change. One of the challenges of management and leadership is to make sure that staff can sustain a process of change. What we tried to do in DOTARS is to design the change process so that people are well aware of what the objectives are, well aware of the resources that are available and well aware of what we are trying to achieve in a business sense so that, even though the management pressure is on and sustained, people do not suffer that form of employee fatigue.

Senator O'BRIEN—What has been the rate of turnover in the department in the past 12 months? How does this compare with the previous period in the last five or 10 years?

Mr Matthews—As I recall the number, the department has typically had a rate of turnover of around eight per cent. Over recent times we have been tracking a little bit above that in terms of natural loss. Since the budget, the department has lost 88 people, we have brought on four people and we have disengaged 13 people who were inoperative; that is, people who were, for example, on leave without pay.

Senator O'BRIEN—That sounds like an unusually high rate. Do I interpret your answer correctly?

Mr Matthews—No, that is not an unusually high rate. That is higher than we have typically had over recent years, but it is not an unusually high rate. But, unfortunately, we do need to reduce our staff numbers. That is one of the dimensions when I said we were tracking pretty close to target financially.

Senator O'BRIEN—What is the staff number reduction target?

Mr Matthews—We do not have a staff number target. I have been emphasising around the department, as I try to communicate what we are doing with this work out/work up strategy, that we do not have head count targets. What we do is have financial targets, which means

that each of the five groups have a financial target based on the budget for that area of the department.

There are various ways of achieving that. One way is through reduced staff but there are other ways as well such as reducing supplier expenses. Examples of supplier expenses are accommodation, consultancies and so on. Another way might be increasing revenue. That is why we have not set a head count target.

Senator O'BRIEN—What sort of pruning of the budget are you looking for in each area? Is it a common percentage or have you targeted particular areas for particular efficiencies, if I can put it that way?

Mr Matthews—Typically across the department, across the five groups, there has been a 10.7 per cent reduction in budgets. However, that has not been just a wholesale across-the-board reduction. There were some ons and offs, as we call it, but typically the financial targets are about a 10.7 per cent reduction.

Senator O'BRIEN—Looking at the organisational chart obviously, as you have said, there have been a lot of departures and some reshuffles. Are any senior managers still in the jobs they held two years ago?

Mr Matthews—This might take us a moment. Senator, it is not simple to answer the question. We will have to take it on notice. The reason it is not simple is that there has been significant redesign of functions across the department. One of the principles has been to try to maintain a reasonable degree of corporate memory and continuity. For example, as we move SES officers around, we generally try to do that in a phased way. To compare identical jobs now with two years ago, when there has been some significant changes to functions, will be complex. But we will have a shot at it.

Senator O'BRIEN—What do you see as the signs of reform fatigue?

Mr Matthews—There are various ways of measuring it. From time to time the department undertakes a staff survey, which includes measures of morale. We have not had a staff survey for a time, although one is planned for the next 12 months.

The rate of staff turnover is another indicator. As I have already mentioned, that has not been impacted terribly strongly so far. One of the most powerful ways to measure it, as a manager and a leader, is to listen to people, to listen to staff members and what they are saying around the corridors and how they are feeling. Rates of application for vacancies or expressions of interest in vacancies is another indicator. I use a combination of those objective measures where they are available and more subjective measures, particularly by getting direct feedback from staff.

Senator O'BRIEN—You are saying you do not want any more reform initiatives put on the department?

Mr Matthews—On the contrary, it is absolutely necessary that the reform process continues. This is a message that I have tried to emphasise in the series of reports back to staff which I have just completed. I have just completed five reports to groups of several hundred staff at the time; that is, group by group around the department.

One of the messages that I was giving was that the reform process we have been going into is absolutely essential for two reasons: one, because of the need to meet our budget, our financial targets; and, secondly, because every organisation needs to improve its performance at every opportunity. So we are trying to use that reform process to improve organisational performance as well as to achieve the financial targets. That has to continue until we have met our budget. Any well-run organisation will always be trying to improve its performance. So, no, there is no resting on the oars.

Senator O'BRIEN—Do you have the resources to finish the reforms you have on the book at the moment? Let us look at AusLink, reform of air services, transport security, New South Wales rail deal, reform of the regional programs, and others.

Mr Matthews—The reforms I was talking about in the answer to the last question were a set of internal reforms as to how the department manages itself, how we govern ourselves and how we utilise our budget. Your question now is about whether we have the resources to deal with the things that the taxpayer actually funds us for, which is to make a difference for the community and the industries outside.

In areas where the government has taken decisions about programs, we are confident that we will be able to deliver. In areas where the government has not yet taken decisions, and you used the example of AusLink, the resourcing question has not been addressed by the government. So we would need to wait for the government decision before I could answer that question.

Senator O'BRIEN—The article I referred to earlier quotes you as saying:

... the department had been managing, was managing, and was committed to continue to manage within its financial resources.

Mr Matthews—That was in my foreword to the annual report.

Senator O'BRIEN—It is? By that statement, should we interpret you as saying that you do not need any more money or resources to do the tasks that you have been allocated?

Mr Matthews—No. What that sentence is intended to convey is that we have a responsibility to manage within our budget. We have been doing that and we fully intend to continue to do that. But it was not a comment on the adequacy or otherwise of the decisions that the government has not taken yet.

Senator O'BRIEN—Will the department be seeking additional funds for next year to cover its operations?

Mr Matthews—That is a policy and budget question which I can't answer directly. I can say this: whenever the department is involved in a new policy proposal, it is our normal approach that we would recommend to the minister that the minister seeks sufficient administrative resources to make sure we can administer a program.

Senator O'BRIEN—The department made an operating loss of \$4.5 million last year. You could not be satisfied with that?

Mr Matthews—I will ask my chief financial officer to respond to that.

Mr Chandler—The department had an approved operating loss already in place for last fiscal year, which related to the carryover of funds appropriated in the previous year. That accounted for the operating loss you refer to.

Senator O'BRIEN—You had an approved loss of \$6.4 million but only made a loss of \$4.5 million.

Mr Chandler—That is correct. There was an approved loss for last year for carryover of funds. There are, as always, a number of factors which impact on the final result. And the final outcome, following adjustment for those factors, was a smaller operating loss than was approved.

Senator O'BRIEN—Sorry, I didn't quite hear that.

Mr Chandler—Allowing for a number of factors which impact through the year on a budget, the final outcome was a operating loss slightly smaller than that that was approved.

Mr Matthews—I think it is important to emphasise that the fact there was an operating loss at the end of the year is not unusual. Other agencies can be in a similar situation, and the arrangements provide for those sorts of outcomes provided they are approved in advance. It is a good and accepted method of smoothing financial management. We are not the slightest bit embarrassed about that sort of outcome, as many agencies would not be either.

Senator O'BRIEN—How many other agencies have an approved operating loss?

Mr Matthews—Obviously, in a line agency, I am not in a position to know that. The department of finance could tell you that. But my point is that it is not unusual.

Senator O'BRIEN—When you say 'it is not unusual,' can you point me to recent like circumstances or similarities in other departments—

Senator Ian Campbell—That is a question for either Treasury or Finance estimates. This is a line agency; it is not a central agency.

Senator O'BRIEN—If Mr Matthews knows—

Senator Ian Campbell—Mr Matthews is responsible for the transport department, not for Finance or Treasury at this stage.

Senator O'BRIEN—Mr Matthews knows equivalents given the circumstances of this department because he has just said it is not unusual. I am asking for him to flesh that answer out.

Senator Ian Campbell—That is a question for Finance and Treasury estimates, not for Transport estimates.

Senator O'BRIEN—Mr Matthews having made a statement, it is not unusual to substantiate that. Can you substantiate it, Mr Matthews?

Mr Matthews—I think the minister has made clear his preference for how the question be answered. So that is perhaps as far as I can take it, Senator.

Senator O'BRIEN—So you cannot substantiate it?

Mr Matthews—No, I am not saying that.

Senator Ian Campbell—It is just a fact. If you need information, get one of your comrades on the finance committee to ask a question of the minister for finance.

Senator O'BRIEN—I am here asking questions of Mr Matthews about this department's performance. Mr Matthews made a statement that this is not an unusual circumstance, and I am asking for him to substantiate that. If you choose not to allow him to answer that, then the record will stand.

Senator Ian Campbell—In fiscal year 1995-96 there was a \$10 billion unbudgeted loss made by the previous Labor administration, which means there was a massive blow-out of budgets across the government.

Senator O'BRIEN—You will try and trade on that forever, at your peril of course. But if Mr Matthews has an example or two, then I would appreciate it if he can give it.

Senator Ian Campbell—Mr Matthews has made the statement that this is quite normal financial management for a line department. It has been supported by the chief financial officer, Mr Chandler, and we probably should move on to the next question.

Senator O'BRIEN—It is quite normal for a department to run an approved \$6.4 million loss which came in at \$4.5 million. Is that what you are saying, Mr Matthews? Did I understand you correctly?

Mr Matthews—I am not sure that I used exactly those words—I think you just said 'it is quite normal'. I think I said, or I hope I said, that it is not unusual and that there are other agencies in the situation. The point I was trying to make was that there appeared to be an impression that budgeting for a loss and achieving a loss was, in some sense, a financial failure. And the point I was making was simply that that is not unusual and is contemplated and exercised by other agencies around Canberra in the normal course of financial management. I would add one thing, which I am sure the minister would not mind me adding, that we did, of course, have a surplus the previous year in excess of the loss this year.

Senator O'BRIEN—Which, I suppose, makes the turnaround even more stark.

Mr Chandler—Just to respond to that comment, the operating loss this year was, as I mentioned before, an approved carryover of funds from the previous year. So the amounts relate directly one to the other.

Senator O'BRIEN—I am sorry, could you repeat that?

Mr Chandler—The operating loss this year was, as I mentioned before, a carryover of funds from the previous fiscal year; that is, we received appropriation in 2001-02, the expenditure of which was deferred until 2002-03. So there was an operating surplus in 2001-02, and the funds provided that contributed to that surplus were then used in 2002-03. So it was a planned carryover of funds.

Senator O'BRIEN—How does that relate to the deficit? Were those funds that were carried over reflected in the 2002-03 budget numbers?

Mr Chandler—They were.

Senator O'BRIEN—Even though you carried over funds, you still had a significant loss.

Mr Chandler—We carried funds over. The government appropriates revenue in one year, and that is typically matched by expenditure in the same year. Because the expenditure of some of the revenue provided was deferred to the next year, that gives you an operating surplus in the first year. But then, under the accounting conventions, the expenditure recognised in the second year creates a deficit situation because it is not matched by appropriation that year.

Senator O'BRIEN—Did the income that was carried over from 2001-02 appear as income in 2002-03?

Mr Chandler—No, it does not. That is why you get a surplus in one year and a deficit in the other.

Senator O'BRIEN—Right. So how much was carried over?

Mr Chandler—It was \$6.4 million.

Senator O'BRIEN—How much expenditure was carried over? In other words, how much expenditure that had been allocated to 2001-02 was actually deferred until 2002-03?

Mr Chandler—The approval was for \$6.4 million. Those were the funds that were carried over.

Senator O'BRIEN—So \$6.4 million income and \$6.4 million expenditure were carried forward?

Mr Chandler—The expenditure was incurred in 2002-03 rather than 2001-02.

Senator O'BRIEN—But it was allocated in 2001-02 for expenditure in 2001-02?

Mr Chandler—Correct.

Senator O'BRIEN—So both the income and the expenditure were carried forward into 2002-03?

Mr Chandler—The income is recognised in one year, 2001-02, and the expenditure was recognised in 2002-03.

Senator O'BRIEN—I do not want to misunderstand this. That is why I am asking these questions. An amount of \$6.4 million in expenditure obligations moved from 2001-02 to 2002-03. Do I have that right?

Mr Chandler—Correct.

Senator O'BRIEN—In terms of 2001-02, was there income attributable to that expenditure that was carried forward which was also carried forward to 2002-03?

Mr Chandler—The income was received in 2001-02. Because it is not spent, it resides as a cash holding to be spent on the expenditures in the following year.

Senator O'BRIEN—So what was the surplus in 2001-02?

Mr Chandler—It was of the order of \$9 million. I do not have the precise figure in front of me, but it was of the order of \$9 million.

Senator O'BRIEN—Has any expenditure from 2002-03 been carried forward to 2003-04?

Mr Chandler—There was no approved carryover, Senator.

Senator O'BRIEN—So all of the activities programmed for in the department in 2002-03 were completed on the budget for 2002-03?

Mr Chandler—If I could just correct my last answer, yes, there are some funds provided this year which will be carried forward to 2003-04.

Senator O'BRIEN—What sort of quantum are we talking about there?

Mr Chandler—Ten million dollars.

Senator O'BRIEN—Is it likely, on the basis of that \$10 million of obligations being carried forward, that we will see another deficit next year?

Mr Chandler—I cannot predict that at this stage. It depends on the timing of expenditures. We are not sure on the timing of those expenditures.

Senator O'BRIEN—Mr Matthews, that snapshot—it is only a few years, I will concede, but you are looking at part of your work program being rolled into a subsequent year and the allocation for it being spent in the year that the work was to be done, \$10 million worth of work being effectively deferred. I take from the earlier answers that that \$10 million still sits in the year where you are suffering a \$4.5 million loss. Do I understand that correctly?

Mr Matthews—Broadly that is correct, but the inference that people might draw listening to that is that the department is dragging the chain on delivering—

Senator O'BRIEN—Or perhaps something else.

Mr Matthews—There are reasons for the big leaks of moneys that sometimes are not spent in this, like other agencies. For example, if it is contingent on a particular project proceeding which is dependent on some external decision or contribution, so they can be beyond the power of the department or the government as a whole.

Senator O'BRIEN—Mr Matthews, surely the department either has too much to do on the funds available or you are not doing it efficiently or you need more money; which is it?

Mr Matthews—No. The point that I have made, though perhaps not clearly enough, is that we are confident that we can deliver what the government has asked us to deliver and what they have resourced us for. There are decisions yet to be made about other big activities that will involve the department, and the usual example is AusLink. To deliver AusLink, yes, there would need to be a decision taken about resourcing. But to this point, the department has successfully delivered. At the end of our first quarter review of our business plans, our financial tracking was pretty good, pretty well on track and our work performance was well on track.

Senator O'BRIEN—So where have the savings or efficiencies been made?

Mr Matthews—We have tried in a whole range of areas. You are aware that we have reduced some staff, and that has meant reallocation of tasks in a more efficient way between people around the department. We have restructured the organisation, for example, to pool several divisions into single groups. That allows better workload sharing, better task sharing and more flexible planning across the group rather than in the narrow confines of a single division.

We are beginning to introduce some business process re-engineering in the different groups. That means doing the same job but doing it more efficiently. And we are concentrating very hard in the work out/work up strategy on more efficient planning, which means focusing on the things that are of highest priority, trying to identify the things which are of lower priority and concentrating at group level, team level and individual level on those highest priority tasks. All of that is just the way an organisation should be managed. We are trying to concertina that into an accelerated process, which will have the two objectives that I outlined 10 minutes ago of achieving our budget targets and improving organisational performance at the same time.

Senator O'BRIEN—Have there been any formal redundancies?

Mr Matthews—Yes, there have been a very small number of formal redundancies in targeted areas across the department. But our general approach has been to try to achieve the budget savings through managed attrition, which means natural attrition, but with strong and active interest by managers in their staff.

Senator O'BRIEN—Can you tell us how many formal redundancies there have been and the vacancies achieved by natural attrition to date?

Mr Matthews—I will ask Ms Linda Holub to answer that.

Ms Holub—Since July of this year we have had two redundancies as a result of the work out/work up strategy.

Senator O'BRIEN—What about positions vacated by natural attrition?

Mr Fisher—It is a difficult question to answer, because people will leave jobs to move into another job in the same group, or they will leave a job to work on a different assignment in another group, or they might leave to work in another department. I am not quite sure—

Senator O'BRIEN—You would know which positions you were not intending to fill. That is the point, isn't it? If a position has been vacated and it has been decided that you are not going to fill it, whether it be vacated by a transfer, a retirement, a resignation or a dismissal—perhaps not the latter—but what I am asking for is where positions have been vacated for whatever reason and are not to be filled, I would call that a reduction in numbers by natural attrition. I am not sure whether you agree with that sort of terminology, but that is what I had in my mind. That is what I am really asking: how many such circumstances have there been in the department?

Mr Fisher—I am not sure. It is a really hard question to answer, and I am not sure I fully understand the question. The concept of positions was removed when the Public Service Act was amended in 1999, and we have not asked groups to set targets. We can share with you aggregate numbers on people who have left the department and we could take on notice questions about the number of internal movements. But I am not sure that I fully understand the concept that you explained.

Senator O'BRIEN—Let me try to simplify it. You can talk about the number of people who have left; you can talk about the number of people who have been engaged; you can talk about the number of positions which remain to be filled. If you add the last two groups

together and you subtract that from the first group—that is, those that are left—that should give you the number of positions you are not intending to fill.

Mr Fisher—We can answer the question about numbers of people who have left and we can answer the question about number of people who have arrived, and we will give that to you. The third category you described, numbers of positions left to be filled, is not a concept that we use. We do not have positions waiting to be filled; we have people on assignments with tasks. When tasks are completed, people are reassigned to other tasks. But perhaps Ms Holub can provide you with the aggregate numbers on arrivals and departures in the department.

Ms Holub—The secretary referred to two figures earlier. One was a figure of 88 separations since the budget or since the end of April and the other was that four people have joined the department. They were the figures that were mentioned previously.

Senator O'BRIEN—The raw numbers say there are 84 people, jobs, positions, salaries—however you would describe it—that are no longer being taken up. Would that be a fair reflection of the sort of attrition, using my terminology?

Mr Matthews—That is correct.

Senator O'BRIEN—That would include the actual formal redundancies that you mentioned, wouldn't it?

Mr Matthews—Yes, I am sure it would.

Senator O'BRIEN—And how many of those were formal redundancies?

Ms Briggs—I would agree with the deputy secretary—two since the beginning of this financial year.

Senator O'BRIEN—Mr Matthews, can I take 82 as the staff reduction figure?

Mr Matthews—Eighty-four.

Senator O'BRIEN—Eighty-four, that is right, of which two were actual redundancies.

Mr Matthews—That is correct.

Senator O'BRIEN—And appreciating what you have said, that obviously has bottom-line ramifications if that is continued throughout the year. What sort of saving would the department make from those sorts of staff reductions?

Mr Matthews—We have not done those predictions. The way we are trying to manage the reform process within the department is to give each group financial targets, not to give each group head-count targets and so far, as I have said, we are tracking reasonably well.

I am not trying to avoid your question. Obviously an important element of achieving the financial targets is reductions in salary payments and the direct cost involved in employing people, but that is not the way that we are approaching it. We have not said, 'Such and such a group should lose such and such a number.' What we said is, 'Such and such a group has a budget and we expect them to look for various ways of achieving that.' An important way is reducing staff, but there are options and I mentioned some before. Supplier expenses, which is the other important element of departmental expenses in addition to employee costs, have

been held down very well. We hope that we will continue to be successful with that. In fact, we are quite confident we will be successful with that.

Senator O'BRIEN—What have you saved on supplier costs?

Mr Matthews—We would have to take that on notice.

Senator O'BRIEN—When you take that on notice, can you give me a number for the savings on employee costs?

Mr Matthews—Yes, we can do that—the aggregate saving across the department on supplier costs and on employee expenses.

Senator O'BRIEN—Thank you. In terms of the reform measures being managed by the department, Mr Matthews, whilst I will ask relevant program areas for specifics, you have talked in general terms about the achievement on particular programs. I want to get a sense of actually how much has been achieved. I think you have described AusLink as the highest profile reform initiative in 2002-03. That is the AusLink green paper which was issued in May 2002. When did submissions close on that—following the issue of the green paper for responses?

Ms Briggs—From memory, it was the end of February this year.

Senator O'BRIEN—But as yet there is no white paper?

Ms Briggs—That is correct, yes.

Senator O'BRIEN—When is that intended to issue?

Ms Briggs—When the government makes the decision to do that.

Senator O'BRIEN—Another high profile issue is the New South Wales rail lease and you state there are other New South Wales interstate track deals awaiting completion. How long has that process been running?

Ms Briggs—We believe we have made good progress. The process from the initial discussions probably began a couple of years ago.

Senator O'BRIEN—On the question of airspace management, given the level of industry concern around—and I can say that there is a lot of concern in my state—that appears to be a problem that will require quite some managing, doesn't it?

Mr Matthews—Yes, that is certainly true. We would be expecting that you will be asking some questions about that when we get to that point in the agenda. I assume what you are marshalling now are the highlights of the department's performance and I might be able to accelerate that process. We have set out a list of important priorities which are important to the ministers and the government. Airspace reform is certainly one of them and AusLink is another. The New South Wales track lease, which you mentioned, is another. All of these we have had significant focus on and resources for this year.

If I can quickly whip through the others just as highlights: the portfolio has achieved significantly on transport security, on the reform of CASA, on the regional business development analysis, on support for the minister on the national water initiative, on the creation of the National Transport Commission and on the finalisation of the Transport Safety

Investigation Bill. We are also doing a lot of work behind the scenes on interstate harmonisation of rail regulation; we have implemented the new regional partnerships program; we have carried forward the natural disaster reform package; and there has been a lot of work done on the Indian Ocean territories. The point I am making is that, in addition to all the day-to-day and week-to-week work, the department has been able during this time of change to deliver a list of high profile priorities of the government, such as the ones I have run through, without interruption.

Senator O'BRIEN—You talk about the package of transport security legislation coming forward. There has been criticism from the Senate committee about the lack of availability of the regulations which form a substantial part of that package. Was the department not resourced well enough to complete that part of the task in time?

Mr Matthews—This is probably best discussed at that time in the agenda. Suffice to say at this stage that there has been a heck of a lot going on on transport security, as you would be well aware, and it has been a challenge. But so far we have delivered what the minister has been asking us to deliver. It is true that we would have preferred to have had the full set of regulations available sooner. I think that has already been publicly said.

Senator O'BRIEN—That is right. It was in the Senate committee report. We are dealing with a similar problem for the maritime sector with parallel legislation but different problems in a substantially different sector with, again, the fleshing out of the package needing the regulations. The government wants the Senate to deal with the legislation to a certain timetable but has been unable to produce the regulations so that the Senate knows the package it is approving.

Senator Ian Campbell—The Senate gets to deal with legislation and then it gets to deal with subsidiary legislation when that subsidiary legislation comes before it. This is a very interesting tactic of Labor to say, 'We will not pass legislation until we see the regulations,' when in fact the regulations flow from the legislation.

Senator O'BRIEN—That may be the case in many circumstances.

Senator Ian Campbell—It is the case. It is an excuse for holding up legislation. You have 16 bills held up at the moment in the Senate.

Senator O'BRIEN—Do not start to go on, you have been a hopeless manager of business. We have been keeping the program going, because you cannot bring bills forward. The fact of this matter is there is a unanimous Senate committee decision—

Senator Ian Campbell—We have 17 bills stuck before your committee. Now you are using the fact that regulations are not ready to hold up legislation.

Senator O'BRIEN—There is a unanimous Senate committee decision which says that the regulations form a substantial part of the legislation, particularly in aviation security. And in that regard, a number of industry participants have said they cannot completely understand the legislation until they see the regulations. As a result, although the legislation, as I understand it, is being dealt with as a matter of priority, it is still a criticism which has been raised.

The opposition has given no indication of holding up either piece of legislation, but we do need to see what the legislation really means. And in this case—it is not the case with every

piece of legislation—you cannot understand what the legislation is actually going to do until you see the regulations. So that is the point that we have been keen to make in those proceedings. I make that point because Mr Matthews talked about the transport security legislation as an important piece of work for the department. It is important. I just indicate that it has not been able to be completed to the timetable of the government's legislative program.

In terms of the national water initiative, I presume, Mr Matthews, you are talking about infrastructure proposals. I am not sure that your minister is responsible for the initiative as such; is he?

Mr Matthews—The role of the Department of Transport and Regional Services in relation to the national water initiative is based on our regional policy role and our regional program's responsibilities. It may be, for example, that there are adjustment pressures that are caused by changes in water arrangements, and in that case there would need to be a policy position and possibly a program response to that.

Senator O'BRIEN—You talked about that as an area of major achievement. I am just trying to fit your department's role into the government's perspective. Is the ministerial council process a key process for your minister?

Mr Matthews—Which ministerial council are you referring to?

Senator O'BRIEN—I am trying to think of the precise name—

Mr Matthews—Perhaps I could help. COAG, the Council of Australian Governments, was the principal intergovernmental forum for the national water initiative, and our minister had an important role in the work leading up to COAG, and indeed at the meeting. The support that the department provided for him was based on the responsibilities that I just went through, regional policy and regional programs, but also it was an important whole-of-government priority. Quite a number of portfolios and agencies were involved in providing support for the government's initiative.

Senator O'BRIEN—I understand that. In terms of COAG, I think Minister Anderson has filled in for the Prime Minister on an occasion or two, but normally it is the Prime Minister.

Mr Matthews—Not that I am aware of, but he was certainly present on this occasion for the water discussion.

Senator O'BRIEN—Which other ministerial councils does your minister participate in?

Mr Matthews—He chairs the Australian Transport Council and he chairs the Regional Development Ministers Council. They are the only two at this stage.

Senator O'BRIEN—In terms of the COAG process on water resources, which is the lead agency?

Mr Yuile—The Department of the Prime Minister and Cabinet has been leading that whole-of-government process.

Senator O'BRIEN—And which other departments are participating in that process?

Mr Yuile—Certainly the Department of the Environment and Heritage, the Department of Agriculture, Fisheries and Forestry, and I think the Treasury, have been involved in those

discussions, as I recall—as well as us. There may be others, and I can give you those a bit later.

Mr Matthews—Senator, I need to correct something that I said a minute ago. I think I said that Minister Anderson was present in the room during the COAG discussion of the national water initiative. I am advised that he was not actually in the room but he was present in Canberra and had been heavily involved in the work up towards it.

Senator O'BRIEN—I heard there was a bit of a dispute about that.

Senator Ian Campbell—It was the pettiness of six Labor state premiers.

Senator O'BRIEN—It is funny how we are always wrong and your side is always right.

Senator Ian Campbell—No, I did not say that. It is the pettiness of six Labor state premiers who spat the dummy and walked out, leaving a lot of very important stuff on the agenda, including natural disaster relief.

Senator O'BRIEN—It is not some federal government ministers in terms of important portfolios like health. Mr Matthews, at the last estimates hearing we had a lengthy discussion about the parlous financial state of the department and we had the benefit of the briefing notes you used from your post-budget presentation to staff. At the time you said:

If we go on as we have we will have a shortfall of around \$35-40 million by the end of 2004-05.

What is the current status of that comment? How would you reflect on that comment now?

Mr Matthews—I will ask Mr Chandler and Mr Fisher to add to this, but my one-sentence summary of where we are now is that we have developed a plan to get out of our financial challenges and at the end of the first quarter we are pretty pleased with how we are tracking financially. We expect that that plan will last for at least a year and conceivably up to two years, but at this stage we are tracking pretty well. So those sorts of numbers, which were based on if we do nothing, have not come to pass. They have not come to pass because we did do something.

Senator O'BRIEN—Yes, well, I took it from those comments and your presentation last time that there was no option of going on as the department had been and that measures needed to be put in place in the absence of a major financial boost from Treasury; in other words, that the cloth would have to be cut in some way or other. I wonder what you would anticipate the end of 2004-05 deficit or otherwise to be, given the planning process you are going through, the dimension of the problem you are being faced with and the way that you now say you are coping with that problem.

Mr Matthews—I would just repeat that I personally was not here at the last estimates hearings. Look, it would be very difficult and is likely to be misleading if I made some estimate of where I thought we would come out at this stage. I have tried to leave a picture with you that, at the end of the first quarter, which is a pretty early stage, we are tracking pretty well. I have told staff that we should all be taking a fair bit of satisfaction from where we have got to.

Senator O'BRIEN—Do you think you will still be in deficit?

Mr Matthews—We expect that in each of the years we will be cash positive. That has been an important part of our financial plan.

Senator O'BRIEN—Could you point me to the area where you are taken from cash positive into a negative balance?

Mr Chandler—The projections are that we balance our budget each year. There will be a balanced budget and our cash position would be positive.

Senator O'BRIEN—You had an operating loss of \$4.5 million last year, and it sounds like you are going to have an operating loss this financial year. Is that a fair prediction?

Mr Chandler—The outcome for this year will depend on a number of factors within the year, and the outcome will be impacted by the outcome of additional estimates processes, for example. Your previous question was in relation to 2004-05 and my response was couched in respect of that. Our plan is to have a balanced budget certainly going forward from those years. This year is dependent on outcomes from additional estimates, as I say, and other adjustments within the year.

Senator O'BRIEN—So do I interpret that to mean that you will definitely be in deficit if you do not get more money?

Mr Chandler—No, Senator. The outcome is impacted by accounting treatment around a number of items, and at this stage I could not give you a figure as to the final outcome for this fiscal year.

Senator O'BRIEN—I understand you could not give me a precise figure.

Mr Chandler—The main factor impacting on our financial statements this year, 2003-04, is simply the transfer of ownership of a number of houses between our department and the department of immigration. That is some \$20 million. It is simply a transfer of administrative responsibility. Depending on the accounting treatment of that, we may well reflect in our statements a substantial operating loss deficit and a substantial surplus in Immigration. So it is neutral in government terms. It is factors like that which make it difficult for me to give a clear figure at the moment.

Senator O'BRIEN—Thanks for that, Mr Chandler. Mr Matthews, at the last estimates hearing, Mr Yuile and Mr Fisher gave us some broad information about a review being conducted by Ernst and Young. That company was to be engaged to review governance arrangements, financial controls, decision making processes within the department, and reporting arrangements. Was that the complete breadth of their brief?

Mr Matthews—Could you repeat the last bit but I will ask Mr Fisher to answer it, whatever the last bit was.

Senator O'BRIEN—The last bit was: was that the complete breadth of their brief?

Mr Fisher—It was a long time ago; it was May.

Senator O'BRIEN—That is not a long time. It might be in the department; I accept that.

Mr Fisher—Since that time, we have done some work with Ernst and Young and sought their advice on a range of issues. Would you mind running through the list you mentioned?

Senator O'BRIEN—Sure: review governance arrangements, financial controls, decision making processes within the department, and reporting arrangements.

Mr Fisher—From memory, back in May it illustrated the kind of work that we intended that Ernst and Young would address for us. They were some of the things that we were interested in. We have also sought their advice in relation to the department's ability to deliver on the government's new budget estimates requirements. We have also sought some advice on the CFO function as it relates to budget management in our groups.

Senator O'BRIEN—Has that work been completed?

Mr Fisher—As the secretary said, the work out process for us is still under way. Ernst and Young have completed some of the work that we have asked them to do, but there may well be new questions that we want to ask them to support our work out endeavours.

Senator O'BRIEN—So we would call this an ongoing review, would we?

Mr Fisher—I would not call it an ongoing review so much as that from time to time we have need to seek external advice. It would be wrong to leave you with the impression that, in some way, Ernst and Young are reviewing the department. It is more that we have need to ask Ernst and Young from time to time questions that they respond to.

Senator O'BRIEN—So is the contract with Ernst and Young ongoing? Does it have an end date? Are there discrete tasks to be performed after which time the contract will be at an end? I just want to understand your relationship there.

Mr Fisher—I think the relationship is much simpler than that. We have not provided some kind of open-ended contract with Ernst and Young. Ernst and Young are one member of our accounting services panel, and we will go to Ernst and Young from time to time with specific questions or specific requests for advice or expertise.

Senator O'BRIEN—So how do they charge for their work? Do you have a retainer, an hourly billing contract, a task-oriented contract or a contract by request; how does it work?

Mr Fisher—It depends on the nature of the assignment we have in mind. Perhaps I will ask Mr Chandler to explain the arrangements under which the accounting services panel operates.

Mr Chandler—The accounting services panel is one which we have established, as Mr Fisher has indicated, and it includes a number of providers of which Ernst and Young is one. There is a deed of standing offer, and individual work assignments are let under a work order. The deed of standing offer provides specific rates for each provider. So the cost of a project draws upon those rates dependent then, as Mr Fisher has indicated, on the scope of work for a particular assignment.

Senator O'BRIEN—So there is simply an hourly billing rate or something like that in the contract, is there?

Mr Chandler—The panel members have hourly billing rates which apply for different types of work, yes.

Senator O'BRIEN—And is there a retainer involved in this contractual arrangement?

Mr Chandler—No, Senator.

Senator O'BRIEN—So it is do and charge on the basis of a nominated fee structure?

Mr Chandler—Correct.

Senator O'BRIEN—How much have Ernst and Young charged to date for the work under this accounting panel arrangement that has just been described?

Mr Fisher—May I answer that question because I think that you are looking for information on the financial work out issues that we discussed.

Senator O'BRIEN—That is fair enough, yes.

Mr Fisher—I think it is around \$48,000. I might need to correct the number, but it is in that ball park.

Senator O'BRIEN—And roughly how many hours of work by Ernst and Young would that reflect?

Mr Fisher—I am not sure, Senator. I would need to take that on notice.

Senator O'BRIEN—Thank you. How many financial work out providers are you using, if I can put it that way, trying to use your terminology? Ernst and Young is one. Are there others?

Mr Fisher—Yes. It is a difficult question to answer because the work out is such a large project which spans across the department. I would not necessarily know every engagement by every firm across the department. The summary totals are listed in the annual report, and that is probably the best source of information.

Senator O'BRIEN—Which page is that?

Mr Fisher—Page 229.

Senator O'BRIEN—Which consultants are we looking at?

Mr Fisher—Examples that come to mind, and I would add that I am not necessarily aware of every engagement by every group, would be Ernst and Young, the National Institute for Governance on page 230—

Senator O'BRIEN—What about Workplace Research Associates; are they connected?

Mr Fisher—That is a good question. That is the last one on the list. I guess it goes to a definition. That firm helped us develop aspects of our performance management system. It is important work that will assist in the work out process.

Senator O'BRIEN—You recall I referred to the review of governance arrangements, financial controls, decision making processes within the department and reporting arrangements. Have any actual reports been provided to the department by contractors?

Mr Fisher—Yes, Senator.

Senator O'BRIEN—Can you tell the committee what major findings and recommendations have been made arising from those reports?

Mr Fisher—That is probably not something I can answer at the table, because different firms provided different advice at different times. As I said before, we did not set up arrangements inviting people to review the department. We asked firms specific questions as

we reached that point in our work out. Sometimes the process was to discuss arrangements with an external adviser, such as the National Institute for Governance. Sometimes it was to seek assistance in facilitating meetings, and so on. I am not sure that I could summarise any particular view that came across.

Senator O'BRIEN—Are there reports that can be made available to the committee?

Mr Fisher—I could take that on notice.

Senator O'BRIEN—Would copies of these reports have gone to the minister?

Mr Fisher—Not to my knowledge.

Senator O'BRIEN—Have all recommendations made in this process been adopted?

Mr Fisher—As I said, sometimes we engaged people to facilitate discussions and work with us, and sometimes we were asking them to help clarify our own thinking rather than to make a recommendation to us.

Senator O'BRIEN—Mr Matthews, at the last estimates in conjunction with this discussion, it was agreed there would be fewer SES officers. At that stage your deputy secretaries knew their jobs were safe, but the number of potentially surplus SES officers was unknown. How many SES officers have been found to be surplus to requirements?

Ms Briggs—It is probably better to answer that, if I may, in terms of the separations from the department. In 2003-04, we have had three people leave, two at SES band 2 and one at band 1. And we are expecting another band 2 to leave in the next couple of weeks.

Senator O'BRIEN—Have any of the SES officers who have left been formal redundancy situations?

Ms Briggs—Yes, one of those.

Senator O'BRIEN—And the SES officer to leave in the next couple of weeks; is that a redundancy situation?

Ms Briggs—He is transferring to another department.

Senator O'BRIEN—Is it possible to identify the tasks of the officers who have left and not been replaced, if I can put it that way? Have you identified the 84 by classification level?

Mr Matthews—No, unfortunately it is not possible to do that. The approach we are taking is to try to be a more flexible organisation. We use the term 'organisational agility'. That means that when people depart there are no positions that they leave behind because the concept of position right across the Public Service no longer exists. Instead, there are teams or groups of people and collections of tasks. I know it sounds a bit spongy, but it gives us all sorts of opportunities for flexibility, mobility and constant adjusting.

I sometimes say to staff that the old system, where it was possible to have a person with a certain duty statement sitting alongside someone else with another duty statement—one very busy and one much less busy—is wrong; wrong in a management sense and wrong in an ethical sense. So what we are trying to do is to balance workloads by being much less inflexible about it.

Senator O'BRIEN—Can you provide the classification levels of the officers who have left and the classification levels of the officers who have subsequently been engaged?

Mr Matthews—Yes, we can do that. We will take it on notice.

Senator O'BRIEN—Ms Briggs, you are responsible for AusLink; is that right?

Ms Briggs—Yes.

Senator O'BRIEN—Can you confirm that the minister has written to state ministers proposing to defer the scheduled 7 November 2003 ATC meeting because the AusLink white paper is not ready?

Ms Briggs—Yes.

Senator O'BRIEN—And the Darwin August meeting was cancelled as well?

Ms Briggs—I need to check that with one of my colleagues. I do not have a recollection of that but I will check that.

Senator O'BRIEN—My understanding is the minister was going to table the AusLink green paper at the ATC in New Zealand but that he cancelled the meeting and released the paper the following week; is that correct?

Mr Matthews—Sorry, we have just checked. The recollection is there was to be a special ATC meeting to discuss AusLink. That meeting did not proceed because the material was not available.

Senator O'BRIEN—That is the May 2002 ATC meeting scheduled for New Zealand we are talking about?

Mr Matthews—Typically there are two ATC meetings a year in roughly November and May. I stand to be corrected, but from time to time a special meeting can be called about a special topic, and I think that might be the one that you are referring to.

Senator O'BRIEN—Is there a planning process for the release of the white paper?

Mr Matthews—I would not describe it as a planning process. We are simply in the situation at the moment where the government is considering the white paper, and the white paper will be released when the government decides. That process is current.

Senator O'BRIEN—If the green paper was released before the states saw it, is that what is planned for the white paper? Or has the minister for transport given the states and territories the guarantee that they will have the opportunity to see the white paper before it is released publicly?

Ms Briggs—No, the minister has not guaranteed that, Senator. In fact, he has been quite clear that he was having a lot of discussions with the states and their feedback and input has been included into the policy development process. But he never intended to provide the white paper for them for comment.

CHAIR—I am sorry to disappoint everyone, but it is time for a DVT break. We will be back in 15 minutes.

Proceedings suspended from 10.30 a.m. to 10.53 a.m.

CHAIR—Thank you very much, ladies and gentlemen, I apologise for being a couple of minutes late. We will reconvene and get back into it.

Senator O'BRIEN—I take it from your earlier answers that it is not the minister's intention to show the white paper to the states before it is released?

Ms Briggs—No, Senator. The white paper is an Australian government white paper.

Senator O'BRIEN—And will any other groups or constituencies in the portfolio area see the white paper before it is released?

Ms Briggs—I am not expecting that to occur other than through the normal coordination comment processes.

Senator O'BRIEN—Would you describe the interchange with the states on AusLink as a negotiation?

Ms Briggs—I do not understand what you mean by that question.

Senator O'BRIEN—In the development of policy initiatives, is the minister negotiating with states seeking their approval in advance or is the minister going through a process of consultation with the intention of promulgating a policy at the end irrespective of views?

Ms Briggs—I think it is fairly accurate to characterise that what he is doing is quite rightly going through a process of consultation. He is doing that with states, local government, industry and anyone else who is prepared to participate in that process.

Senator O'BRIEN—Have there been a series of meetings between the minister and state ministers on AusLink?

Ms Briggs—There have been some meetings, and typically they have been the Australian Transport Council meetings but, in addition to that, there have been various officials meetings on AusLink.

Senator O'BRIEN—So the only meetings that the minister has actually had have been the ATC meetings with the states on AusLink?

Ms Briggs—Specifically on AusLink, yes, I believe that to be the case.

Senator O'BRIEN—How many of those meetings have there been?

Ms Briggs—I need to take that on notice. I know AusLink has been discussed at virtually every ATC since the green paper was released; I just need to check how many of those meetings there are; and I am happy to give you that information.

Senator O'BRIEN—If you can provide us the dates.

Ms Briggs—Yes, Senator.

Mr Matthews—Could I add that the issue of AusLink often comes up in bilateral meetings that the minister has, including with his state counterparts. The approach that he has taken is always to take on board the views that are offered to him from state ministers or other stakeholders. So it would be incomplete to say that the only consultations with state ministers have been in the ATC forum formally. There have been other bilateral opportunities.

Senator O'BRIEN—When the minister released the green paper, he said that the responses to the green paper would help develop a formal statement of government policy, a white paper, and continued:

We will then develop new legislation and start investing in land transport through *AusLink* from July 2004.

Given the delays, it appears that the July 2004 deadline is an impossible deadline. Would you agree?

Ms Briggs—No, I do not.

Senator O'BRIEN—How will the timeline work from now, 4 November?

Ms Briggs—I think it is important to say that programs do not stop and start. They tend not in the infrastructure area to stop and start automatically. So there are a lot of projects which are in the forward plan process, and we will see them develop as we go into 2004-05. But it is certainly the government's intention, at least at this time, to begin the *AusLink* arrangements on 1 July 2004.

Senator O'BRIEN—You cannot identify any circumstances which will cause a delay?

Ms Briggs—I have not identified any now, but obviously the timing of the release of the white paper is a significant factor. So, for example, the states in their consultations with us have raised issues about the lead times associated with developing projects, implementing and so on. So obviously they are issues that we are considering carefully.

Senator O'BRIEN—So that is about the process of implementing the white paper rather than the promulgation of the paper itself?

Ms Briggs—Yes.

Senator O'BRIEN—So no factors have contributed to the delay other than going through the process of consultation?

Ms Briggs—The process of consultation was—as I may have said in this committee before—more extensive than we had anticipated. We had not imagined we would get 550 submissions, so it took us longer to review those submissions and probably longer to develop the white paper than we anticipated, based on the level of interest in what was being put forward. From our perspective, we will have a better white paper due to the inclusion of the thoughts from others.

Senator O'BRIEN—Thank you for that. Mr Fisher, at last estimates, we were discussing your visit to Sydney to seek counsel on the department's finances from the insolvency experts, Prentice Parbery and Barilla, and at that time the department had not been billed for that visit. Can you tell me if a bill came in?

Mr Fisher—I think from memory I said that I would be very surprised if the department were billed for the visit and I have not been billed for the visit.

Senator O'BRIEN—You have not, but do you mean the department has not?

Mr Fisher—The department has not.

Senator O'BRIEN—Has there been a subsequent consultation with that firm?

Mr Fisher—Subsequent to?

Senator O'BRIEN—Your last visit to them.

Mr Fisher—I think I said last time that we had had a series of discussions, including with the CFO, some in person and some over the phone and those discussions took place.

Senator O'BRIEN—Has advice been sought from any other financial experts on the financial situation of the department?

Mr Fisher—It is a broad question. We have talked to a range of people about issues connected with the department's financial position.

Senator O'BRIEN—Other than those listed in the annual report who have been the subject of a formal consultancy, can you identify any financial experts who have been consulted?

Mr Fisher—As I said last time, we talk with people who are doing work with us. For example, our internal audit function is provided by KPMG. We talk with them in the normal course of our work on audit functions and we have side discussions—I do not think KPMG's work is identified in that annex to the annual report. In the normal course of our work, we consult widely.

Senator O'BRIEN—Which firms of financial experts would consultations occur with on the department's finances other than those that are listed in the annual report?

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

Senator O'BRIEN—Would there be dozens, tens or could you count them on one hand?

Mr Fisher—I am not sure. As I said earlier, I would not personally be aware of every consultation that people in the department have undertaken with external providers around a topic as broad as work out, work up. So the best I can offer is to take the question on notice and ensure that you receive a consolidated response.

Senator O'BRIEN—Mr Matthews, you were absent on leave at the last estimates when we discussed this issue with Mr Fisher. Did you approve Mr Fisher's visit to Prentice Parbery Barilla?

Mr Matthews—I was on leave.

Senator O'BRIEN—Did you ask or advise Mr Fisher to seek advice from an insolvency expert?

Mr Matthews—I am advised that the acting secretary approved the travel. I was aware, but the formal approval you are asking about was provided by Mr Yuile.

Senator O'BRIEN—Does approving the travel mean approving the visit to Prentice Parbery Barilla, or simply the travel to Sydney?

Mr Matthews—I will ask Mr Yuile to answer that question.

Mr Yuile—The request came for a visit to Sydney, which included a conversation or a meeting with Prentice Parbery Barilla.

Senator O'BRIEN—At that time, Mr Yuile, what did you know of Prentice Parbery Barilla?

Mr Yuile—I had had some contact with them in the context of the issues around Ansett and the Ansett collapse.

Senator O'BRIEN—So you knew their role in insolvency matters?

Mr Yuile—I knew that they had expertise in that area as well as other areas, as I understand it.

Senator O'BRIEN—Did you discuss the matters that were to be raised by Mr Fisher with Prentice Parbery Barilla?

Mr Yuile—No, I did not.

Senator O'BRIEN—Did you have any understanding of what was to be discussed?

Mr Yuile—Only that Mr Fisher was going to Sydney and was having conversations with others and that he was catching up with Prentice Parbery Barilla, with whom he also dealt in the Ansett context. He had just taken up his role in the corporate area and was re-establishing contacts with people.

Senator O'BRIEN—Mr Matthews, at the last hearings Mr Fisher said he discussed the information obtained in his visit to Prentice Parbery Barilla with you, but he could not offer information on your view of the information he obtained from this firm of insolvency experts. What was or is your view on the advice Mr Fisher obtained from Prentice Parbery Barilla that Mr Fisher said he discussed with you?

Mr Matthews—One of the messages that is coming out from Mr Fisher's evidence today is that there had been a wide range of sources of information and advice about the financial and performance situation of the department. That is a good thing, because what we are trying to do is to get a wide range of opinions. We do, and did at that time, have confidence in the integrity of the numbers that were provided to us. That was not an issue. However, we were taking advantage of people with expertise to give us their own different perspectives on different aspects of the situation that we were in. They were all taken into account in designing the work out, work up strategy, which followed that particular meeting, among others, with Prentice Parbery Barilla. That is that particular meeting, and there were other meetings with others that were taken into account in designing the work up strategy.

Senator O'BRIEN—So you were aware of Prentice Parbery Barilla's expertise in insolvency?

Mr Matthews—In the same way that Mr Yuile and Mr Fisher had come in contact with them in the Ansett collapse, I had contact with them in that context as well.

Senator O'BRIEN—Was any specific matter obtained from Prentice Parbery Barilla of use? Was it useful and put into practice?

Mr Matthews—My recollection of the report back to me was that there were not specific recommendations made by Parbery. It was, as I said, getting a different perspective about our situation and gathering ideas, which eventually were transformed into the strategy that we

have and which I described earlier. That strategy picks up working on our financial situation and our performance situation. I do not recall that there were specific recommendations.

Senator O'BRIEN—Did you discuss, though, whether the department was technically insolvent?

Mr Matthews—Well, that is a question for Mr Fisher, because I was not there.

Senator O'BRIEN—I am asking whether that arose in Mr Fisher's conversation with you about the matters he raised with you following the Prentice Parbery Barilla meeting.

Mr Matthews—The word 'insolvency' in this context is a misnomer because we are not a public company. We are part of the government. It is not possible for us to become insolvent, so we have not had that discussion. We have had a whole series of discussions about our general financial situation. In public service terms, our responsibility is to manage our budget, and we do that.

Senator O'BRIEN—I did use the term 'technical'. I understand that with the backing of government it is difficult for you as an entity. I do not think you really are an entity as such. As an entity, you have to be seen in the context of the whole of government. In terms of solvency, that is not an issue that is going to arise easily for any government.

Mr Matthews—Senator, could I—

Senator O'BRIEN—That is why I used the term 'technical'.

Senator Ian Campbell—Well, 'technical' is incorrect. You are using an incorrect term. What you are really saying is that the government should never use accounting practices or accounting specialists who ever do any insolvency work. Otherwise you get a—

Senator O'BRIEN—I did not say that at all.

Senator Ian Campbell—Otherwise you get a political backhander from a politician trying to score a cheap shot.

Senator O'BRIEN—Well, you would know all about that. In terms of—

Senator Ian Campbell—I know a lot about accountants and I know a lot about insolvency accountancy because I just spent the last two years working on it.

Senator O'BRIEN—Well, then you would probably appreciate that the department was in some difficulty and was seeking assistance. I am asking some questions about it.

Senator Ian Campbell—They are doing a very good job at finding the very best advice they can to manage within their resources. They are to be commended for it, with no assistance from you trying to score cheap shots.

Senator O'BRIEN—Well, as I say, you would know all about that. Mr Chandler, with the new restructure, it is not straightforward to understand the budget for all respective sections of the department. Can you assist by providing a detailed breakdown of the department's budget by group and how that budget is divided within each group?

Mr Chandler—Yes, I did provide details of the budget by group. That is the level at which it is allocated by the executive.

Senator O'BRIEN—So for each of those five groups in the document we were supplied, there is a discrete financial budget?

Mr Chandler—Correct, yes.

Senator O'BRIEN—I take it from your earlier answers that there is not a staffing allocation? That is to be managed within the budget?

Mr Chandler—That is consistent with what the secretary's advice was.

Senator O'BRIEN—Okay. What about the subgroups under those headings? Would they each have a budget? Would the economic research and policy division, for example, the transport and infrastructure policy division, the regional policy division, the aviation markets branch—I am not sure if they are all groups—each have a budget?

Ms Briggs—If I may, that table is provided to you to show you what divisions or branches have moved into which groups, for ease of reference, because it is quite tricky the way things have changed. However, they do not maintain a particular branch budget or divisional budget as a result of that. The senior executives within each of the groups are working together on a combined group budget, as Mr Chandler has pointed out.

Mr Matthews—And the reason we are doing that is to ensure that we get the maximum flexibilities and that resources can be moved, people can be moved and tasks can be moved within this larger pool. That way, you get better resource allocation.

Senator O'BRIEN—Well, the point of my question is whether there is a financial allocation, notional or otherwise, to those groups? Do they have to manage within a certain cap? How is that set? Are the numbers known, and can we see them?

Mr Matthews—The answer is that for the five groups there are quite clear budgets which have been set and which we ask the executives of those groups collectively to manage to. But there are no subsidiary budgets within those groups. The level at which budgets are set within the department is at the group level. The executives can then allocate funds and resources and tasks within that group wherever they see it being most efficient.

Senator O'BRIEN—What happens if the prioritisation of programs of the government shifts within a year after you have done your budget and it is discovered that the programs group does not have enough money or the regulatory group does not have enough money to actually do the task, that they cannot resource themselves to do the task? How do you manage that?

Mr Matthews—It is theoretically possible and certainly legal and good practice to use the flexibilities that I have as chief executive to move moneys within the organisation. I have to say I am not quick to do that, because it can put up some perverse incentives. That is, if you start to manage above your budget, it appears that the secretary is bailing you out. So I do not rush to do that, but in principle I can.

Senator O'BRIEN—Well, I guess that is the point. Having made the allocation, is the key performance or is it budgeting?

Mr Matthews—These things always have both those dimensions. I emphasise when I am talking to managers and to staff that we are paid as an organisation to do what the taxpayer

funds us for, so we must not lose sight of that. But we have to manage within a budget. The same applies in any organisation in the private sector or public sector.

Senator O'BRIEN—So presumably each of the groups bid for their budget at the start of the financial year?

Mr Matthews—The process we followed was a very careful articulation of what each group thought that its business plan should be for the coming year, that is, the sorts of things that it was aiming to achieve. The departmental executive, which comprises the two deputy secretaries and me, and Mr Fisher participating but not as a full member, tried to allocate the available resources according to the business plan. So our starting point was what we wanted to achieve. The constraint was the budget. The decisions were made at the highest level in the department.

Senator O'BRIEN—And once set, as you have said, you would be reluctant to revisit that, if I interpret your answer correctly?

Mr Matthews—Again, it is good practice not to change budgets frequently. But we have designed our system so that there will be a midyear review, which will be at the end of the year—that is, mid-financial year—where we will look at the situation. It is possible that we might shift resources at that time. But budgets are not worth terribly much if they are constantly changed.

Senator O'BRIEN—Well, I was not suggesting that they be constantly changed.

Mr Matthews—Sure.

Senator O'BRIEN—I was looking at the flexibility measures that had been built into the system given you have looked at flexibility within groups but not so much between groups.

Mr Matthews—That is right. We have tried to build in maximum opportunity for resources to be changed—I do not think I am exaggerating—on a daily basis within groups. But it is a very structured and demanding process to change between groups.

Senator O'BRIEN—Thanks for that. Mr Banham, at the last estimates hearing we heard about the information technology problems being experienced in the department which resulted in previous underinvestment. At that time, a management subcommittee had been formed and you were reviewing contracts, amongst other things. Has that IT crisis now been reined in?

Ms Briggs—Senator, could you clarify what you mean by 'crisis'?

Senator O'BRIEN—Well, as I said, the indication was that the information technology problems were being experienced as a result of previous underinvestment. Therefore, the need for investment in the context of the financial position of the department was obviously a critical situation.

Ms Briggs—Thanks, Senator. That is helpful. That does help me answer the question. Yes, what has occurred is that as part of the budgeting that the secretary has been talking about, as part of our working out strategy from our situation, additional funds have been set aside for IT purposes.

Senator O'BRIEN—How much additional money has been set aside for IT systems?

Ms Briggs—We have some estimates, but I do not think it appropriate to make them available here. They are estimates, at least in our forward planning, about any anticipated cost associated with the next IT managed services contract. The reason I cannot go into those details is that we are currently in the process of negotiating that contract or we have received tenders and so on. We have allocated some funds this year. I can take that on notice and give you the amount of funds that we have dedicated specifically and additionally for that purpose.

Senator O'BRIEN—I think you told us last time that program money may be diverted into fixing the IT crisis. What I wanted to know is where it was allocated from.

Ms Briggs—As part of the changes to group budgets that the secretary has referred to, some of the returns from those reductions have been reallocated to other areas, in particular for information technology purposes.

Mr Matthews—I have to say I do not consider our IT situation to be a crisis.

Senator O'BRIEN—I know. The CPSU or a staff group tendered a submission to the management proposing solutions to the department's problems. Was that submission formally considered? If so, what was the response?

Ms Briggs—At the Strategic Information Technology Committee, which I chair, that submission was certainly reviewed by us. We were not required to make a response, but considerations made by the staff in that submission were part of the process that we established in the lead-up to going to tender with the new IT managed services contract.

Senator O'BRIEN—I understand that the proposal involved taking back in-house functions that were previously outsourced. Is that correct?

Ms Briggs—Yes, it is.

Senator O'BRIEN—Was that proposal adopted in any way?

Ms Briggs—Not in its entirety, no. As part of the tender process, we have specified this time quite clearly what we intend to tender for. That is in some ways a lesser tendering process than was engaged in last time around.

Senator O'BRIEN—Do I interpret that by saying that less of the department's IT solution work, for want of a better term, has been let to tender than was previously let to tender?

Ms Briggs—It has not been let to tender yet, but it is the intention that we would do so. So, for example, we have kept in-house this time—this is the term I would use—a business manager associated with IT services so that there is a clear direct link in there. But should you want more details on this, I am sure David Banham, the chief information officer, could make that available to you. It is not secret; it is in the public domain.

Senator O'BRIEN—Perhaps we can be supplied that on notice, given the shortness of time.

Ms Briggs—Sure. Unless Mr Banham wants to take that now, we will take it on notice.

Senator O'BRIEN—Thank you. Perhaps you can identify the current IT strategy. I presume there is some sort of document or statement which encapsulates the strategy.

Ms Briggs—The department has an IT strategy, yes. It is the intention of the committee I chair to review that strategy. What we have been doing to date, however, is a bit of an indication of where we are tracking. We have spent a lot of time preparing for the new IT managed services contract and developing the framework and how we would manage that contract. We have also established new approaches to the approval of IT projects and set in train arrangements so that all projects to go forward which are to be funded by the organisation of a significant nature come through the committee. Those projects are presented to the committee by the relevant business area of the organisation. Those projects are reviewed very tightly. We have also released quite recently a new IT security strategy. We have been doing a number of other things stemming from the first assessment of what we thought, on the basis of advice from staff, were the key things that we should address as a committee.

Senator O'BRIEN—The information at the last hearing was that resources would be needed from other parts of the department to fix the IT problem. Is that still the case or is that how the matter has been managed?

Ms Briggs—That is how it has been managed. I think the way to describe it is that as part of the work up, work out strategy, the executive has reallocated some funds towards these purposes.

Senator O'BRIEN—Can the issues be fixed within existing resources and contract limitations, or will there need to be a special request for additional resources?

Ms Briggs—At this stage, our belief is that we can manage within the resources as they are now set down to be allocated.

Senator O'BRIEN—They are the questions that I have on the corporate section of the program. I think the next one is regional.

[11.29 a.m.]

ACTING CHAIR (Senator Colbeck)—We will now move on to outcome 2, Policy and research group, and 2.1, Bureau of Transport and Regional Economics and regional and cross-portfolio issues. I welcome the witnesses.

Senator BUCKLAND—Can you fill me in on the staff in the department. How many people are there working in the regional policy branch? What are the sections within that branch?

Mr Slatyer—The number of people working on individual functions within the group varies from day to day. We can give you figures for the group as a whole, but if you want to know the number of people working on a specific issue, we could estimate that for today. But we do not have sections and branches per se that have a staffing establishment of the old sort for the reasons that the secretary and others explained this morning.

Senator BUCKLAND—But you can provide that on notice?

Mr Slatyer—We can identify functions and give you a sort of headcount of people working on those functions at any particular time. We would have to do that on notice. We could estimate it now if you asked about a particular function.

Senator BUCKLAND—You might like to estimate it. For instance, how many people work in regional offices who are assigned to the division held by your section? Can you tell us where they are located?

Mr Slatyer—We have no officers in the regional policy part of the group working in regional offices. We have one outposted officer in Halls Creek.

Senator BUCKLAND—So one officer and none anywhere else?

Mr Yuile—I will just come in here. We have a network of regional staff who are in various locations, both capital cities and regional centres. We also have staff involved with our security function who are stationed outside Canberra. I am thinking of the aviation security function. So there are a range of staff we have outside Canberra but none who are directly responsible for policy issues apart from one officer. We have combined with the Department of Family and Community Services to fund a position in Halls Creek as part of work we are doing on Indigenous matters.

Senator BUCKLAND—Do you have any intentions of increasing the number of people within this division in regional locations?

Mr Yuile—That has not been a conversation we have had, and I do not think it would be. We can draw on input from those people in regional offices or our network of regional staff to the extent that they may have particular contributions to make to policy issues; but, normally speaking, we would not expect to have people outside national office for this group.

Senator BUCKLAND—Is the officer based at Halls Creek or Falls Creek?

Mr Yuile—Halls Creek.

Senator BUCKLAND—What is the basis of that officer being there?

Mr Yuile—I will invite Mr Owen to briefly explain that.

Mr Owen—That officer, as Mr Slatyer mentioned, is a jointly funded position between us and the family and community services department. He is there to coordinate government services into an area which has been identified under a COAG trial initiative, where governments are working to try to improve service delivery into difficult areas and remote areas. In particular, the one we are working on is in the East Kimberley area.

Senator BUCKLAND—Forget the Family and Community Services section of it for now. If this officer is working on a trial, how can I be told that there is no discussion for officers being placed in other regional centres? There must be some discussion or you would not have had a trial. A trial leads somewhere.

Mr Slatyer—Senator, the trial was in relation to the COAG Indigenous initiative that Mr Owen indicated. That is the nature of that trial. The staffing was designed around that. So it is not, if you like, foreshadowing that we might adopt a similar approach to other regional policy matters at all. It is a trial set up by COAG for that purpose in that area. There are other areas under the COAG agreement which our department is not directly involved in.

Senator BUCKLAND—Could you tell us what those other areas are?

Mr Owen—There are eight trial areas, seven of which have been announced. As has been said, it is under the framework of the Council of Australian Governments. Those areas are the

Murdi Paaki region in New South Wales; Shepparton in Victoria; Cape York in Queensland; the area that we are working in at East Kimberley; the Anangu Pitjantjatjara lands in South Australia; and Wadeye, which is otherwise known as Port Keats in the Northern Territory. There are two other trial exercises which are operating at a whole-of-state level with Tasmania and the ACT.

Senator BUCKLAND—And do those two trials have anyone attached to them?

Mr Owen—I could not answer that in that we have within the Commonwealth organised ourselves such that there is a lead agency identified for each of the trials. We have the responsibility for the East Kimberley trial only. Part of that response has been the placement of that officer jointly with FaCS up in Halls Creek. So I am not aware of the resourcing responses that other trial leaders have committed to.

Senator BUCKLAND—But your division does not have anyone at all involved in those?

Mr Owen—We do in that we support the other trial areas and respond to the needs that communities identify there either through directing them to our programs capability or looking at broader issues of policy, such as the measurement of progress and the evaluation of outcomes.

Senator BUCKLAND—And there are any field officers involved in this?

Mr Owen—Not on our behalf, no, there are not. But there is a small group of people in Canberra and this person jointly funded up in Halls Creek.

Senator BUCKLAND—With the likelihood of other identified areas going to trial, has there been discussion about when their trial might begin?

Mr Yuile—Perhaps before Mr Owen answers further, let me say that this issue has been led through the Council of Australian Governments and by the Department of Prime Minister and Cabinet, so I am certainly not privy to any further considerations that might have taken place at that level. The issues that we have been involved in have been to advance the work in the region for which we have responsibility. I guess what I am saying is that I think those questions are better directed to Prime Minister and Cabinet in terms of the totality of the initiative. But Mr Owen might have more information.

Senator BUCKLAND—But if a trial were undertaken, it would come to this division. Is that correct? If they took the one in South Australia that you mentioned in the Pitjantjatjara lands—

Mr Yuile—But another agency is taking lead responsibility. The way it has been divided is that different departments have taken a lead responsibility, but that does not mean that others do not come in behind and support. But there is a lead agency responsibility. In the case of the AP lands—

Mr Owen—It is Health and Ageing.

Mr Yuile—Health and Ageing is the lead agency in that case.

Mr Matthews—Perhaps I can help. We play a role in relation to the trial that we are responsible for in the Kimberley. The trial we are talking about is a trial that has been agreed at the Council of Australian Governments. Therefore, it is agreed between the federal and

state governments. It is a new approach to dealing with Indigenous issues. So it is trialling new forms of cooperation, new ways of getting the Commonwealth government and the state and territory governments and, in our case, the local government, to work together to do things more successfully than has been done with Indigenous problems in the past. For our trial in the Kimberley, we are the so-called lead agency, as Mr Owen has said. We have been working on trying to improve the prospects for a particular group of communities in the East Kimberley. The reason we have one staff member up there and only there is that that is the area that we are responsible for the trial in. But other Commonwealth departments are the lead agencies for other areas of Australia. So our focus is on the Kimberley. Our person is up there to be our person on the ground liaising rather than trying to do this through telephone and email.

Senator BUCKLAND—On page 80 of the annual report, the department has listed the priorities for 2003-04. They include the development of a framework of core indicators for the health of the regions and the evaluation of regional programs. On page 87, you provide a summary of wellbeing indicators that have been developed by the Bureau of Rural Sciences. Can we be provided with a copy of these regional wellbeing indicators? It talks about things like a tool for policy analysis, a platform for regional users and things like that. Could we get the actual indicators?

Mr Slatyer—I will need to take on notice that question. I do not think there will be an issue, but I just need to check with the Bureau of Rural Sciences as to the final status of that document. If it is finalised and there are no issues, we can make it available to the committee. But I will confirm that later.

Senator BUCKLAND—So to your knowledge, it may not be finalised as yet, but it is likely?

Mr Slatyer—I understand it is, and it will just be a question of whether there is any constraint on the bureau making that available, I think.

Senator BUCKLAND—If they are not produced, I do not know what you can answer. Can you explain as best you can with the knowledge you have of these indicators how they will be tools for policy analysis?

Mr Slatyer—One of the objectives of the policy work we are doing in setting up an evaluation framework is that governments will be able to identify more precisely the impact of government measures and programs. The first step in that process is to determine with more specificity what the objectives are and the measures of success, if you like, should be. Getting a consistent description of those indicators was our purpose in commissioning this work from the BRS. It is really the first necessary step that you need to take in evaluation. That is, you need to clearly define what it is that you are trying to achieve. We are trying to develop some indicators that work for a wide range of programs and so forth. After that, it then makes it possible to evaluate the effectiveness of measures on regional development. So that is the purpose of setting up these indicators.

Mr Yuile—I might add that it is a very difficult area. It is also an area that to some extent we are leading international practice on. But it is quite difficult when you think about it in a whole-of-government way, because some programs have specific regional objectives. Other

programs have a national character, but they impact on a region. Establishing early benchmarks that are comparable and to some extent robust so that you can then measure change is very difficult. So I would not want to downplay that and suggest that this is somehow the silver bullet that will fix how we can advise government and government can take decisions on relevant interventions at a policy and program level. I just want to say that it is work that has been testing for everyone involved but which we hope will yield some greater clarity and be able, to answer your question, to help us advise government more clearly on what changes are taking place and what interventions might be appropriate. But it is early days and it is, as I say, internationally breaking new ground.

Senator BUCKLAND—In the summary on page 87, the report indicates that a range of criteria have been developed to assist in classifying regions. What specifically are these criteria?

Mr Slatyer—I need to take that on notice. I cannot answer that off the top of my head or with the information I have here.

Senator BUCKLAND—So that is because you have not been involved in developing them?

Mr Slatyer—I have not personally been involved and nor have my colleagues. But I will need to take on notice the answer to that question.

Senator BUCKLAND—Well, we will look forward to seeing that. What benchmark level has been set specifically for each of the criteria? Well, you probably cannot answer that either, I imagine. But have you got criteria to alert your department if a region meets or exceeds the criteria?

Mr Slatyer—I am sorry, Senator. I would like to answer these questions, but I do not have that information with me.

Senator BUCKLAND—What method do you use now, or is there no method and no programs for identifying regions?

Mr Slatyer—It may be more productive to address some of this to the regional programs people, because different programs will be set up with different criteria. There are some general criteria, if you like, available to the government that are prepared by the Australian Bureau of Statistics, such as the SIFA index, which is a social and economic wellbeing index. There is also an ABS generated classification system around remoteness. So different regions will have a different remoteness character. So there are some generally available tools of that sort. In addition, there would be specific criteria that different programs would adopt to determine why they would operate in particular places. But questions about that in regard to DoTaRS programs should be addressed to the programs group.

Senator BUCKLAND—My understanding was that the indicator framework was developed in June this year. That being the case, has the department been using this framework?

Mr Slatyer—The regional evaluation framework is still in development. It is being developed in consultation with other agencies and is not yet available to be used.

Senator BUCKLAND—So it is not available to be used, but would I be right to think that it was in fact delivered in June? Who was it delivered to if it is not being used?

Mr Slatyer—It has been discussed at a meeting of deputy secretaries. The approach that was proposed to deputy secretaries is being trialled to test the effectiveness of that methodology and the sort of data that would be required to do this on an ongoing basis. It is not yet a completed body of work that can be applied with confidence anywhere the government would like.

Senator BUCKLAND—So if it is a trial, does that mean there could be modifications made to it?

Mr Slatyer—Yes. The purpose of the trials—there are three trials in three different locations currently—is to test the effectiveness of the proposed methodology and to work out how much work would be involved and how much data would be involved both for the department and other agencies and for the communities in making this sort of process work. So it is an attempt by us to learn by experience in finalising that framework.

Senator BUCKLAND—So how do you trial it, though? Is a community selected?

Mr Slatyer—I will invite my colleague to assist with that question. One of the responsibilities of Dr Ockwell is the technical content of the framework. He could assist you with that.

Dr Ockwell—The methodology has been under development, as you say, since earlier this year. As Mr Yuile pointed out, it is new ground in terms of international work. What we have done is to consult with other agencies in terms of a likely methodology which can help to address the objectives of the national and regional evaluation framework, which is the activity you are referring to. But in order to do that, we did need to go out to a number of regions. They were classified by the indexes, which my colleagues mentioned earlier, to test the methodology which at that stage was developed. But we also recognise the need as a result of those trials to go further with the methodology so that at the end of the day we have a framework that we are happy with and that other agencies are happy with in order to address the questions we are trying to tackle.

Senator BUCKLAND—There is a region that comes to mind from the list I have. Has the Wide Bay-Burnett region been trialled with this framework?

Dr Ockwell—The three regions we did look at included Shepparton, Dubbo and Longreach. There were methodological reasons for choosing them in terms of inner and outer zones to give robustness to the test of the methodology, but that is as far as we have gone.

Senator BUCKLAND—From what work you have done with the trial to date, have you made modifications to the framework?

Dr Ockwell—We are in the process of making modifications. The trials were only completed in the last few weeks. We are now having a look at the results of those trials with a view to modifying the framework so that we can ensure that we have a framework in place which does allow us to go further.

Senator BUCKLAND—I am a bit of a nuts and bolts man, I am sorry. Is this a hypothetical trial? It is not a practical trial, I take it.

Dr Ockwell—It was a practical trial. We did have people in the field in each of the three regions I mentioned who consulted with a whole range of players in those regions to address what they saw in relation to different Commonwealth programs. So it was a very practical, down-to-earth test of the methodology.

Senator BUCKLAND—Are the results of those tests and trials public, or will they be made available?

Dr Ockwell—At this stage, the report is still being finalised. In terms of whether or not that report will be public, I would have to take that on notice.

Mr Yuile—I think it will be a question for the government to decide.

Senator BUCKLAND—Okay. Apart from the three field officers that you had at each of these centres, how many other people were directly involved in the trial from your division?

Dr Ockwell—It was not based on a field officer approach. I would have to answer that question on notice. The field trials were undertaken by consultants who were commissioned to do the work. They were experts in their field. So it is very difficult for me at this stage to give you a direct response in terms of who they consulted or who was involved in the actual conduct of the trials.

Senator BUCKLAND—So they were consultants, not departmental officers?

Dr Ockwell—That is correct.

Senator BUCKLAND—Do you know what funding line was used to facilitate this?

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

Mr Slatyer—It was just a group consultant in resources, as I understand it, or group supplier of expense resources. I will expand that slightly. We can give you a more complete answer. The consultancy itself was funded from a small program administered by the group. It is the regional and rural development grant. So the direct costs of the consultancy were funded from that program.

Senator BUCKLAND—Could you provide the committee with the total costs of the consultants on a region by region basis and the total costs of the trial overall?

Dr Ockwell—I do not think we could do that, because it was a total package as far as the consultants were concerned to develop and test the methodology. That is how it was commissioned.

Senator BUCKLAND—It was the same consultancy which was involved in the three regions?

Dr Ockwell—That is right.

Senator BUCKLAND—Could you provide us with the overall costs of the consultancy and the overall costs of the trial.

Mr Slatyer—The consultant's name was Brian Rich and the cost of the consultancy has been \$57,915.

Senator BUCKLAND—\$57,915?

Mr Slatyer—Yes. That figure was for the current financial year. The total commitment, if you like, for that consultancy project from that research program was \$89,100. It has been spread over a couple of years.

Senator BUCKLAND—Could you tell me what the relationship is between these wellbeing indicators and the CSIRO evaluation model that you have previously supplied to us?

Mr Slatyer—The CSIRO work was done in developing the Sustainable Regions Program. Specific questions about that ought to be raised in the programs group evidence. I cannot explain to you the details of the separate approaches but, as I said before, the purpose of the Bureau of Rural Sciences work is to develop a boarder based set of indicators that would be potentially applicable to any government program or intervention in regional Australia. It has a broader purpose and would be potentially covering a wider range of measures.

Senator BUCKLAND—I can ask that at another place but I ask it specifically here because during the last estimates hearings Ms Riggs, in response to a question from Senator Stephens said, and I will just quote it here in part:

Ms Riggs —In response to that, it is fair to point out that we are about to embark on stage 1 of an evaluation of the Sustainable Regions Program. Indeed, it is in the nature of a post-implementation review. As part of that, we are seeking the views of committee members about an array of issues to do with the operation of the committee.

Mr Yuile—What was the last bit you said? An array of issues to do with the—

Senator BUCKLAND—An array of issues to do with the operation of the committee. I understand that that is to do with the committee, but it is for that reason that I thought this was the appropriate forum for this particular line of questions.

Mr Yuile—Just briefly, to respond to you, I will have to check the context, but I think Ms Riggs may have been talking about, I guess, the evaluation of the Sustainable Regions Program and the projects, processes, planning and implementation of the program itself. The work that we have been talking about here with respect to these trials has been impacts into the region. So the evaluation has been about what the intervention has done within the region concerned. So there are two dimensions to it. I would have to check the context, but I think Ms Riggs was talking about internal program evaluation.

Senator BUCKLAND—So do I take it there is no link between the wellbeing indicators we are talking about here and the evaluation of the CSIRO?

Mr Yuile—Could we take that on notice? I have been away and I must say I have forgotten some of the details about the CSIRO project.

Senator BUCKLAND—Well, the wellbeing indicators link to the process that you are involved in with these trials.

Dr Ockwell—The trials were also, further to continuing discussions with ABS, to examine what data might be available to support the use of those indicators on an ongoing basis.

Senator BUCKLAND—Okay. Have you commenced or are you planning any other evaluations of regional programs in the next 12 months?

Mr Yuile—Can we save that for the discussion with our programs group? We have certainly been doing work internally on our program evaluation work, but I think we ought to wait for the people concerned to talk with you in detail as you wish.

Senator BUCKLAND—I assume it is this division that liaises with other government departments on cross-portfolio issues?

Mr Yuile—Yes, it is, but it is not the only one. Obviously there is interaction across the whole department, as would you appreciate.

Senator BUCKLAND—Yes. What role has the department played in the development of the national water initiative?

Mr Slatyer—The group was involved in advising the minister on a range of issues to do with that initiative. We also participated in interdepartmental discussions in the lead-up to that COAG meeting.

Senator BUCKLAND—And where is that at at the moment?

Mr Slatyer—COAG decided that the Australian government and the state and territory governments should work together to develop an agreement for consideration at the first COAG meeting in 2004. Officials are now meeting regularly to frame up that agreement through several working groups.

Senator BUCKLAND—Do you recall what other departments were involved in that process?

Mr Slatyer—Yes. The process was chaired by the Prime Minister's department. The other departments that were regularly involved included ours, the Department of the Environment and Heritage, the Department of Agriculture, Fisheries and Forestry, and Treasury. At least for some meetings, the Department of Finance and Administration was involved. For some meetings, the Department of Industry, Tourism and Resources was involved. So it was a number of agencies.

Senator BUCKLAND—Yes, thank you.

Mr Slatyer—Sorry, the Australian Greenhouse Office was also involved in some meetings.

Senator BUCKLAND—And what role will the department play in this initiative in the future?

Mr Slatyer—Australian government agencies are continuing to meet every couple of weeks under Prime Minister and Cabinet chairmanship to determine or track progress with these negotiations. Our department is involved in those meetings. The department's ongoing role will really depend on the final shape of the agreement and whether there are any obligations on the Australian government that this department would be responsible for implementing or whether there is any ongoing policy development work that this department should be involved in. It is too early to say precisely what those areas would be.

Senator BUCKLAND—Are there any officers of the division or of the department who are permanently assigned to this initiative to have a coordinating role or to have an implementation role?

Mr Slatyer—Yes. There are a few officers involved one way or another. It is nobody's whole job, but it is the part of the job of a few people. I can give you more, if you wish. It depends on your interests.

Senator BUCKLAND—I bathe in water from the Murray occasionally, so I am pretty interested in water initiatives, I can assure you.

Senator FERRIS—Are you going to parade yourself here, Senator?

Senator BUCKLAND—Well, I also have a lot of treatment for my skin too. That is not entirely correct. I would be interested in the numbers of people involved, if it can be broken down—I do not know if it is possible—into man hours, if you like.

Mr Slatyer—I could give you a rough estimate right here and now.

Senator BUCKLAND—That would be fine.

Mr Slatyer—The secretary has been involved occasionally. It is a very small proportion of the secretary's time. But he has been involved, as he would, in any important policy issue. The deputy secretary, Peter Yuile, has also been involved in occasional meetings and is working with us as we have needed to discuss it with him. But they would not be significant proportions of those officers' time. In my case, I have been directly involved for some per cent of my time. When the issue has been running very hot, as it has been, this could be several hours a week. We have had an assistant secretary level officer, Malcolm Thompson, whose duties have now been assumed by Dr Ockwell, who has recently been assigned to the Prime Minister's department to run the secretariat that is now responsible for coordinating the development of the agreement. Mr Thompson would have spent perhaps a quarter or so of his time working on water related issues. We have an EL2 officer who would probably spend half of his time on water related issues and the other half on other natural resources, environment and energy related issues. We have an EL1 level officer, who would probably be spending about three-quarters of her time on water related issues. That would be it in the group.

Occasionally we have had assistance from graduates whom we assign within the group to different tasks. They have assisted. In addition, The Bureau of Transport and Regional Economics has undertaken a research project on water related issues, but that has not been a part of the policy development process. It has been an analytical research exercise on the impact of different water licensing regimes and on patterns of investment in the Murray-Darling Basin, and that report is now publicly available.

Senator BUCKLAND—Mr Slatyer, did you organise or authorise any meetings or discussions in the department on Thursday, 23 October that were attended by people from outside the department?

Mr Slatyer—Yes.

Senator BUCKLAND—Who were the outside people invited to these meetings?

Mr Slatyer—We arranged for an officer, Jane Bennett, to meet with us on Thursday to discuss telecommunications and infrastructure issues with us.

Senator BUCKLAND—Did the department pay for Ms Bennett's travel and accommodation?

Mr Slatyer—The department paid for Ms Bennett's travel and I think for her accommodation on the night preceding her visit.

Senator BUCKLAND—Could you give us a breakdown of the total cost of the trip to the department for Ms Bennett's travel and accommodation to attend this meeting.

Mr Slatyer—My understanding is that the total cost was around \$1,000. The great bulk of that would have been for travel. There would have been an overnight stay expense, which was probably \$100 or \$200, in there as well.

Senator BUCKLAND—Could you take that on notice and confirm that for me, thanks.

Mr Slatyer—Yes, we will confirm that.

Senator BUCKLAND—In your earlier answer, you mentioned what Ms Bennett addressed at the meeting.

Mr Slatyer—We invited her to come up to talk to us about telecommunications issues and, more generally, about the best way to get infrastructure to regional and remote communities. These issues are very topical for us at the moment as we are working on them in advising the government on the response to the regional business development analysis. We are working on them in the context of the upcoming standing committee on regional development meeting and we are working on them as part of the group of issues that the Regional Women's Advisory Council is considering. So we are interested in these issues.

Senator BUCKLAND—Were you at that meeting yourself?

Mr Slatyer—I think in total there were three meetings with staff. I attended one of those meetings.

Senator BUCKLAND—To the best of your ability and recollection from that day, do you know if Ms Bennett attended Parliament House at any time between 10 a.m. and 2 p.m. on Thursday, 23 October when Mr George Bush was addressing parliament?

Mr Slatyer—Yes, I can. I do recall that, because I saw her in the afternoon and she described to us her experience of attending that session.

Senator BUCKLAND—Were you asked by the minister's office to arrange for Ms Bennett to be in Canberra on that particular day?

Mr Slatyer—We became aware of her availability to travel to Canberra from the minister's office.

Senator BUCKLAND—Did the minister's office ask you and make you aware of that?

Mr Slatyer—Yes. That is how we became aware of her availability to come.

Senator BUCKLAND—Was the meeting arranged around Ms Bennett's availability?

Senator Ian Campbell—It was not a meeting. It was a series of meetings, as the officers have already said.

Senator BUCKLAND—There were three, as I recall.

Senator Ian Campbell—There were three in relation to one particular issue.

Senator BUCKLAND—Well, despite that—

Senator Ian Campbell—It sounds like she did more work on that day in Canberra than most of the politicians.

Senator BUCKLAND—That might have been the case in your case, Minister.

Senator Ian Campbell—You are obviously flat strap, Senator Buckland.

Senator BUCKLAND—The meetings—

Senator Ian Campbell—I hope you had your bath in the Murray River before you came.

Senator BUCKLAND—I was reasonably pleased with the way Mr Slatyer was answering the questions. I thought we might finish his answers to questions if there were no comments from the minister.

Senator Ian Campbell—I will comment when I want to, thank you very much. You ask questions and I will seek to help answer them.

ACTING CHAIR (Senator Ferris)—Let us just proceed.

Senator BUCKLAND—How long did the meetings that Ms Bennett attended go for?

Mr Slatyer—The meetings in the morning went for—I was not present at those meetings—an hour or an hour and a bit, from the note I have about them. The meeting in the afternoon that I was involved in went for 20 minutes, or something like that. It was of that sort of duration. There was another meeting in the afternoon that followed on from my meeting that also went for that sort of duration.

Senator BUCKLAND—As for the timing of the meetings that Ms Bennett attended, when were they first planned?

Mr Slatyer—We arranged for her visit the day prior to the visit. We arranged the meetings for the morning. I was also hoping to see her. The only time I could see her, because I could not make it to the morning meetings, was in the afternoon. So, as is often the case with these kinds of things, it was a matter of trying to fit her into my diary, which we were able to do in the afternoon.

Senator BUCKLAND—Were the meetings arranged the day before as well?

Mr Slatyer—Pretty well. It is probably more accurate to say they were arranged on her arrival. We agreed with her that she should come and brief the department. We indicated to her our expectations and our interests. I think she came straight into the department on arrival and the arrangements for the meetings were then discussed with us.

Senator BUCKLAND—So, if the minister's office had not asked you to arrange for her to attend the meetings, the meetings would not have been held?

Mr Slatyer—As I said, we became aware of her availability due to the minister's office informing us of that. I judged that it was worth while for the department to take advantage of that and the benefits of her briefing would justify the costs involved in bringing her to Canberra.

Senator BUCKLAND—I refer now to the involvement of the secretary, Mr Matthews, in the Commonwealth secretaries group in supporting the COAG initiative to consider services and living standards for Indigenous communities. I understand that Mr Matthews has some

form of leadership role in the COAG trial in Port Keats. Is that Wadeye? You might need to just refresh my memory there. I think it is Wadeye. Mr Matthews, what does this role entail?

Mr Matthews—It is not Wadeye. It is the area of East Kimberley that I was describing to you a little while ago.

Senator BUCKLAND—I see. So, Mr Matthews, you have a leadership role in this, have you?

Mr Matthews—Yes. We ran through this a bit earlier. The COAG initiative is to trial a better approach to dealing with Indigenous disadvantage. There are a number of trial sites across Australia. This portfolio, this department, have lead agency status for the East Kimberley area, an area which is known as Jurabalan. My role in that is to participate in a group of departmental secretaries to try to provide highest level leadership within the Australian Public Service, to liaise with my counterparts in the Western Australian state government and to liaise with counterparts in the local government area. The idea is to get a better approach to the delivery of services to the Indigenous communities in that area and to ‘trial’, as the word says, better ways of going about it where governments have not been as successful as they would have wanted.

Senator BUCKLAND—Does the department provide specific resources to support this role?

Mr Matthews—Yes. As we were discussing earlier, that includes the person whom we have placed jointly with FaCS in Halls Creek. Mr Owen leads a group of between two and three people, equivalently, though that varies from time to time. As we have been explaining before, the way we deploy resources in all groups, but particularly in this group, is to shift them from priority to priority, task to task, for better resource allocation and for better staff development opportunities according to the priorities at the time.

Senator BUCKLAND—I understand that there are plans afoot to build an additional 24 homes in the community.

Mr Matthews—If I can interrupt, you might be talking about Port Keats, which is not the community that I am responsible for. I am responsible for the East Kimberley area.

Senator BUCKLAND—I see. I am sorry if my geography of Western Australia is not crash hot. Are you aware of the homes that I am referring to? Perhaps one of your officers can help me with this.

Mr Matthews—I am not. Because the Department of Family and Community Services has that lead agency role for Port Keats. Neither I nor my officers are the right people to talk about that, though we are happy to talk about what we are doing in the East Kimberley.

Senator BUCKLAND—Thanks very much. Senator O’Brien may have some questions.

ACTING CHAIR—Senator O’Brien, do you have some questions in this area?

Senator O’BRIEN—Yes.

ACTING CHAIR—This is 2.1?

Senator O’BRIEN—Yes.

Senator Ian Campbell—For the benefit of Senator Buckland, I will inform him that Port Keats is actually in the Northern Territory.

Senator BUCKLAND—That is even more for my geography.

Senator Ian Campbell—It is a wonderful part of the world, the East Kimberley and the Northern Territory, as long as we can keep the cane toads out of there.

ACTING CHAIR—So, Senator O'Brien, you want to pursue questions on 2.1?

Senator O'BRIEN—I have questions in relation to the BTRE regional and cross-portfolio issues matter. At the last hearing we were expecting to complete the report on urban air pollution in July or August. Is that report finished?

Mr Slatyer—The report is completed. It was funded by the Department of the Environment and Heritage, so it has been provided to them. The handling of it is currently in their hands.

Senator O'BRIEN—Is that the report entitled *Urban transport air pollution projections 2000-2020*?

Mr Slatyer—It is a different report.

Senator O'BRIEN—Does the report have a title? If so, what is it?

Mr Slatyer—No, I do not think it is fair to say it has a title. It was an advice, an analysis for the Department of the Environment and Heritage, which they commissioned. We are currently in consultation with them, forming it into a report style document that could be published. But those consultations have not concluded.

Senator O'BRIEN—Can you provide a copy of BTRE's 2003-04 research program?

Mr Slatyer—I will be able to very shortly. We have not printed it yet. The program is settled, but it was settled later than usual. We just have not got the final printing of it completed. We can furnish it to you as soon as it is completed.

Senator O'BRIEN—Is that weeks or days away?

Mr Slatyer—Probably two weeks.

Senator O'BRIEN—Can you also give us the timing and costings for each of the projects? With regard to timing, the commencement, status and completion dates would be useful.

Mr Slatyer—We do not generally publish the timing of the projects. The reason we do not is that the nature of the bureau's work is that the bureau is continually being requested to undertake other research that has not been programmed. That means that, with the best will in the world, our attempt to lock in completion dates for the work that we disclose in the research program is difficult for us to commit to those timings. So we do not publish or make known generally our planned start and finish dates for projects on the research program.

Senator O'BRIEN—How far forward is BTRE's research program developed for? Does it go beyond a particular financial year? Do you do it year by year? Have you got ongoing projects that span the years?

Mr Slatyer—Yes, it does. We have all those things. The 2003-04 program will include projects that have commenced in the previous year that will be completed in 2003-04 as well

as projects that will be fully undertaken within 2003-04 as well as projects that we plan to commence in 2003-04 but will not be finished until after that. So it is a bit of a rolling program in the sense that each year it changes at the front and the back and there will be some common content.

Senator O'BRIEN—Is there a list of programs of research that you will be conducting in 2004-05 yet?

Mr Slatyer—No, except that some of the larger projects that will be commenced this year will be continuing in 2004-05.

Senator O'BRIEN—Has BTRE been involved in research on the development of a national energy policy?

Mr Slatyer—BTRE has done a lot of research on issues that are of relevance to energy policy. One project which the BTRE is involved in which goes most directly to energy related issues right now would be our part in a study on biofuels, which the government has requested. We are partnering with that with the CSIRO and with ABARE.

Senator O'BRIEN—Mr Matthews, does the department actually have a role in the development of national energy policy?

Mr Matthews—Yes. Obviously the department has an interest in the transport implications, because the transport sector is a heavy user of energy, and in the regional implications because many energy industries are regionally based. So there is a strong portfolio interest but, as Mr Slatyer said, we do not have lead responsibility.

Senator O'BRIEN—Does the department have a representative on the energy task force?

Mr Matthews—Yes, we do.

Ms Briggs—As the secretary indicated, I am our member on that task force.

Senator O'BRIEN—Has the department prepared any position papers which summarise the approach from the transport point of view of the department in terms of its focus on energy policy?

Ms Briggs—The department has participated in the range of activities of the task force. Often the papers before the task force are drafted in the secretariat. We have an officer placed in that secretariat. As well as that, we have done some additional work with the secretariat associated with some environmental and transport issues.

Senator O'BRIEN—Has any special work been done on LPG as a fuel in the energy policy framework and transport needs?

Ms Briggs—Not by us as such, no—simply the day-to-day work of the task force.

Senator O'BRIEN—Has any work been done on the implications of differing excise rates on diesel and petrol and their contribution to the energy needs of the transport sector?

Ms Briggs—Not directly by our department. As I said, the task force is considering a range of issues.

Senator O'BRIEN—In terms of the biofuels study with the CSIRO and ABARE, what is the focus of that study?

Mr Slatyer—The focus of the study is the appropriateness of setting a 350-million-litre target for biofuels. The terms of reference of the study are on the Department of Industry, Tourism and Resources web site.

Senator O'BRIEN—Will the biofuels sector have any opportunity to have an input into that study?

Mr Slatyer—The study team has consulted with that sector in the course of the study, but it has not been a formal process of inviting submissions and this sort of thing.

Senator O'BRIEN—I take it that there will be significant drawing upon international research in this area by the study?

Mr Slatyer—I am advised that there has been a consideration of international experience, but the study team is very much focused on the domestic situation. That is, it has looked at the international experience and reached conclusions about how relevant that is to Australian conditions. It is now firmly focused on dealing with the issue as put to it in the domestic context.

Senator O'BRIEN—So it is limited by the terms of reference in that sense?

Mr Slatyer—Not really, but it is limited by the relevance of the international experience. TORs do not themselves constrain how the research team should inform itself.

Senator O'BRIEN—They do not constrain how it should inform itself. They must set the parameters of the research.

Mr Slatyer—That is correct. But the research team has a lot of scope to figure out how best to do the work. The TORs explicitly permit it to look at overseas and other sources of information but do not constrain it.

Senator O'BRIEN—The implication of what you said earlier is that it is seen to have limited relevance.

Mr Slatyer—I am just getting an over-the-shoulder update from some participants. They are saying to me that, yes, the research team has looked at the international experience but the current focus of work by the team is on the domestic situation.

Senator O'BRIEN—So the domestic situation is that the biodiesel sector is very small, the ethanol sector is dominated by one player and there is a change in the excise regime. They are the sort of arrangements that are being considered. Do I understand that correctly?

Mr Slatyer—And the kind of production techniques that are in use or could potentially come into use in Australia.

Senator O'BRIEN—Will the study be looking at issues such as vehicle modification and suitability, for example, and the like?

Dr Ockwell—No.

Senator O'BRIEN—So the fact that General Motors, for example, manufacture cars for Brazil that are modified to use ethanol in higher quantities than are normally recommended is not relevant to the terms of reference?

Dr Ockwell—We are basing it on the current framework in terms of addressing the terms of reference.

Senator O'BRIEN—That is a limitation of the terms of reference, is it?

Dr Ockwell—Well, I think it is also a function of the technical advice which was party to the 10 per cent limit.

Senator O'BRIEN—In terms of the parallel between the introduction of biofuels and the unleaded introduction exercise, we were reminded recently of the process of advising vehicle owners of the suitability of unleaded fuel when it was introduced for their vehicles. There were recommendations from manufacturers. I am wondering why—perhaps this is not for witnesses at the table—the inquiry into biofuels would not take into account the limitations of current manufacturing opportunities to expand biofuel use with a different regime.

Mr Slatyer—The terms of reference do task the research team to assess industry viability, taking into account current and planned changes in fuel standards, including the introduction of an E10 ethanol standard. That forms part of the research team's mandate.

It would be probably unfeasible to task a research team like this to explore every possible scenario in terms of how engines, fuels and policy and so forth might change over the next 10 years. So the research team is working with the mandate to take into account what are known to be current and planned changes in fuel standards, but that is as far as it goes.

Senator O'BRIEN—Does the study impact upon biofuel production implications?

Mr Slatyer—The short answer is yes.

Senator O'BRIEN—I take it, then, you will be consulting with the biofuels sector on any impediments to the expansion of production in that study.

Mr Slatyer—As I said before, the team has had consultations with the industry, but there is not a structured process of putting up questions of this sort and seeking industry responses.

Senator O'BRIEN—Thanks. That completes the questions I have on 2.1.

ACTING CHAIR—That concludes 2.1. We now move on to output 2.2, Transport policy functions. Senator O'Brien, are you going to lead questions on this?

Senator O'BRIEN—I think I will keep the strike. I guess we will start with Mr Wolfe. Can you shed any additional light on the status of the negotiations with the New South Wales government to lease their rail track?

Mr Wolfe—I think we would say they are ongoing.

Senator O'BRIEN—Does that mean they are delayed?

Mr Wolfe—No. I think they are just—

Senator O'BRIEN—They are in transit.

Mr Wolfe—They are challenging.

Senator O'BRIEN—They are challenging. It is a continuing voyage. Can you enlighten us as to the reason for the fact that the train has not arrived in the negotiations?

Mr Wolfe—Given the sensitive nature of the negotiations, I think it is best to say there are a range of complex issues involved and that the parties are working through them. I think that is the best way of saying it.

Senator O'BRIEN—If we believe the ministers' media statements, it is a deal worth \$870 million of investment, which is a very significant package of investment to be held up. Is it true that the ministers have reached agreement on principles? Can those principles be a guide for us?

Ms Briggs—Yes, they can. There is the release of the New South Wales interstate track and the Hunter Valley rail corridors, including a dedicated metropolitan freight line to Sydney port. New South Wales is to maintain ownership of the track. Safety standards across the country network will be set by the New South Wales transport safety and reliability regulator. Clearly defined key performance indicators are to be established for track performance and maintenance standards.

Senator O'BRIEN—When was that agreement reached?

Ms Briggs—A couple of months back.

Senator O'BRIEN—Can you give us the date on notice?

Ms Briggs—What date is that?

Senator O'BRIEN—The date the agreement was reached.

Ms Briggs—Yes, sure.

Senator O'BRIEN—Are the unions still involved in this process?

Ms Briggs—At this stage we at the Commonwealth official level are not speaking to them. But as I indicated to you last time around, they were very closely involved. They were involved in work developing up some options to put to ministers. New South Wales, as I understand it, is talking to the unions on a regular basis.

Senator O'BRIEN—Assuming it all comes to finalisation, is there an agreed form to reflect an agreement or memorandum of understanding or the like?

Ms Briggs—There would be, yes. There would be an agreement between the two governments and the Australian Rail Track Corporation as the key deliverer of the service.

Senator O'BRIEN—So is there a draft form, or is that too ambitious at this stage?

Ms Briggs—There are still a number of papers and working documents that are in the process of discussions between the various parties.

Senator O'BRIEN—So it is too early for such a document to have been drafted?

Ms Briggs—There are some working drafts.

Senator O'BRIEN—They are working drafts. Upon finalisation of any agreement, will legislation or regulation be required of the federal parliament?

Ms Briggs—It is not anticipated that it would be required at this stage.

Senator O'BRIEN—Will legislation through the New South Wales parliament be required?

Ms Briggs—It is possible that that may be the case, yes, from the advice I have received from New South Wales officials.

Senator O'BRIEN—Will the federal government be underwriting the ARTC loans?

Ms Briggs—As we have indicated on previous occasions, we are providing some support for some proportion of the proposed borrowings by the ARTC, yes.

Senator O'BRIEN—How is this handled in the budget?

Mr Elliott—There is an amount provided in the portfolio budget estimates of \$111 million. There are also some funds in contingency reserve which add to about \$143 million. The remainder above that \$143 million would be, in the first instance, loans that the ARTC can take up itself commercially and then, beyond that, additional loans that it would take up with the support of the Commonwealth government.

Senator O'BRIEN—So does this have a budgetary implication?

Mr Elliott—Well, the implication as far as the federal budget is concerned is effectively the \$143 million that would be provided directly. Of course, there would need to be a note effectively to the Commonwealth accounts that there was a guarantee or support provided for the loan to the ARTC. But there is not a financial implication as such.

Senator O'BRIEN—I guess a potential liability issue.

Mr Elliott—That is right, yes. That would be noted.

Senator O'BRIEN—Can the committee be given an update on the sale process for Sydney basin airports?

Ms Briggs—I think that is for the regulatory group. If I may, I think that is item 3.3. I am sorry that we are confusing you with these changes.

Senator O'BRIEN—It is the same for Point Cook airport?

Ms Briggs—It would be for any airport sales.

Senator O'BRIEN—The Sydney airport master plan?

Ms Briggs—Ditto.

Senator O'BRIEN—The Ansett levy?

Ms Briggs—That as well is for the regulatory group.

Mr Yuile—It is the same people you spoke to last time. They are down for output 5.2.

Senator O'BRIEN—I am just concerned that some matters that should be asked here might be in other areas now. It would be convenient if we had a chance to doubly consider that before discharging any officers from this area. Would it be possible to just consult over the lunch break to make sure that we are not sending officers away and therefore have missed an opportunity to ask a question and, therefore, put it on notice?

Mr Yuile—Sure, Senator.

Senator O'BRIEN—Can we break now? There have been a number of matters that I had for the wrong area.

Senator Ian Campbell—The secretary has some comments to make that we would like to put on the record before we adjourn for lunch.

Mr Matthews—There has been some reporting already about the proceedings this morning. There may be some misunderstandings. In fact, there may be some errors which have been made as a result of this morning's statements. There has been a media release by the shadow minister about a \$10 million operating loss to be rolled over into next year. The facts are that there is \$10 million which is contingent as expenditure on the Linkwater Road on the Indian Ocean territories contingent on the APSC, the Asia Pacific Space Centre, project proceeding. It is not within our remit to spend that money until that project proceeds.

The second point is that, as our CFO made clear, we have a single transaction, which is \$21 million worth of housing transfers to the DIMIA books. If that happens, and depending on the accounting treatment, that single transaction by itself would be much larger than the operating loss or the surplus that we are projecting for. The facts are that that is neutral across the Commonwealth budget. It is simply a transfer between this department and DIMIA, so it is a question of where ownership of those assets resides.

The facts are that we are budgeting through our work out/work up plan for a surplus unless that transaction happens and depending on that accounting treatment. We are seeking through our work out/work up plan to build reserves into next year and the year beyond. As I said myself, and it was confirmed by other officers this morning, we have a cash-positive projection for each of the years going forward. So I am concerned about some of the misunderstandings that might have resulted.

Finally, a statement that concerns me is that the department, it is said, has admitted there is a risk of reform fatigue setting in. One of the points that I was trying to make very clearly is that we have taken active and positive measures in the context of a constructive plan to deal with so-called reform fatigue to position our staff and our department to do the job that the government is asking of us. So I would not like it to be left unanswered that the department has admitted there is a risk of reform fatigue setting in. Having diagnosed that that risk may exist, we are doing something about it. I want to make those points clear and I want to make them in time now for, hopefully, them to be picked up at the same time as the media releases are considered.

Senator Ian Campbell—Could I add to that. The secretary has very politely been referring to a press release issued by Martin Ferguson MP. What the secretary has actually said is that this press release is grossly misleading. He is effectively creating a \$10 million loss where none exists. The only way he can do that is to do what the Labor Party did last week, and that is to attack the Indian Ocean territories. They have basically voted to close down phosphate mining on Christmas Island. They now seem to be trying to close down the space centre as well. I am sure Warren Snowdon will want to return from New York and try to defend the Christmas Island territories, or at least join me in defending them, from this vicious attack by Labor senators, who seem to not understand or care about the Indian Ocean territories.

CHAIR—Thank you very much. We will now break for lunch.

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

CHAIR—Thank you. We will go back to studying the form.

Senator O'BRIEN—There is one other issue that I need to pursue, so thank you for sticking around. The minister recently announced that he will no longer chair the Australian Logistics Council. Can you tell us what informed his decision?

Ms Briggs—I can. When the council was formed there was an issue as to the appropriate level of the chair. The minister personally decided at that stage that he should take the chair, because that would show quite clearly the level of interest in the work of the council. But he felt that, as council members have got to know each other, the functions and the arrangements better, it was time for him to step back from that chair role and see an industry person chair the council. However, he intends to remain a member of the council, so he does not in any way see that as a diminution of the government's interest in the council. It is simply a way of having the industry take the lead in an area that is fundamentally their area of activity.

Senator O'BRIEN—How was the new chair selected?

Ms Briggs—Within the council framework there are a number of working groups. One of those groups is called the leadership group. There might be a couple of other words in its name, but fundamentally it is the leadership group. That is chaired by one of the members of the council, but there are various other members. It was agreed at a council meeting that that working group would be tasked with the job of finding a replacement chairperson, and they fulfilled that role.

Senator O'BRIEN—So there was a decision taken at a council meeting to authorise that group to select or appoint the chair?

Ms Briggs—To select a chair. Discussions were then undertaken privately with the minister and other members of the council, as I understand it.

Senator O'BRIEN—How does the appointment actually occur? Does the minister make the appointment?

Ms Briggs—The minister made the announcement. In terms of the actual detail of the appointment, can I take some advice from Mr Wolfe?

Mr Wolfe—The council is essentially an industry driven body, and it was the council and industry members who agreed to the appointment of Mr Backman. The minister announced that appointment at a logistics forum on 22 October.

Ms Briggs—So in a sense it is a consensus arrangement, quite different to some of the more formal processes that we run internally if we are appointing someone, for example.

Senator O'BRIEN—How is the ALC funded?

Ms Briggs—It has no direct funding from the government. In its first year of operations, the department provided secretariat support. As well, as part of those activities the secretariat facilitated council members' knowledge of other government programs and so on, and it is my understanding that they have availed themselves of some of those programs to pick up some funding for various bits of their activities. We have tried to work with them as constructively as we can from the department's perspective.

Senator O'BRIEN—Has the government actually provided any resources?

Ms Briggs—Are you asking if we provide funding direct to them?

Senator O'BRIEN—Any sort of resourcing for the ALC.

Mr Wolfe—We provided secretariat support services.

Senator O'BRIEN—Just secretariat services? That is it? From where would I ascertain the current projects being undertaken?

Ms Briggs—We could provide you with a list of those activities. That is readily available to us.

Mr Wolfe—There is a web site.

Senator O'BRIEN—If the web site has that then the web site address will be sufficient.

Ms Briggs—We will make that available.

Senator O'BRIEN—That concludes item 2.

[2.05 p.m.]

CHAIR—Now we move to the Regulatory group: surface transport regulation.

Senator O'BRIEN—Has the department prepared a response to the Morris-Sharp independent review of the future of the shipping industry?

Mr Ellis—We just have to get the previous people back, if that would be okay. The short answer is: no, we have not prepared a response. We would expect to provide some advice to Minister Anderson in due course.

Mr Wolfe—I will also clarify that the Sharp-Morris review is an independent review done for the Australian Shipowners Association.

Senator O'BRIEN—I thought I did say it was an independent review.

Mr Wolfe—Thank you, Senator.

Senator Ian Campbell—I would not hold my breath waiting for a formal public government response. It is obviously something that we would read but I do not think we will be responding to it formally.

Senator O'BRIEN—In relation to the issue of single and continuing voyage permits, could you provide us with the most recent statistics on the number of permits being issued, please?

Mr Ellis—With regard to single voyage permits we have provided previous figures, so I will go from 2001-02. The total number of single voyage permits was 664; then in 2002-03 there were 756. The figures for continuing voyage permits for those two years are 87 and 106—they are the figures for the full year. To date, through to 2003-04, for SVP—single voyage permits—our figures show 195, and 39 for continuing voyage permits for the year so far completed.

Senator O'BRIEN—That is, the 1 July to 30 June year?

Mr Ellis—Yes, they are financial year figures. The current year is from July to September—the first quarter.

Senator O'BRIEN—That is showing a continuing increase in the trend—I am extrapolating the numbers, annualising 780 and 156.

Mr Ellis—Yes. The SVPs are somewhere around 750, looking at the sort of annual figure, and for the CVPs it varies over the last four years, from about 73 through to 108. It is of the same characteristic but, other than that, I would not put any great refinement on it.

Senator O'BRIEN—Has the department undertaken any review of the permit system in the light of the increased focus on maritime security?

Mr Ellis—No review as such of the actual administration of the permit system.

Senator O'BRIEN—I am not sure what 'no review as such' means. Perhaps you could clarify that.

Mr Ellis—The security aspects in relation to the maritime industry are probably better addressed by my colleague Andrew Tongue when he comes to the table. In terms of the administration of the permit system, over the last 12 to 18 months we have been looking at how that operates. So, while we have had some internal examination of how we use it and deliver it, and looking at the guidelines that guide us, we have given some consideration to that, but not specifically with the security aspect.

Senator O'BRIEN—Do we have any idea what sort of tonnages are carried by the foreign flag vessels on the Australian coast?

Mr Ellis—Yes, for the corresponding figures that I read out earlier, I can give you the tonnages as presented to us in terms of the applications, because that is the way that we record it. I will round the numbers, if that is okay. For the single voyage permits in the year 2001-02, there were 9.6 million tonnes and 10.3 million tonnes. For continuing voyage permits in those years, the figure is about two million tonnes; in the next year there were about three million tonnes. The SVP figure for the first quarter of the financial year is about three million tonnes, and for the CVP it is about 0.6 million tonnes.

Senator O'BRIEN—Thank you for that. Where can one ascertain the types of cargo that are being carried? You may be able to refer me to a web site or other document.

Mr Ellis—The continuing voyage permits are gazetted, so there would be some descriptor in that. Bear with me while I check. In the BTRE publication *Waterline* there is a broad description of the type of cargo broken down into bulk and general cargo, and the bulk is broken down into subcomponents—petroleum products, liquefied gas, other bulk liquids and other dry bulk. So there is a picture in that *Waterline* publication.

Senator O'BRIEN—Thank you for that.

Mr Ellis—By way of clarification I should add that I think the most recent *Waterline* publication was released late last week, and we need to have some discussions with the people preparing that documentation, because somewhere in the process the figures used in the administrative side are different to what have appeared in that publication. We are talking with the BTRE people to resolve that.

Senator O'BRIEN—Thanks. I now have some questions for AMSA.

Mr Yuile—Is that the end of the surface transport regulation output?

Senator O'BRIEN—I am not going to say that with absolute certainty.

Mr Yuile—We will ask them to stay on a bit then.

[2.18 p.m.]

Australian Maritime Safety Authority

CHAIR—Welcome, ladies and gentlemen. Senator Kirk is going to try and bowl you out at middle stump.

Senator KIRK—Thank you, Chair. I have some questions for you, Mr Davidson, arising out of some questioning by Senator Faulkner last year in relation to a visit that I understand was made to you by Mr Moore-Wilton in August or September 2001. I know it is going back a bit, but I have a few questions arising out of that.

Mr Davidson—Senator, did you say a visit made to me?

Senator KIRK—I wondered whether or not Mr Moore-Wilton visited AMSA on 29 August or 4 September 2001.

Mr Davidson—No, he did not.

Senator Ian Campbell—Just another handsome-looking bloke must have walked in the front door.

Senator KIRK—What about a visit to AMSA earlier on in 2001?

Mr Davidson—I have no recollection of Mr Moore-Wilton visiting the Australian Maritime Safety Authority at any stage.

Senator KIRK—Would anyone else at the authority have perhaps met with Mr Moore-Wilton, that you would be aware of?

Mr Davidson—To my knowledge he has never visited the authority.

CHAIR—Does that mean there is something wrong with the authority?

Mr Davidson—I think Mr Moore-Wilton had many better things to do than to come—

Senator Ian Campbell—I have never visited—

CHAIR—Nor have I. I do not know whether that means anything.

Mr Davidson—You are certainly invited, Senator.

Senator KIRK—Possibly a telephone conversation, then, between you and Mr Moore-Wilton during that period?

Mr Davidson—Yes, I probably did have some conversations with Mr Moore-Wilton during that period.

Senator KIRK—Would you be able to recall the nature of those conversations? Or are we pushing it?

Mr Davidson—I just do not have that information with me, or the means to honestly turn my mind to that issue.

Senator KIRK—Would you perhaps take that on notice, and check the diary records and see if you could find something for us.

Mr Davidson—Yes, I can look at that.

Senator KIRK—So, as far as you recall, there were no directions of any description given by Mr Moore-Wilton to AMSA on its activities?

Mr Davidson—None at any stage.

Senator KIRK—I also have some questions in relation to a paper prepared by Dr Feeney, who I believe is an AMSA officer. Am I correct there?

Mr Davidson—Dr Feeney is now an AMSA officer, but at the time the paper would have been prepared it would have been in his capacity in the department as a first assistant secretary there.

Senator KIRK—Could you perhaps give the committee some details as to the nature of the paper that he prepared at the time I am referring to—that is, August-September 2001.

Ms Briggs—Senator, I am not sure the nature of that paper has been discussed or released publicly. I would need to take some advice on that.

Senator KIRK—Would you like to take the advice now?

Ms Briggs—I do not think I could take that advice now.

Senator KIRK—I understand that the paper was in relation to search and rescue arrangements between Australia and Indonesia. Is that correct?

Ms Briggs—Yes.

Senator KIRK—I understand also that he was asked to write a separate protocol for SIEVs—suspected illegal entry vessels—in distress.

Ms Briggs—Certainly Dr Feeney coordinated the development of that protocol, yes.

Senator KIRK—Who initiated that? You said that at the time Dr Feeney was not an AMSA officer, so I am wondering who it was who commissioned him to write that section of the paper.

Ms Briggs—I did, Senator, as acting secretary at that time.

Senator KIRK—I am wondering why it was that this separate section had to be prepared. As I understand it, under international maritime law Australia's obligations are already quite clear in relation to such vessels. Perhaps you could elaborate for the committee why it was that Dr Feeney was commissioned to prepare this section of the paper.

Ms Briggs—If I may clarify the nature of Dr Feeney's activities in regard to the protocol: I think the work that Dr Feeney did indicated that there was an area of some confusion as to how arrangements might operate, and the *Tampa* had in some ways drawn light to those issues. Certainly the context in which we operate, however, is the international law of the sea.

Senator KIRK—You said that there was some confusion. In whose minds was there this confusion?

Ms Briggs—The maritime sector itself was raising these issues, and had raised them direct.

Senator KIRK—So the purpose of Dr Feeney's paper was to look into that, to clarify whether or not the international maritime law applied, or whether or not—

Ms Briggs—Not whether or not international law of the sea applied; clearly it did apply. But the industry were asking for some help in these circumstances, which were new circumstances—namely, the illegal activities of people-smuggling.

Senator KIRK—When you say ‘the industry’, who sought the clarification in relation to this matter?

Ms Briggs—I do not have that information with me. Certainly I was not approached personally—

Senator KIRK—So it was somebody external to AMSA?

Ms Briggs—Yes, somebody external to the department, absolutely.

Senator KIRK—You could take that on notice, though, and give me the information?

Ms Briggs—Sure.

Senator KIRK—Thank you. The other questions I have relate again to Dr Feeney. I understand that he established, or it was proposed that there be established, a cross-portfolio SIEV emergency group. Is that correct? CPSEG I believe is the acronym.

Ms Briggs—This is taxing my memory, Senator. I think I need to take that on notice, I’m afraid.

Senator KIRK—Okay, perhaps you would take it on notice. My interest was in the nature of that body and what it was asked to do.

Ms Briggs—Sure. I will check that out and I will get that for you.

Senator KIRK—Please do. Thank you. Those are all the questions I have for the moment, Chair. I may pass over to—

CHAIR—Do you feel better now?

Senator KIRK—Do I feel better? Enormously, since visiting here. Thank you.

Senator O’BRIEN—Mr Davidson, AMSA recently completed the two-year focused inspection campaign on vessels visiting Australian ports. I understand it targeted vessels differently for compliance each four months—a different part of the vessel, in fact.

Mr Davidson—That is correct, yes.

Senator O’BRIEN—What were the general findings of that campaign?

Mr Davidson—Perhaps I should talk about the campaign first. We actually promulgated the targeted area through our marine notices, so that the industry were aware that we were concerned about particular issues such as the familiarity with GMDSS, the global maritime distress and safety system. Bridge visibility had become an issue that we had noticed with container ships—loading above the bridge line. We found that the promulgation of the marine notice itself caused a lot of the ship operators to take corrective action, but the overall effect was that we did detain slightly more vessels than we would have expected to, given the recent trends. We would explain most of our increased detention, albeit quite small, by the fact that we have had the focused inspection campaign.

Senator O’BRIEN—Did you engage additional resources for that campaign?

Mr Davidson—No, we did not. We used our existing surveyor group to conduct those actions. They did it contemporaneously with the normal port state control inspection. They would then visit a ship that would be in port at the time, in a surprise visit, and carry out just that focused inspection. So it did not take long to do, and just heightened awareness and preparedness.

Senator O'BRIEN—Will AMSA be running the same program again, given that you have experienced a higher level of detention, if I could put it that way?

Mr Davidson—The Tokyo MOU, which is between the Pacific rim states which operate collectively in a group, has a concentrated inspection campaign that is run on a six-monthly basis. While those concentrated inspection campaigns are on, we would not also be running a focused campaign of our own. After the six months of the concentrated inspection campaign, we may yet again revert to picking on a focus if we start to see an unhealthy trend.

Senator O'BRIEN—How will port state control functions now be targeted?

Mr Davidson—We are just conducting our normal port state control activities.

Senator O'BRIEN—So there are no new campaigns or strategies to increase compliance?

Mr Davidson—As I say, we have a concentrated inspection campaign under the Tokyo MOU on bulk carriers at the moment. So there is a de facto one. All the Pacific MOU partners are on that campaign at the moment, so it is much wider than just Australia; it is all the members of that group.

Senator O'BRIEN—What has AMSA's involvement been in the development of the Maritime Transport Security Bill?

Mr Davidson—I had a continuous dialogue with the department. We have assisted in areas that they have requested us to have input to. We are still working with them in relation to actions that AMSA may be able to take which support the department's activities. So we have been consulted on development of the bill and on the development of the regulations.

Senator O'BRIEN—Do you know if it is intended that AMSA be involved in any way in the implementation of the bill—for example in the regulation of maritime security?

Mr Davidson—We will be working out the fine operational detail between the transport regulation group and us over the next few months in terms of how that will actually be operational.

Senator O'BRIEN—What about the assessment of ship and port security plans? Will AMSA play a role in that?

Mr Davidson—No.

Senator O'BRIEN—I understand that AMSA has a significant contingent of staff with seagoing and port experience in its ranks.

Mr Davidson—I would argue that we do, yes.

Senator O'BRIEN—Has the department made any approach to AMSA to seek assistance with the assessment of ship and port security plans?

Mr Davidson—Not as yet.

Senator O'BRIEN—Are you able to provide a detailed list of individual programs and which program areas the authority is administering?

Mr Davidson—In connection with what?

Senator O'BRIEN—The budget allocation and expenditure processes.

Mr Davidson—They are the ones that are listed in the portfolio budget statements.

Senator O'BRIEN—So it is as appears in the PBS with respect to funding allocation to each of the programs for the year 2003-04?

Mr Davidson—Yes, the PBS lists entirely the program activities that we contribute to and work on.

Senator O'BRIEN—Do you have any year-to-date figures on those programs?

Mr Davidson—Not with me. We can provide that if you wish.

Senator O'BRIEN—In relation to marine services and quantification charges, can you bring us up to date with charging rates?

Mr Davidson—We have not adjusted the charging rates for a couple of years now. They are as currently published. I think they are on our web site.

Senator O'BRIEN—What sort of income is collected through annual charges?

Mr Davidson—That will be in the annual report. Rather than dig that out now, I will take that on notice.

Senator O'BRIEN—Is it in your annual report?

Senator Ian Campbell—It would have been our annual report.

Mr Davidson—The AMSA annual report. We can provide that for you.

Senator O'BRIEN—Thank you. Does that tell us the cost of providing the services covered by the charge?

Mr Davidson—Yes, it does.

Senator O'BRIEN—When was that charge last reviewed? Sorry, you may have just told me.

Mr Davidson—To the best of my recollection, about two years ago I think we would have done the comprehensive review of the charges. There were some adjustments made at that time but to my recollection I do not think we have touched them since then.

Senator O'BRIEN—So what sort of adjustment was made last time?

Mr Davidson—I would need to come back with that. We actually reviewed some of the categories, the basis for charging was changed and we aligned it as best we could to the actual cost of providing the services.

Senator O'BRIEN—Where is this information in the annual report?

Mr Davidson—The charges for our services will generally be on our web site, but we can get that information for you.

Senator O'BRIEN—And the amount collected annually is in here?

Mr Davidson—It will appear in the annual report, yes.

Senator O'BRIEN—Whereabouts would I find that?

Mr Davidson—In the revenue section, I assume.

Senator O'BRIEN—That is a fair guess.

Mr Davidson—It is on page 92, in the financial statements at note 4, 'Operating revenues', where it talks about rendering of services to related entities and external entities and the provision of services.

Senator O'BRIEN—So the income from that item has gone down.

Mr Davidson—Essentially it is \$2.55 million.

Senator O'BRIEN—It has gone down from \$2.82 million—not quite a 10 per cent fall.

Mr Davidson—Yes.

Senator O'BRIEN—They are parallel figures; we are comparing like with like?

Mr Davidson—Yes.

Senator O'BRIEN—Why is that?

Mr Davidson—The explanation for that?

Senator O'BRIEN—Yes.

Mr Davidson—During 2002 and 2001, the application of STCW 95 came into force, which required all seafarers to update their qualifications to meet the new standards. There were charges associated with that activity. That attracted a charge for them to renew their certificates and to upgrade them. That explained most of the revenue increase.

Senator O'BRIEN—Was that a bit of a windfall?

Mr Davidson—In essence, yes.

Senator O'BRIEN—I take it that the charging rate for the marine navigation levy is on the web site?

Mr Davidson—It is, yes.

Senator O'BRIEN—Can you show in this annual report where the amount collected annually is reflected?

Mr Davidson—In the revenue section, it appears on page 77 and on page 92, at note 4A.

Senator O'BRIEN—The income has grown marginally. Is that because of an increase in the charging rate?

Mr Davidson—No, on the contrary the rate has been reduced. It is due to the growth in the overall tonnage visiting Australia.

Senator O'BRIEN—Can you identify the cost of delivering the services? Have AMSA related to this levy?

Mr Davidson—Senator, that is also in the output performance area of the report. If you will bear with me, I can turn up the pages and tell you. It is at output 1.4, which is the

application of the marine navigation levy. It appears at page 32 and goes through to page 36 of the annual report. The actual cost of the provision of the service is broken up amongst the categories. The cost of providing the network of aids to navigation, funded by the marine navigation levy, appears at page 36 under the heading 'Cost to provide a network of aids to navigation'. The target was \$19.118 million and the actual cost was \$19.329 million. Corresponding revenue was \$19.28 million.

Senator O'BRIEN—According to what is printed there, the cost is for a financial year and the revenue is for a calendar year. Is that right?

Mr Davidson—No, that is a financial year.

Senator O'BRIEN—The headings say '2003' and '2002' for those columns on page 92.

Mr Davidson—I think that is shorthand; it is a financial year report. It is the annual report for the financial year ending 2003.

Senator O'BRIEN—Was that similarly reviewed two years ago?

Mr Davidson—In fact, we had a proper review of it about two years ago but we obviously review it all the time. Based on projections of the cost of providing the services to the current projections on the levy revenue, we might adjust the levy rates annually as we did in the last period. So we reduced the marine navigation levy by 10 per cent.

Senator O'BRIEN—In relation to the protection of the sea levy, I take it the current charge is on the web site?

Mr Davidson—It is there, yes.

Senator O'BRIEN—That also appears on page 92 and it is \$3.888 million?

Mr Davidson—Yes, that is correct.

Senator O'BRIEN—Where do I find the costs, if any, attributable to that levy?

Mr Davidson—The corresponding output is 1.3, which is the capability to respond to marine pollution incidents—commencing at page 29.

Senator O'BRIEN—Is that at page 31?

Mr Davidson—It is pages 29 to 31, correct.

Senator O'BRIEN—The actual cost is \$4.292 million?

Mr Davidson—That is correct.

Senator O'BRIEN—Was that the subject of a formal review two years ago as well?

Mr Davidson—That is correct, Senator. All the levies were formally reviewed a couple of years ago.

Senator O'BRIEN—Is the rate of change of each of the levies easily ascertainable in a document somewhere?

Mr Davidson—I will take that on notice.

Senator O'BRIEN—Thank you. What is described as the regulatory function levy—

Mr Davidson—Yes. That funds the activities associated with our port state control function, and a component of it also funds the provision of the GMDSS ground station operations for Australia.

Senator O'BRIEN—Where would I see the costs attributable to the provision of this service?

Mr Davidson—That is actually broken between output 1.2 and output 2.1.

Senator O'BRIEN—There are two amounts for 1.2 on page 28—\$2.374 million and \$1.514 million.

Mr Davidson—Also in output 1.1 there are components of that—

Senator O'BRIEN—Can you give us the actual cost?

Mr Davidson—Yes, we can give the breakdowns between those and the allocation between the various outputs, how the revenue is split and how the costs are allocated between those.

Senator O'BRIEN—Did the Commonwealth provide any capital or equity injection to AMSA when it was established?

Mr Davidson—I would need to take that on notice to be certain, but it was set up with an equity base, as I understand it. Assets were transferred and a base was set for the organisation at that time.

Senator O'BRIEN—Has AMSA ever made capital repayments to the Commonwealth?

Mr Davidson—Yes, it has.

Senator O'BRIEN—When was that—regularly, every year, occasionally?

Mr Davidson—Not in the last two years, to the best of my recollection; but we can provide that information. It would appear in our annual reports.

Senator O'BRIEN—Do you know what the current residual Commonwealth capital invested is on AMSA's books?

Mr Davidson—Not offhand.

Senator O'BRIEN—Was AMSA established in a different way to, say, Airservices Australia? Maybe I am asking you a question that you cannot answer.

Mr Davidson—I am afraid I cannot answer that. It was certainly before my time.

Senator O'BRIEN—Airservices has been required to repay a significant amount of capital to the government in recent years. That is not the experience of AMSA?

Mr Davidson—No, Senator.

Senator O'BRIEN—There is no ongoing program or expectation or discussion about repayment of capital by AMSA?

Mr Davidson—No, Senator. If you turn to page 77, it says:

Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity.

The figure appears to be zero, but I will confirm that.

Senator O'BRIEN—There is about \$70 million in non-financial assets, according to page 78. You may be right that the Commonwealth has no charge against those assets. I am not sure.

Mr Davidson—We will confirm that for you.

Senator O'BRIEN—Thank you, Mr Davidson. My next questions regard transport security regulation.

[2.53 p.m.]

ACTING CHAIR (Senator Ferris)—We will now move on to outcome 3.2, Transport security regulation.

Senator O'BRIEN—Is there an up-to-date assessment of the time and resources that will be required to process ship and port security plans?

Mr Tongue—My colleague Mr Kilner and his team are working on that assessment as we speak, now that we have the broad shape of the legislation. And we have completed the key drafting instructions for the regulations that will drive the port security and ship security planning process. John and his team are currently making that assessment.

Senator O'BRIEN—When is it expected that that assessment process will be completed?

Mr Tongue—We will need the assessment by the end of the month so that we can put in place the staffing arrangements.

Senator O'BRIEN—How many plans will have to be approved to comply with the June 2004 deadline for ISSC?

Mr Tongue—Our estimate, at this state, is around 400 plans. So we will need to assess port plans, port facility plans and plans for Australian flagged ships.

Senator O'BRIEN—In the assessment, will the decision choices simply be 'approve' or 'not approve'?

Mr Tongue—We are anticipating that, because this is a new global process, in the first instance we will be provided with draft plans. We will need to have some dialogue with the proponents of the plans to make sure that they meet the international specifications as well as our domestic requirements. So the process will involve some toing-and-froing before the final approval.

Senator O'BRIEN—What qualifications do you think are necessary to make an assessment of the appropriateness of a security plan for a ship?

Mr Tongue—We need access to both master mariner style skills as well as security skills. Those are the two principal areas.

Senator O'BRIEN—Would the mariner skills you are talking about mean that an officer assessing a plan would have to have a significant knowledge of operational arrangements and limitations in the seagoing sector?

Mr Tongue—Yes.

Senator O'BRIEN—Do you have staff with such experience and qualification?

Mr Tongue—We had a master mariner on board—pardon the pun, I should say on the team—in the development of the legislation. Subsequently that person departed because he had been on a contract. Part of our staffing plan will be to bring the skills on board—I have done it again! We have had offers of assistance from the maritime industry and we are looking at, if you like, the best employment arrangement to bring those skills on board—whether they become a permanent staff member or whether we bring them on as a contractor. We are working through that as we speak.

Senator O'BRIEN—What about the knowledge required to assess port security and stevedoring operations? Do you have staff with those skills and qualifications?

Mr Tongue—We actually have some staff in the team who have now been working in and around the maritime sector for a number of years. They are able to bring to bear not just judgments about security but also knowledge of maritime operations. I anticipate, though, that we may well want to draw on the knowledge of an experienced harbourmaster, for example, in assessing aspects of the plans. The only point I would make is that the security planning framework that is at the basis of the IMO is the same security planning framework that is at the basis of ICAO's aviation regime or that is being applied around the Rugby World Cup. It is basically the definition of a threat, a risk assessment, the development of a plan and the implementation of a plan. That set of skills around security is fairly commonplace in the security community. So we need to take that set of skills and, if you like, add in the practical maritime operations set of skills.

Senator O'BRIEN—Where will you get the practical set of skills from?

Mr Tongue—We have been assessing what the market is like out there for the sets of skills that we are likely to need, and we are fairly comfortable that we will be able to get suitably qualified people. They are likely to be reasonably senior and we will have to pay the market price, but we are confident we can get them.

Senator O'BRIEN—What are industry participants or their representatives saying about the department's ability and capacity to assess security plans?

Mr Tongue—It is fair to say that from time to time you will see criticism of the department by the maritime sector in the maritime industry press. It is hard for me to disentangle what I would call the industry forms and norms from what I would call legitimate criticism. The point I would make is that everything we said to the industry we would do we have done. We have met every deadline and provided all the guidance material when we said we would. I think they are a hard group to impress.

Senator O'BRIEN—Have they actually offered you assistance?

Mr Tongue—We have had some offers of assistance. The question for us really is: when do we bring people on board and is it appropriate to do so?

Senator O'BRIEN—So have you accepted those offers or accepted them conditionally?

Mr Tongue—We are not at the point yet where we are ready to accept them. For example, we have had some offers of assistance from relevant industry associations. One of the things we have to guard against is any perception of a conflict of interest, which is what we would

have if we got assistance from one of the industry associations and that person then provided us with advice and we signed off a plan on the basis of that advice. We acknowledge the generosity of the offer; we are just thinking through how we might take advantage of it in appropriate way.

Senator O'BRIEN—So have you accepted the offers, rejected the offers or asked them to wait?

Mr Tongue—They are on the table and we have asked them to wait.

Senator O'BRIEN—What has the minister said about the department's capability with regard to assessing security plans? I presume he is aware of the situation.

Mr Tongue—Yes. Basically, the minister has made clear to the industry his expectation that we will meet all of the international requirements laid down by the IMO by the date of 1 July. He has made clear to the industry his expectation that we in the department will deliver that.

Senator O'BRIEN—Mr Matthews, are you aware of the tensions—if I can call them that—that exist in this area we have just been talking about?

Mr Matthews—Yes.

CHAIR—That is a very good answer and that gives me a great opportunity to call the 'cultural break', as I am told it is described!

Proceedings suspended from 3.04 p.m. to 3.26 p.m.

CHAIR—Proceedings will now commence in continuation, and I hope that everyone spends their winnings wisely. I call Senator O'Brien.

Senator O'BRIEN—Mr Matthews, I was asking if you had been made aware of industry concerns about the expertise that existed in the department on the security issue, particularly directly connected with the maritime industries. What response do you have with regard to those concerns?

Mr Matthews—As I said, I am aware of the concerns. I have discussed them with Mr Tongue as the head of the division. I endorse what Mr Tongue has said: the basic framework in the way that we approach security in the maritime sector is similar to the way it is approached in other sectors, particularly aviation. The idea of threat assessment and then risk identification and then operationalising that is an approach that transfers pretty well. That does not mean that we are not looking also for some particular maritime expertise to overlay on that general security approach, but it does mean that you do not have to have a team of 100 per cent maritime people. We do have certain resources. We do have those offers from the industry, which Mr Tongue has talked about. We are considering them and how to reconcile the apparent conflict of interest or the possible conflict of interest.

I would add one thing and that is that there have already been discussions at a middle level between the transport security people in the department and AMSA, which might have been where you were leading with some of your earlier questions, about the possibility of making available some maritime seafarers' expertise from AMSA to assist in the further development of the maritime security arrangement. At this stage those discussions have been just at a

middle level within the organisations. As of today we are not at the stage of being able to say there is a handshake on it, but it seems to us to be a sensible way of going about augmenting the maritime expertise.

Senator O'BRIEN—I am sure some of the state departments also have some expertise that may be useful and strategically located.

Mr Matthews—That is another possibility. Indeed, Mr Tongue has appeared now twice—or is it three times—before the Standing Committee on Transport, which I chair and which is made up of the Commonwealth, state and territory heads of transport agencies, to update the committee on where we are. The states have been cooperative and I think would be prepared to make some contribution. But Mr Tongue might want to comment on anything more specific on that.

Mr Tongue—We have been working very closely with the states in the development of the whole framework. The comment I would make about capacity within the states is that it varies quite significantly. For example, Queensland, which has retained a great deal of control over its port sector, is able to draw on quite extensive expertise. With some of the other states that have moved down the track of corporatising arrangements out, that expertise resides in state government entities but not necessarily in the department. So we have tried to draw on expertise at the state level where it is available to us.

Senator O'BRIEN—Does the IMO issue any guidelines or documentation to specify the standards to apply in the process of approving ISSCs?

Mr Tongue—The IMO have been doing some workshops around our region and I think they are conducting some in Australia at the moment. That really just goes to the detail of the code. They have issued some guidance on training for ship security officers and that style of thing—there are some guidelines available for that. I do not think there is anything else, is there, John?

Mr Kilner—The only addition to that is the ISPS code, part B, which provides further details on the application of the plans themselves. It provides some guidance. But apart from that I am not aware of anything.

Senator O'BRIEN—I want to ask some questions now about cockpit security in aircraft.

Mr Yuile—Can I add just one comment on the maritime side. I have returned after a few months away, as you might know, and I understand that industry is concerned and engaged, indeed, on the whole work of the maritime security framework. But I think it is important to put on the record that Mr Tongue and his team, in working with our state, territory and industry colleagues, have gone a huge distance in what is a complex and new area of administration. Before I went away, earlier in the year, we spent some time in our region again, and I think the efforts the team have made to keep people engaged, involved and participating constructively in developing this framework need to be acknowledged and the team honoured. They have done a terrific job in very difficult circumstances in terms of the time frame. I just wanted to put that on the record.

Senator O'BRIEN—I am sure it has been a very highly developed process. Certainly, Mr Tongue appears to understand the challenge before him and is taking it up fairly confidently,

so we are hoping for a smooth transition. The reason I am raising these issues is that, as has been clearly noted, there are concerns being expressed and we need to explore them.

Mr Yuile—Sure, I understand that, Senator.

Senator O'BRIEN—As I understand it—and perhaps you could confirm this for me, Mr Tongue—the requirements for cockpit security are mandated by ICAO through amendment 27 to part 1, chapter 13 of annex 6, in particular aircraft which they apply to. Do you understand all of that?

Mr Tongue—Yes.

Senator O'BRIEN—Has that standard been implemented in Australia?

Mr Tongue—I will ask Dr Turner to answer the detail of that question.

Dr Turner—ICAO does not mandate things as such. It is an international forum which sets a standard and it is then up to member states to mandate. But, yes, the guideline which ICAO has established is the guideline that we have adopted here. Are you looking for some more detail on what is included?

Senator O'BRIEN—Has it been implemented here? That is my question.

Dr Turner—Yes. The guideline date agreed within ICAO was 1 November. We wrote to airlines on I think it was 8 July—it was certainly early July—establishing what the standard would be, which was the ICAO standard, which would come into effect on 1 November.

Senator O'BRIEN—So it has come into effect?

Dr Turner—Yes.

Senator O'BRIEN—Correct me if I am wrong, but that means that all commercial aircraft operating in Australia, both on domestic and international routes, that carry more than 60 passengers and are certified to a maximum take-off weight of 45½ thousand kilos and above should have installed increased cockpit security, as per the standard, by Saturday?

Dr Turner—Yes, that is what was required. There is a good deal of negotiation going on with some airlines that are having difficulty with actually obtaining sufficient doors to install in all of their aircraft. There are arrangements in place where the airlines can demonstrate that they have practical problems in obtaining the supplies—and not for any other reason—to extend the deadline to 1 March next year. But there is a requirement that they put in place alternative arrangements for securing the cockpit, such as locking an existing door, having additional staff on board or implementing some other arrangement to provide additional cockpit security.

Senator O'BRIEN—Is the department aware of which aircraft have complied and which have not?

Dr Turner—Yes, we are in constant contact with the airlines about which of their aircraft have had new cockpit doors installed and when they are scheduled to have that done. We are pursuing those airlines for which we do not have the necessary details.

Senator O'BRIEN—How many airlines does this protocol apply to? All the internationals that fly into Australia obviously.

Dr Turner—I am not sure of the absolute number.

Senator O'BRIEN—There would not be too many international planes that do not fall above these guidelines.

Dr Turner—The aircraft that travel internationally, yes, would be required to have phase 2 doors. I think it is about 45, but I cannot be absolutely sure of that number.

Senator O'BRIEN—So which airlines operate domestic aircraft which are required to comply in Australia? There is Qantas and Virgin Blue.

Dr Turner—Yes, Virgin and Qantas. I think there may be others. I would have to take the details of exactly which airlines it applies to domestically on notice.

Senator O'BRIEN—Is there any issue with Qantas aircraft not complying?

Dr Turner—There was one piece of correspondence which extended by three or four days one particular Qantas aircraft because a couple of aircraft needed servicing after an unexpected storm last week. So, yes, there has been, at the margins, one or two—but that is no big deal.

Senator O'BRIEN—What about Virgin Blue?

Dr Turner—We are still in correspondence with Virgin Blue about scheduling their maintenance to ensure that all of their aircraft are done by the end of March. I do not have the final answer on exactly what the Virgin Blue schedule is; it is a work in progress.

Senator O'BRIEN—Have they got until the end of March?

Dr Turner—Because they have got problems in securing the doors from the suppliers, yes, they have got until the end of March. It is a question of when they can get the doors installed.

Senator O'BRIEN—So all of the international aircraft have complied? Have they met the deadline? Have they installed them?

Dr Turner—Some have, some have not, and some we are still pursuing because it is not clear to us what they have done.

Senator O'BRIEN—So, apart from the lack of availability of the part, there is no legitimate reason for not complying?

Dr Turner—That is right.

Senator O'BRIEN—And all airlines with aircraft that do not comply effectively have some exemption or deferral?

Dr Turner—Yes, that is what they will require and that is what we are pursuing at the moment just to nail down all those details.

Senator O'BRIEN—So they have not got it yet—is that what you are saying? Have you given the dispensation?

Dr Turner—There are some that we have not given exemptions to. We are in the process of confirming what they have done by 1 November. We are nailing that down as we speak.

Mr Tongue—I should just make the point that, with regard to the Virgin fleet, a number of aircraft have been done. Just because of a cycle time issue with the aircraft and the

unavailability of the parts, there are some that are yet to be done. But as part of Virgin's comprehensive aircraft security arrangements and overall aircraft security arrangements, they are running a very secure operation that meets all international standards. It is just a slight timing difficulty. As Dr Turner said, we are having discussions with all airlines. If they have not been able to meet that 1 November date there are interim arrangements that achieve a similar outcome, which is that if we cannot get the hardened cockpit door simply because they are not knocking them out of the factory we have some interim arrangements in place that achieve a similar end, which is basically to secure the cockpit from the aircraft.

Senator O'BRIEN—Are additional interim security measures required to be put in place for non-compliant aircraft until they comply?

Dr Turner—Yes, such as the things that I was explaining before, depending on what sorts of doors the aircraft have got at the moment—that the doors are lockable and that the airlines have additional crew. Some airlines may be able to vary their fleet utilisation so that the aircraft they send here do have phase 2 doors. But there is a requirement that if they cannot comply, because of the reason that they cannot get the doors supplied, there are other measures that they are required to put in place.

Senator O'BRIEN—I want to ask you about the attempted hijacking—or however you would describe it—on QF 1737 on 29 May this year, which involved a gross breach of security, where wooden stakes were used as weapons in an attempt to enter the cockpit. Has the investigation into this incident concluded?

Mr Tongue—I might handle that question. Around that time there was a series of incidents that went to aspects of the aviation security system, where we conducted investigations. There was the 1737 incident, there were some sterile area breaches at Sydney airport and there was also an incident involving a box cutter being found on an aircraft. We have now completed three separate investigations into those incidents and, broadly, the findings have come down in three areas: one group we are taking up directly with Qantas with regard to some operational aspects; another group go to, if you like, wider aviation security policy settings, and we have referred those to the process that the Secretaries Committee on National Security is conducting at the moment, which is an overall assessment of aviation security in Australia; and the third group is basically about findings giving us comfort that the system, as it is designed, is working. I would not want to go into the detail of the findings in a public way, but I would be happy to arrange some sort of briefing to take you through the detail of the various investigations.

Senator O'BRIEN—So this section of the department conducted the review?

Mr Tongue—Yes. In addition there were a number of police inquiries and that is in the hands of the AFP.

Senator O'BRIEN—Have there been recommendations which have required an implementation process?

Mr Tongue—With regard to that category of issues that we are taking up with Qantas, Mr Matthews has written to Qantas and we will have discussions with them about those matters and, as a result, work through implementation arrangements with them.

Senator O'BRIEN—What was the process for the investigation into the security breaches?

Mr Tongue—The QF1737 incident involved a joint investigation between us and the Australian Federal Police. The investigation into sterile area breaches at Qantas in Sydney was principally conducted by a senior member of our staff, and similarly the box cutter incident. Those inquiries involved taking our existing aviation security settings and doing investigations—talking to people on the ground, looking at the circumstances and the events, and making an assessment of what had occurred against the requirements that we have of the airlines and airports.

Senator O'BRIEN—So it has not been like an ATSB investigation, has it? It is more internal and secretive, and there is no transparency as such.

Mr Tongue—It is certainly a different style of investigation to an ATSB conducted investigation, under legislation.

Senator O'BRIEN—In relation to the QF1737 incident, I suspect an issue of public alarm has arisen out of that. How do you factor in reassuring the public with the process of investigation and security improvement?

Mr Tongue—In the case of 1737, I think we would need to look at all the investigations under way. Any unlawful act in the air is something that is investigated by the police as a criminal act, and I think there is an element of addressing public concern there. With regard to our aviation security settings and the regulations around them, to be really honest with you, it is a double-edged sword. The public tend to focus on what they see at airports as they go through the screening point. They do not tend to be conscious of the layers that we try to build into the system. In the instance of 1737, some aspects of that incident went to the nature of those layers, and that has gone to the wider, whole of government assessment of aviation security. The outcome of that is what I would point to—subject to the policy decisions the government makes—as being the key vehicle to address the apparent public concern generally about aviation security.

Senator O'BRIEN—Is there a specific budget for aviation security investigations?

Mr Tongue—No, Senator.

Senator O'BRIEN—Is there an identifiable security investigation skill set for the person who is conducting the investigations?

Mr Tongue—It depends on the style of the investigation. There is a form of investigation where a person would be required to be trained to an appropriate standard, similar to the sorts of standards that you might expect a police officer to be trained to. We are not talking about that style of investigation. Certainly the 1737 investigation was conducted by an individual who had previously done investigator style courses and had been working in aviation security for a period of, I recall, 12 years. So it would be an experienced person with an appropriate skill set.

Senator O'BRIEN—How many investigations do you conduct? I think you mentioned three or four. Is that it?

Mr Tongue—So far this financial year, yes. I hope we do not have too many to do.

Senator O'BRIEN—So far this financial year?

Mr Tongue—Yes.

Dr Turner—In a sense it is a question of scale that we are talking about. Every time there is any form of incident there is an investigation conducted so that we establish the facts and work out what happened and what needs to be done. Not all those investigations are necessarily of the scale that QF1737 involved, so there are dozens and dozens of investigations done in a year. It depends how many incidents there are.

Senator O'BRIEN—Do you make public in any way the investigations that are under way?

Mr Tongue—No, we tend not to. There are a couple of reasons for that. If the investigations find that there have been breakdowns in procedures, we want to work with the airlines, airports and staff to fix them, but we certainly do not want to advertise where they are. We tend to identify them and then work with the relevant parties to fix them.

Senator O'BRIEN—Dr Turner, can you give me additional information on the security incident at terminal 2 at Sydney airport on 30 October?

Dr Turner—Is that the one involving a breach of the sterile area? I think it was Thursday.

Senator O'BRIEN—Yes.

Dr Turner—There was an incident at T2 on Thursday, as I said, where an aircraft arrived at Sydney from a regional airport in New South Wales. There was some confusion arising from the delayed arrival of the aircraft. The crew of the aircraft used their access cards to admit the passengers to the terminal without going through screening, which is a breach of security procedures. It is not what is supposed to happen. The response, I have to say, was exactly according to the book. The Sydney Airport Corporation did exactly what they were supposed to do, which was to close down and evacuate the terminal, rescreen everybody and warn the airlines and the port to which the aircraft were going. So the response was very good. From recollection, the airport was closed in the order of two hours—maybe a bit less, maybe a bit more—and the sterile area was re-established.

Senator O'BRIEN—The airport?

Dr Turner—I am sorry; the terminal.

Mr Tongue—The point I would make is that, as disruptive as those incidents are and as concerning to the public as they appear to be, that is actually the system working. We create that sterile area for exactly that purpose. It is, if you like, one of the layers in operation. We would be desperately concerned if all of that had not happened because it would mean that we had a very significant problem. But it was actually the system working as it is designed to and it costs the industry and the community a lot of money.

Dr Turner—The purpose of doing all that is essentially to ensure that there is no mixing of screened and unscreened passengers.

Senator O'BRIEN—I understand that. This was a regional airline, I take it. Which one?

Mr Tongue—Rex.

Senator O'BRIEN—I take it it had come from an airport that did not have passenger screening?

Dr Turner—That is right. It was a flight from Moruya, I think. We are pursuing that with Rex now because what happened was a breach of what they should have been doing. The response, once the incident happened, was according to the book.

Senator O'BRIEN—What would have been the cost of the terminal closure, rescreening and the like?

Dr Turner—We will have to take that on notice and make some sort of an estimate of that.

Senator O'BRIEN—In Sydney presumably it had some effect on aircraft and their slots?

Dr Turner—There were two flights affected as I recall off the top of my head.

Senator O'BRIEN—Terminal 2 is the old Ansett terminal, isn't it?

Dr Turner—Yes.

Mr Yuile—Yes.

Senator O'BRIEN—And is Virgin operating out of that terminal?

Mr Yuile—Yes.

Senator O'BRIEN—So it only affected two flights?

Dr Turner—From memory, yes. I do not have all of the details here, but that is my recollection.

Mr Yuile—It would depend on the timing.

Dr Turner—From memory, it happened just after noon—and that is a comparatively quiet time of the day.

Senator O'BRIEN—That was lucky.

Dr Turner—Indeed.

Senator O'BRIEN—I can imagine that at four or five o'clock you would be affecting 25 flights, wouldn't you?

Dr Turner—You would certainly be affecting a lot if it happened at half past four in the afternoon.

Senator O'BRIEN—I was going to go on to aviation and airports regulation next, but it is nearly four o'clock.

CHAIR—Thank you very much, ladies and gentlemen, for your attendance. Before we move on to the section, which is aviation and airports regulation, we will just have a short private meeting.

Proceedings suspended from 3.57 p.m. to 4.00 p.m.

CHAIR—We will now move to output 3.3, aviation and airports regulation.

Senator O'BRIEN—I have a number of questions. Firstly, could I have an update on the sale process for Sydney basin airports.

Mr Dolan—The final binding offers for the airports have been received from bidders and are currently undergoing evaluation.

Senator O'BRIEN—What are the likely proceeds from the sale?

Mr Dolan—I am not in a position to speculate on that, Senator.

Senator O'BRIEN—Will any proceeds from the sale return to the department's budget?

Mr Dolan—Proceeds go to the department of finance and the Commonwealth Treasury.

Senator O'BRIEN—What is the status of the sale process for Point Cook airport, and is the department involved in the process in any way?

Mr Dolan—I will ask Ms Addison to answer that one.

Ms Addison—The sale process for Point Cook is being managed by the Department of Defence, so questions with respect to that process should go to the Department of Defence. We have had some involvement in the process since 2001. A committee was established initially to look at how to go about the potential disposal of Point Cook, back in 2001, and various departmental officers over that time have participated in the project steering committee that was established. Our engagement was initially in an advisory capacity as the Department of Defence looked at its various options with respect to that property.

Senator O'BRIEN—Has the department made any submissions to the Department of Defence or department of finance about the airport's role in future civilian aviation?

Ms Addison—No, not that I am aware of.

Senator O'BRIEN—Do you know if the sale requires that it be retained as an operating airport?

Ms Addison—I do know some of those details, but it would be more appropriate to get the full details from the Department of Defence.

Senator O'BRIEN—Would the Department of Defence be willing and able to answer questions regarding the aviation museum facilities onsite?

Ms Addison—I would not like to speak for the Department of Defence, but there have been arrangements put into place for the retention of that property by the Department of Defence, so I am sure they will be able to comment on that.

Senator O'BRIEN—I will see whether I can squeeze a few questions in tomorrow. I would like to ask some questions about the process for considering the Sydney airport master plan. Currently there is a draft out for consultation.

Ms Addison—Senator, consultation on the draft was completed on 29 October, so last week.

Senator O'BRIEN—Is it true that it proposes a doubling of traffic over the next 20 years—or contemplates that?

Ms Addison—It contemplates some forecasts about traffic growth, yes.

Senator O'BRIEN—Is doubling a fair way to describe that?

Ms Addison—I would have to take that on notice.

Senator O'BRIEN—Has the minister received the final copy?

Ms Addison—No. The process is that the airport released the draft—preliminary draft master plan it is described as formally—for public comment on 1 August. That public comment period as required under the Airports Act is 90 days—thus my comment that it concluded on 29 October. The airport is required to lodge the draft master plan for the minister's consideration by 31 December this year.

Senator O'BRIEN—So does the department conduct the actual assessment of the plan and forward a recommendation to the minister? Is that the process?

Ms Addison—Yes, it does.

Senator O'BRIEN—Does the department call for public comments or input as part of its process?

Ms Addison—No, Senator. The process, as required under the act, is that the airport is required to address all the public comments that it receives before it lodges it with the minister. That is why I described the plan as a preliminary draft. And the preliminary draft is what goes out for public comment. The airport then receives public comment after the 90 days. It is required to respond to address that in terms of the draft master plan that it then lodges with the minister, so what the department assesses and provides advice on to the minister is a document that has regard to all of the public comment received.

Senator O'BRIEN—So what level of departmental resources are applied to the assessment process?

Ms Addison—It varies from master plan to master plan, but I have a team within my branch that is responsible for Sydney airport and various members of that team will be involved in the assessment of it. In addition, there is another team that has responsibility for assessing the environmental aspects of the plan and the degree to which it satisfies those requirements, and members of that team will also be part of the process.

Senator O'BRIEN—Can you give me an overview of the criteria or principles against which the assessment decision will be made?

Ms Addison—As per section 71 of the act, I think it is, and the relevant regulations.

Senator O'BRIEN—Forgive me for not being aware of the section of the act and the regulations line and verse, but does that lay down a weighting or prioritisation of issues, or is there some way that you give weight to particular issues in the assessment process?

Ms Addison—No, the act does not really provide a weighting as such. It sets out mandatory requirements—as do the regulations—so those are things that the airport will be required to address in its master plan. In that context there is no weighting between those things. They are required to be there and to be adequately addressed.

Senator O'BRIEN—Is this a discretionary process or one where you find that certain standards are assessed and therefore approval must be given?

Ms Addison—There is a range of different criteria against which the assessment is made. For example, in the case of the requirement for forecasts, in the past the minister has not accepted an ANEF that has not been endorsed by Airservices. So it is a very simple standard:

has the ANEF been endorsed or not? There are other aspects which go to how the airport does address those particular requirements, and different airports would have different circumstances, so there would be different ways in which they addressed them. But, to the extent that the act and the regulations set down things required to be included, then we are assessing that they are included and that they do meet the intent and the objects of the act.

Senator O'BRIEN—So they are a mixture of specific outcomes which would be addressed in a form such as ticking the box saying 'Yes, this has been done, this has been done'?

Ms Addison—It is a bit more than ticking the box, I would have to say.

Senator O'BRIEN—Sure, I am just shorthanding it.

Ms Addison—To the extent, for example, that the master plan addresses the development of the airport as it affects users of the airport you would understand that a smaller airport will have quite a different way of addressing that compared to a larger airport such as Sydney. So what you would then expect in the plan would be corresponding comments.

Senator O'BRIEN—I was going to ask whether there are some criteria where this particular thing has been done or not done, and others which are objective tests?

Ms Addison—There are a couple of certification requirements in there, so the airport is required to certify certain things. The endorsement of the ANEF by Airservices is probably another one that somewhat fits in that category. But, by and large, you would understand that the act provides provisions for the assessment, but the document and the detail against that assessment are quite expansive.

Senator O'BRIEN—Is the minister required to consider matters outside the Commonwealth's jurisdiction in making the decision—for example, the impact on surrounding road and rail infrastructure?

Ms Addison—No. The airport is required to show how its planning has had regard to the planning regimes outside of the airport. To that extent what the minister is looking at in terms of that assessment is the regard the airport has had to those things and how it has addressed them. The regulations in particular make provision for the language in the master plan to reflect the language in the local planning regime outside of the airport, so that you will see similar language used for defining land uses, as you would potentially see in the state and local government areas surrounding the airport.

Senator O'BRIEN—Is the minister required to publish reasons for his decision to approve or not approve the master plan?

Ms Addison—He is required to publish reasons for not approving it.

Senator O'BRIEN—How long would you anticipate it would take to make an assessment of the master plan?

Ms Addison—The minister has 90 days to consider it once he has received it.

Senator O'BRIEN—How often have master plans been rejected since the Airports Act commenced?

Ms Addison—I understand only two have been, but I will undertake to ensure that is correct.

Senator O'BRIEN—Perhaps you can provide us with the appropriate referencing so we can access the date and reason for rejection.

Ms Addison—Certainly.

Senator O'BRIEN—Will the department have access to separate and independent advice on air traffic projections and capacities—that is, separate to the information provided by Sydney airport?

Ms Addison—The department will have a look at those forecasts. We will consult with aviation statistics colleagues within the department. We would not commission separate advice.

Senator O'BRIEN—Will the review of Sydney's aviation needs proceed?

Ms Addison—Are you referring to the 2005 review there?

Senator O'BRIEN—I have forgotten the date.

Ms Addison—I refer that to Mr Dolan.

Mr Dolan—At this point, it remains government policy that there will be a review in 2005.

Senator O'BRIEN—Has there been any consideration to bring it forward to assist consideration of a Sydney master plan?

Mr Dolan—No.

Senator O'BRIEN—At the previous estimates, Mr Dolan, you confirmed that the department was conducting a review of the location-specific pricing subsidy to Airservices Australia. What has happened with that review?

Mr Dolan—We are in the process of undertaking that review, and in due course it will be a matter for budgetary consideration.

Senator O'BRIEN—When did the review commence?

Ms Chilvers—The review commenced shortly after the budget announcement that it would take place, I think in June, but I can give you a precise time.

Senator O'BRIEN—When is it expected to conclude?

Ms Chilvers—It will feed into the budget process.

Senator O'BRIEN—So, it is an ongoing review—nearly a 12-month review?

Ms Chilvers—No. There are targets within the budget process that it will have to dovetail into.

Mr Dolan—If I could clarify that. The announcement of the budget measure was a one-year measure in relation to the extension of the scheme, and so we have to have a sufficient review for government consideration in the budget process in the lead-up to next year. The time frames for that really mean that the review has to be completed this calendar year.

Senator O'BRIEN—What did the subsidy cost the government in the last financial year?

Ms Chilvers—The subsidy has remained at \$7 million per annum.

Senator O'BRIEN—The Willoughby report commissioned by the ARG proposed savings in the order of \$70 million from the implementation of the National Airspace System. Since that time, Airservices Australia and others have expressed doubts about the voracity of that estimate. In fact, it has been suggested that the end position could lead to an increase in costs. What comment can the department make about that difference?

Mr Dolan—I think it is a variation on the comments that were collectively made the last time we discussed this. Certainly some of the analyses and findings of Mr Willoughby's report were controversial and were not agreed by various agencies that were involved. The views of those agencies are being collated and presented to the Aviation Reform Group—the ARG—and that advice was then passed onto the minister at its last meeting. The Aviation Reform Group agreed that, given the level of disagreement with, and concern about, the findings of the review that further work was required. We are now in a better position, since we had a very detailed version of the final state of the NAS, to move forward to a full review, including a more informed view of the resectorising of Airservices arrangements, and there will be a request to the Bureau of Transport and Regional Economics to oversee that work in conjunction with the implementation group.

Senator O'BRIEN—Was any consideration given to commissioning an independent cost analysis?

Mr Dolan—Mr Willoughby's report was intended as an independent attempt at establishing the savings from the NAS, and, given the strong reservations from the various players, it was agreed that we should undertake further work.

Senator O'BRIEN—But not independent work?

Mr Dolan—The role of the Bureau of Transport and Regional Economics is professionally independent within the department, and we believe it would be an independent consideration.

Senator O'BRIEN—The minister recently launched the Australian ATM strategic plan at the safe skies conference—I will come back to that. I have been advised that the stage 2b workshops that ended on 3 July involved discussion of the national airspace characteristics four charts by the assembled group of experts. Were you there, Mr Smith?

Mr M. Smith—I only attended those workshops briefly, but I am familiar with the work that was done.

Senator O'BRIEN—Are there minutes of the meeting that can be provided to the committee?

Mr M. Smith—There are records of the workshops that can be provided, Senator. I can undertake to provide those to the committee.

Senator O'BRIEN—I would appreciate that.

Mr M. Smith—They are not in the form of minutes as such. Rather, the work of the workshops is certainly recorded.

Senator O'BRIEN—I have been informed that the meeting insisted on the inclusion of common appropriate—that is, area radio—frequencies on both instrument flying rules and visual flying rules charts together with their relevant FIO boundaries.

Mr M. Smith—The purpose of the workshops was not to elicit views that you characterise as being insisted upon but rather to identify hazards that would need to be treated in the implementation and discussed in the implementation safety case. Yes, there were views on the disposition of area frequency boundaries on the charts, but they were in the form of the identification of hazards, which was the purpose of the workshop. These were hazard identification workshops used as an element in the development of an implementation safety case.

Senator O'BRIEN—I am informed that that meeting resolved that, although the removal of certain items from the maps might be compliant with the USA model, it was deemed unacceptable to occur without the full-scale architecture—that is, the risks were too high.

Mr M. Smith—The purpose of the meeting was not to produce resolutions, or to resolve anything. These were, as I said, hazard identification workshops designed to identify potential implementation hazards and potential mitigators to those hazards. They are only an element in the preparation of the implementation safety case, which we were required to do, and which has been accepted by both Airservices Australia and the Civil Aviation Safety Authority.

Senator O'BRIEN—There is a dispute about radio frequencies in these charts. As I understand it, the ARG deemed that meeting's view inappropriate and decided to proceed without the frequency information being included on the charts.

Mr M. Smith—I would like to come back to that. The meeting did not form a view. There were some participants at the meeting who expressed a view, but the meeting as a whole did not form a view. The purpose of the workshops, as I stated, is to identify potential hazards and potential mitigators, but not to form views or resolutions as a whole. There were participants who had certain views, and they were certainly reflected in the recording of the workshops, but those in themselves are not necessarily the views of the workshops. In any case, the workshop is there to identify hazards and possible mitigators that are then treated in the implementation safety case. That is the purpose of those meetings.

Whilst there are views by some participants that the workshop ought to have a greater remit than it does, the workshop convener clearly stated the remit of the workshop at the beginning. The records we can provide to you will demonstrate that that in fact happened and that the hazards and mitigators were reflected in their treatment in the implementation safety cases.

Senator O'BRIEN—I am not sure how you make a judgment about this, but industry participants clearly have a view which conflicts with the view of the ARG. That is what I am taking from this. Is that fair comment?

Mr M. Smith—There are a small number of industry participants who have a different view from a large number of industry participants, a large number of workshop participants and members of the various groups. Remember that there is a range of agencies responsible for performing this work. Those views are in conflict with the views of those of us who are charged with progressing these reforms.

Senator O'BRIEN—That is the key, is it not? Those of us who are progressing these reforms know better than the industry. That is what you are saying.

Mr M. Smith—No, I am not saying that. Some workshop participants—not the majority of them—expressed a view different from that of many of the workshop participants. They were carefully considered by the people who have the expertise in and understanding of airspace, air traffic control and flight operations procedures. When assessed by those in developing the implementation safety case; when further assessed by the specialists within Airservices Australia and then again by the specialists in the Civil Aviation Safety Authority, they were found to be proper treatments of the implementation safety hazards which were identified by the workshop. It was the role of the workshop to identify potential hazards and potential mitigators—not to make resolutions or recommendations. That is exactly what the workshops did.

Senator O'BRIEN—They identified this hazard as PH2b37. I am not sure why.

Mr M. Smith—That is correct.

Senator O'BRIEN—That is my understanding of how these things work. They identified this hazard, and the HAZTRAC document reflects this.

Mr M. Smith—It does.

Mr Dolan—There is one point which requires clarification. Mr Smith spelt out most of it. This work was being done by the NAS implementation group, which consists of a group of technical specialists in these areas, in appropriate consultation with and under consideration by Airservices and CASA. The role of the ARG in relation to it was as a steering body, not as a decision-making body in relation to the details of either design or implementation safety cases. I wanted to make sure that was clear.

Senator O'BRIEN—In respect of the ARG position, was it the whole group which made the decision, a subgroup or individuals?

Mr M. Smith—The ARG has an overriding instruction to the implementation group that we introduce the US National Airspace System into Australia. The only time we can deviate is when there can be clearly demonstrated a unique Australian situation which requires a deviation from the model. The introduction of this part of the NAS does not deviate from the US system. So the overriding ARG instruction to us is to introduce the US system. There has not been identified a unique Australian situation that would require that deviation.

Senator O'BRIEN—My question again is: when the ARG made a decision—as I think you said they did—to not accept this hazard PH2b37 recommendation—

Mr M. Smith—I do not think I said that. I think I said that, in the development of the implementation safety case, which is a joint Airservices Australia National Airspace System Implementation Group task, the hazards were appropriately treated. The developed and finalised safety case was then presented to Airservices Australia for their assessment. After their deliberation and acceptance of the safety case, it was presented to the Civil Aviation Safety Authority for their acceptance.

The aviation reform group, the body that oversees the work of the implementation group, did not have direct involvement in the safety case for stage 2b, nor for any of the other

characteristics for that matter, and certainly do not exercise views other than that which I have already expressed in terms of the requirement to remain pure to the US model.

Senator O'BRIEN—So there is virtually little point in these processes of workshops. It is a pretty insurmountable challenge. You cannot make a case unless there is some acceptance that this is a unique to Australia circumstance—in an industry which has international characteristics.

Mr M. Smith—I think it is important to understand that the implementation workshops are tasked with assessing hazards of implementation of the already agreed model. Where they have identified hazards that are hazards of implementation, they have been treated. There is a very, very comprehensive education program that has been produced that targets the hazards that have been identified and implements the mitigators that were identified. It would be, I think, gross exaggeration to suggest that the implementation hazards and the mitigators are ignored, because they are very comprehensively addressed in a wide range of material that we have produced to support the implementation.

Senator O'BRIEN—My understanding of the issue being complained about is that during transition the lack of frequency information on charts may lead to visual flying rules, pilots selecting an inappropriate frequency, so that when another aircraft broadcasts on the area frequency they just might not be aware of one another, therefore increasing the risk of collision.

Mr M. Smith—That is what the hazard was. I think the treatment of that hazard was to ensure that pilots understand the appropriate frequency for their particular circumstance. We have continued to be in discussions with the key stakeholders on this issue. In fact, even last night I had some pretty lengthy discussions with people in the operations area of one of our major airlines, and as a result of that I have produced a sample, which we will be discussing with that operator tomorrow, for inclusion in the training package. But the purpose of that really is to tell people, 'Hey, if you are operating near an aerodrome, use the frequency that the aeroplanes are using near that aerodrome, which, by the way, is not the area frequency.' There has been pretty well good acceptance as the training material has come out—and it is only in the last few days that people have started to see this—and a better understanding of just what it is that we are introducing here.

Really what we are doing is moving away from the current Australian practice—and it is not supported by the rules; it is a practice that exists within the rules—of monitoring an area frequency. It is a one-size-fits-all approach. It works sometimes but not all the time. What we are trying to say to people is, 'Think about what is going to give you the best operational advantage at the time.' So we have produced this. I will say who the airline was; it was Qantas. It has suggested that its regional pilots would like to think that people when they are operating near an aerodrome are using the frequency that they are using.

If you allow me to get a little technical, I can give you an example of the difference in the current practice and what is going to be the practice of the future. I do not know if you would like me to get that technical, but I can if you like.

Senator O'BRIEN—As long as it is understandable technical.

Mr M. Smith—I will try in English. Let me take the example of, say, a VFR, a little light aircraft operating near Bathurst. Let us say he currently monitors the area frequency. The Rex Saab 340 going into Bathurst from Sydney will, if the pilot is on the area frequency—incidentally the AIP, our *Aeronautical Information Publication*, is unclear to VFR pilots about which frequency they should be on in class ES facing that area—will hear something like the air traffic controller say, ‘X-ray/foxtrot/zulu, leave control area, descending.’ And the response from the aeroplane will be, ‘X-ray/foxtrot/zulu.’ It does not tell the pilot very much. It does not tell the VFR pilot that that aircraft is somewhere near Bathurst and that he is inbound.

However, if they are listening on the common traffic advisory frequency—and that is what Qantas have asked us to produce and recommend—the pilot will hear something like, ‘All stations Bathurst: X-ray/yankee/zulu, a Saab 350, is 30 miles east, inbound, left flight level 140 on descent.’ In other words, the broadcast will be specific to the location, it will state the location, it will talk about roughly the direction the aircraft is coming from and how high he or she is. It is a much more sensible use of the radio because you understand what is happening in the area of your operation. I think monitoring the area frequency is a carryover in practice from the days prior to 1991 in our old airspace system. The rules do not require it. The practice exists to some extent within our general aviation community, but it is not supported, or rather required, by our regulations. It is a practice that operates within our regulations. We are introducing a new and better practice that also operates within our regulations but should deliver better outcomes than the one-size-fits-all approach of the current practice. As people understand it, and as the training material has gotten out to people who have not been following the development terribly closely, that understanding is coming and the acceptance is improving.

If I can add to that: sometimes our area frequencies can be several hundred square kilometres or 1,000 square kilometres, and often many area frequencies are grouped, so pilots currently listening on the area frequency could, for instance, if they are listening around, say, Newman in Western Australia, hear pilots operating at Albany, some 2,500 kilometres away. By making this change in practice, pilots will only be hearing generally traffic that is around them and of interest to them. So the specifics of it in the new system are that, if you hear something, more often than not it is going to be relevant to you whereas in the current system it may or may not be relevant to you. The important thing is to encourage pilots and to educate them about the choice of an appropriate frequency, and that is going to give them better information.

Senator O’BRIEN—As I was saying, recently the minister launched the Australian ATM Strategic Plan at the Safe Skies Conference. Integral to this plan is the introduction of automatic dependent surveillance broadcast. It was also announced at the conference that 20 ADSB sites would be commissioned across Australia. Are you aware of that announcement?

Mr M. Smith—I am, and I should say that I am a great fan of ADSB, having first flown personally with it in about 1996. It is a fantastic system.

Senator O’BRIEN—I am told that, with a few exceptions around main terminal areas, ADSB will become the radar replacement technology of the future, possibly producing significant cost savings to the industry.

Mr M. Smith—That is probably better a question directed to Airservices than to me. I have not been associated with the development of the implementation plan so I would not be able to comment terribly well on the costings of that system.

Senator O'BRIEN—Okay. Operationally, are you able to comment on it?

Mr M. Smith—Again, yes, but it is a question better directed to Airservices, I would have thought, since they are running that project.

Senator O'BRIEN—You describe it as something you prefer; why?

Mr M. Smith—There are to me, personally, a lot of advantages to ADSB over our current surveillance systems, simply because of the ease of additional surveillance. In terms of air traffic control, surveillance refers to the ability of air traffic control to understand where aircraft are within their area of jurisdiction. ADSB offers the potential for a much easier and more cost-effective introduction of surveillance capability within an area of air space with some additional benefits to pilots. A spin-off of the technology can mean, basically, an autonomous display of aircraft position on a cockpit display within the aircraft. So there are some benefits. Another benefit is that the system, as well as providing aircraft position, can talk about a lot of other characteristics of the flight. For instance, it can be predictive in terms of knowing what the flight plan of the aircraft is. So the future position of the aircraft can be better predicted than with our current technology. To me there are some—and you asked me personally, so I am answering personally, and not on behalf of Airservices, who run the project—pretty good opportunities with the technology in terms of air traffic control capability, cost-effectiveness, and additional benefits to flight crews.

Senator O'BRIEN—So it is the ability for certain aircraft—that is, those fitted with ADSB enabled TCAS—to do their own surveillance.

Mr M. Smith—To an extent, aircraft equipped with TCAS today can do some of their own surveillance. It is a new technology that offers those same sorts of capabilities, most likely at a significantly reduced cost.

Senator O'BRIEN—What sort of cost?

Mr M. Smith—I am not prepared to comment. I just do not know.

Senator O'BRIEN—How do you know it is a reduced cost?

Mr M. Smith—I think the cost of TCAS equipment in airline aircraft is in the order of hundreds of thousands of dollars per aircraft. I know the ADSB technology that we are referring to is most likely somewhat less than \$10,000 per aircraft. I have seen equipment that would be in the order of hundreds of dollars, but whether that has a practical application in aviation, I am not certain. If you are talking orders of magnitude, then that is the comment I would make. In terms of specifics, I will not get down to dollars, because I do not really know the answer. I am sure Airservices would be able to comment on the cost comparisons of the ground technology to support ADSB or traditional radar. Those are significant as well.

Senator O'BRIEN—Would it be fair to say that this technology would be a major aid to implementation of the National Airspace System if it were widely used?

Mr M. Smith—The technology is an advantage to any air space system. If you think of the reason that you introduce a surveillance system as part of your air traffic management system, it is so that you can deal effectively with large numbers of aircraft in a small area of air space. That is why we have radar in our busy airspace, because it enables us to deal effectively with large numbers of aircraft. If you need to apply procedural standards, then it can be restrictive in terms of the numbers of aircraft you can deal with, and the separation standard that you need to apply. As you get busier, if you introduce surveillance technology, be it radar, ADSB or some other technology—and there are others around—then you can effectively deal with larger numbers of aircraft.

Senator O'BRIEN—Returning to the safety mitigators issue that we were discussing earlier, I am advised that during the workshop we were discussing the experts when asked the three questions identified by the National Airspace System Implementation Group as being 'the final test of acceptable risk' replied as follows—without those two mitigators 37.4 and 37.5—to the questions:

Has the risk been reduced to as low as is reasonably practical?

The answer was 'no'.

Are there are other mitigators?

The answer was 'yes'.

Is the residual risk acceptable?

The answer was 'no'.

Mr M. Smith—Yes, but again, within the context of the purpose of a hazard identification workshop, which is to identify potential hazards and potential mitigators. It is not the final arbiter on the safety of the implementation of a system. And there are many steps that were followed beyond those workshops, which are at the basic and fundamental level, that went into the development of the implementation safety case that was eventually accepted by both Airservices Australia and the Civil Aviation Safety Authority.

Senator O'BRIEN—What is the purpose of these meetings? It seems that even if they come to a view that is contrary to the earlier taken implementation decision they might as well not have turned up.

Mr M. Smith—That is not true. Where hazards are identified that cannot be reasonably treated then there needs to be a different approach taken, which may mean a change in the characteristic as a whole. But the workshops have a very valid purpose in identifying where some of the risks to implementation might come from, and what some of the mitigators might be. They are not exhaustive, and they are not conclusive in themselves. There are a range of activities that are undertaken in the development of an implementation safety case to both identify and then to address potential hazards with mitigators. And the work is ongoing. Even once the safety case is completed it is a living document—for want of a better expression—and continues to be influenced both prior to and after implementation and particularly as a result of any post-implementation reviews that are carried out.

Senator O'BRIEN—I am told that at a RAPAC industry meeting held on 3 July that participants also supported the inclusion of those two mitigators. Is that a meeting you were at, Mr Smith?

Mr M. Smith—I believe that was a meeting I attended. To put it into context, it was a meeting that eventually we managed to get together after—I personally, along with members of my team—briefed all of the regional airspace advisory committees, asked for their comments, left them with documentation, including the draft charts for comment. We received some comment from some of them, which was terrific, but from the bulk of them we did not receive any comments. So I wrote to them and said, 'We are getting close to the date when we have to decide on the production of these charts, and other documents. Please write back to me and tell me whether there are any issues within your area of interest.' Again, no response. So I wrote another letter two weeks later when notionally the deadline had expired and I said, 'Look, even though the deadline has now expired, this is important. You can have another two weeks.' I still got no response, so I phoned them. The reactions were generally along the lines of 'We just do not think it is going to happen anyway, so we are not going to get involved.' So I said, 'The next step is that we are going to print the documents. We will need to get together and talk about it.' And finally we got them to agree to meet with us and we talked through some of the issues.

But, again, identification of hazards is one thing; how you treat them is quite another. The bulk of the hazards have been treated in the way that the hazard identification workshops thought they should be treated. Others, and particularly when you are talking about this particular issue that relates to the display of frequency information on charts and how it is presented, is that what we are doing is actually introducing a new system. We are changing the way that we want people to operate in our airspace. A mitigator to that implementation is not to leave the status quo—you do not actually implement anything then. So is it fair to say that in an implementation safety case workshop, when you come across a hazard of implementation and you choose to address that as one possible mitigator by saying 'Do not introduce it', is that really a mitigator to implementation? It is not. We have got commitment from all stakeholders that we ought to be implementing this system. The identification then of hazards of implementation needs to be treated in a way that addresses the implementation hazard and not the introduction of the design itself. You really do not mitigate something by saying that in an implementation sense you are just not going to do it. That is not addressing the implementation issue at all.

Senator O'BRIEN—I hear what you are saying but I have not been asking about the proposal 'Do not do it' but about a proposal to include two mitigators.

Mr M. Smith—But one of those mitigators has been basically 'Do not do the change.'

Senator O'BRIEN—Sorry, I did not understand them to be saying that. I thought the mitigators were about inclusion of frequencies on maps.

Mr M. Smith—If the characteristic is removal of the area frequency boundaries and the requirement for VFR aircraft to monitor an area frequency, and the mitigator is to leave the area of frequency boundaries on the charts and require the VFR aircraft to monitor the area

frequency, then I actually do not think you have mitigated against implementation. I think you have actually stopped implementation.

Senator O'BRIEN—I understand that Mr Heath, the convenor who wrote to you on 9 July about the RAPAC meeting, to confirm the finding of the meeting and said that VNC and ECR chose to pick common or consistent local frequency and depicted by FIA boundaries and also that industry will also accept a delay if the implementation of additional work is required to achieve these requirements in the 2b state.

Mr M. Smith—Senator, I think to try to bring some conclusion to the discussion, not that I want to subvert that line of questioning but rather to bring some more contemporary views to it, is that a lot of the disquiet at the workshops in July and in the lead-up to the development of the system, has related to a lack of a thorough understanding of just what the change means.

A lot of that has started to dry up now that we have got out the comprehensive education material on the changes. People are starting to understand that this is not just about taking the area frequencies off the charts but rather about trying to change the operating practice, particularly of our VFR pilots, to achieve a better outcome and an outcome that more properly has them using their radio for situation awareness and gives them better information. I know that as people have started to get the education material and understand just what the change means a lot of the early concerns have gone away. I really think that if you look at the work that was going on in July and the input by a lot of the participants it was in a paradigm of wanting to retain the current system and questioning how you could retain the current system in the new environment.

As people have gotten into the education material, and many of the stakeholders have worked very closely with us on the development of the training material—the Qantas regionals, the Aircraft Owners and Pilots Association and others—they now better understand the change in operating practice we are trying to achieve and why we are doing it. Most of them believe the outcome will be better than the current one-size-fits-all approach that many sought to retain by keeping the area frequency boundaries and those frequencies on the charts.

Many of the stakeholders—The Qantas regionals, the Aircraft Owners and Pilots Association and others—have worked very closely with us on the development of the training material, to the extent that those people now better understand the change in operating practice we are trying to achieve and why we are doing it. Most of them believe the outcome will be better than the current one-size-fits-all approach that many sought to retain by keeping the area frequency boundaries and those frequencies on the charts.

As we have become a better-educated pilot community, we have started to remove some of the anxiety that has, until now, existed within some of those pilots. Like most of us in aviation, they are very conservative and want to stay with the system they grew up with back in the 1960s, 1970s and 1980s. That is no longer necessary or appropriate in our busy and congested air space, with the huge investment the Commonwealth and operators have been required to put into a better air traffic system.

Senator O'BRIEN—What is the problem with our current system? It seems to work fairly safely.

Mr M. Smith—Ours is a unique system. It has grown up from a basic introduction, probably in the 1940s, when we sought to introduce an air traffic system. There are three things that are needed for an air traffic system. You need communication; pilots and controllers need to be able to talk to each other. You need navigation systems; aircraft need to know where they are. And it is useful to have a surveillance system so air traffic controllers can picture where the aircraft are. Back in the 1940s, most of the time our navigation was by deduced reckoning—even for aircraft flying in cloud. Some had direction-finding equipment. However, it was automatic only if you were really lucky and, in any case, there were not many ground stations. So aircraft did not know terribly accurately where they were at any time.

Communication—another element of the air traffic management system—was, in those days, by high-frequency communications and often through a third party. In other words, the air traffic service provider needed to talk to a radio operator, who would then communicate with the aircraft using HF radio or sometimes morse code. It was not a timely and widespread coverage communication system; anyone wanting to provide an air traffic service really could not communicate in a timely fashion in order to provide it—and we had no surveillance system at all.

Therefore, back then, we introduced a system which relied on aircraft putting in flight plans and making position reports using DR and sometimes morse code. The flight service system would then provide them with information about other aircraft that might be operating in their area, and leave them to work it out for themselves. Times have changed since then. Luckily, back then we were flying things like DC3s and Dragon Rapides. I am not sure why they called them ‘Rapides’ when they had a top speed of about 150 kilometres per hour.

Senator O’BRIEN—Maybe it was ‘rapide’ then!

Mr M. Smith—It was. The ordinary Dragon could do about 60 knots—so it was a bit faster. But they were all flying below 10,000 feet, and there were not many of them. Our system was appropriate then; that was the best we could do. Since that time, though, we have had the introduction of much better navigation systems. We already had good ground based navigation systems in Australia but, in recent years, with the advent of the global positioning system and the introduction of that system to aircraft use, pretty well all aircraft know with a very high degree of accuracy—less than 100 metres—where they are for 100 per cent of their flight. It is a very good system. It is almost universally carried by our transport aeroplanes and has very wide uptake within the general aviation community.

We also have VHF communications in Australia, whereby our aircraft conducting regional services can be in continuous two-way communication with ATC. We have moved away from the provision of those services by flight service officers and put in place a system where air traffic controllers provide all the services. We have some of the best air traffic controllers in the world. They are trained to provide separation services. They now have the Australian advanced air traffic system—TAAATS system—which is able to display pictorially the position of aircraft within the jurisdiction of the air traffic controller, whether they are within radar coverage or not.

We have a system where we have good two-way communication with these aircraft, excellent navigation, a surveillance system and trained air traffic controllers who are sitting on their hands providing a direct to traffic information service, when really they could be providing a proper air traffic control service that is compatible and consistent with international practice—and that is the system we are introducing. What is wrong with our current system? Nothing, really, if you want a 1940s system. It was state of the art then. We actually led the world in having a service available in remote and regional parts of the country. But our technology has moved on. Our aircraft are now flying at 300 knots—around 500 kilometres an hour—instead of the 150 to 250 that they were in the past. They are all pressurised and are flying at higher levels. We have the communication, the navigation, the surveillance and the trained air traffic controllers who are there providing the services. Let us introduce a system that capitalises on that and recognises the significant investment that this country has made, both from a Commonwealth point of view and an industry point of view, in new and better equipment, and reap the rewards that that system is able to deliver. That is what this is about.

Mr Matthews—I would like to add something to Mr Smith's excellent answer. It is a different way of coming at the question you have asked. What is wrong with the previous system is another way of saying, 'Why is the government moving to introduce the new system?' In my mind, this is happening for a couple of reasons. The first is that the new system will be internationally harmonised rather than unique to Australia, and that carries with it certain advantages. It certainly carries with it the best test of a system in the world: it has been successful in the United States at 20 times the traffic density. So the first characteristic is that it is internationally harmonised. The second characteristic is that we expect there will be cost savings. It is yet to be quantified, but we expect that there will be cost savings to the industry. The third advantage is we hope that some economic opportunities will flow partly from the fact that it is an internationally harmonised system rather than a unique to Australia system, because it will allow the growth of flight training schools and so on in Australia. A fourth advantage is that it gives or maximises operational flexibilities to pilots. And a fifth advantage is that it gives, as Mr Smith was saying, recognition to and capitalises on the changes in technology since the 1940s. All of those advantages are subject to the overriding requirement or objective in all this, which is safety.

Senator COLBECK—On the same issue, Mr Smith, can you describe to me the difference in the operation of the new system in an air traffic control environment where radar exists versus one where radar does not exist?

Mr M. Smith—Yes. In our current system, outside of radar coverage we have a fair bit of uncontrolled, or class G, airspace where there is no particular air traffic service other than a traffic information service for aircraft operating to the instrument flight rules. The new system introduces a lot of what we call class E airspace. Class E airspace is controlled airspace, and air traffic controllers provide a separation service to instrument flight rules aircraft. Additionally, class E airspace replaces some class C airspace in the en route environment, where aircraft operating to the instrument flight rules are still separated by air traffic controllers but aircraft operating to the visual flight rules are not subject to the same restrictions as they have today.

The important point here is that, by introducing class E airspace in areas outside of radar coverage, for the first time we introduce a mandatory transponder requirement to that airspace. Even outside of radar coverage, what this means is that pilots operating airline aircraft—whom we have required by legislation to fit traffic alert and collision avoidance systems, amongst others, to their aircraft—for the first time can actually see the VFR aircraft and understand where they are. So the system actually captures a lot more of the VFR aircraft in a way that does not impinge upon the flexibility of their operations and still allows for significant flexibility—in fact, enhanced flexibility—for the instrument flight rules, or the airline aircraft providing services in that airspace. I reiterate that the important difference between class C outside-of-radar coverage and class E outside-of-radar coverage is in our class E airspace. We require everyone to have an operating mode C transponder, so they are visible to the airline aircraft for the first time.

Senator COLBECK—And in that circumstance there is a separation service provided by air traffic control in class E airspace.

Mr M. Smith—The service provided by air traffic control in class E airspace is separation for instrument flight rules aircraft from other instrument flight rules aircraft and from known visual flight rules aircraft.

Senator COLBECK—You have mentioned the requirement to have a traffic collision avoidance system in airline services. What about non-airline services—other IFR aircraft that might be using that airspace? What is the requirement there, and what is the situation that might apply to those aircraft in non-radar airspace?

Mr M. Smith—Firstly, some of them are required to have TCAS equipment fitted, and some of them voluntarily have that fitted.

Senator COLBECK—It is a fairly significant cost, though. I have seen figures of between \$50,000 and \$100,000.

Mr M. Smith—That is correct. So, as I said, some are required to fit that equipment, and many have voluntarily fitted it. Those that have not are the smaller aircraft. They are still separated from IFR aircraft. They get traffic information as far as practicable on known VFR aircraft. In addition, because we are talking en route airspace here, aircraft flying to the visual flight rules in that airspace operate to a set of cruising levels that are established by the International Civil Aviation Organisation. Aircraft operating to the instrument flight rules fly at a different set of levels appropriate to their direction of travel, also set by the International Civil Aviation Organisation. For aircraft to operate to the visual flight rules in that airspace, they basically have to fly in good weather, so visual meteorological conditions need to exist. That means they have certain visibility and distance from cloud criteria. Part of the reason for that is to enable them to look out the window and see other traffic. That is really only one of the means. The principal means of separation are the different levels—in fact, the different performance capabilities of the aircraft.

If you want to look at an area outside radar coverage, let us look at Alice Springs. There will be some class E airspace surrounding Alice Springs airport. But a Qantas 737 departing Alice Springs will be in class D airspace for the beginning of the flight and then into class E. The climb and descent profile of that aircraft is significantly different to the aircraft operating

to the visual flight rules around the airspace. So, just as a result of the practicalities of operation, there is a natural separation. Even where there is not a natural separation, there is an imposed separation by the use of the appropriate international civil aviation cruising levels that separate IFR and VFR aircraft vertically in the en route environment. When they get into the terminal airspace at places like Alice Springs, Launceston and Hobart, all aircraft are required to be in communication with the control tower. They need a clearance and they need to follow air traffic control instructions. The next point is that, in full class E airspace, radar coverage or not, everyone needs to operate a transponder. So, for the airline aircraft, the aircraft are additionally visible through the use of that equipment.

Senator COLBECK—I understand the airline aircraft. I am concerned about small and medium turbo prop aircraft—a Metroliner, for example; something of that size—which does not have a TCAS system on board, and the interaction. It is an issue that has been raised specifically with me that for someone flying out of Launceston, for example, between 18 and 4,000 feet, it is see or be seen, basically.

Mr M. Smith—That is only part of it, Senator. The reality is that the performance capabilities of the aircraft differ and so you will find that the Metro is actually climbing basically over the top of the smaller aircraft. Then you have also got the separation that is provided by the use of the different cruising levels. Further, eventually it gets down to people have to look out the window, but that is true of all aircraft in all airspace. Our civil aviation regulations are very clear on that point. Basically civil aviation regulation 163A says that when weather conditions permit, regardless of whether an operation is conducted under the instrument flight rules or visual flight rules, flight crew need to remain vigilant so as to see and avoid other aircraft. It is only one but it is a very important part of our mitigation strategies. Remember, too, that aircraft above 5,000 feet in any class of airspace require a radio and they are required to monitor an appropriate frequency. So if they operating around Launceston or Hobart or Alice Springs, the appropriate frequency is the tower frequency and they will actually hear those aircraft and hear about those aircraft in their vicinity. There are multiple safeguards in the system. It is also worth just reiterating the point that this system is tried and proven in the United States, which has a much busier environment than we have in Australia, and significant portions of its airspace operate in the absence of radar, with the very high level of safety that we expect from an airspace system.

Senator COLBECK—My understanding is that it is about 85 per cent radar coverage in the US. Is that right?

Mr M. Smith—I think that is probably true. But, if you look where the traffic is in the US, they have good radar coverage where they have high traffic densities, just like we have good radar coverage where we have high traffic densities. I can use an example—it is probably an extreme example but it is a useful one—of the airport associated with Steamboat Springs, a ski resort in Colorado. It actually does not have a control tower. It is therefore class G airspace on the ground and class E above. They operate CTAF—Common Traffic Advisory Frequency—at that airport in the absence of radar coverage. They have a Unicom there and in fact they like their Unicom—they call it an enhanced Unicom because they also talk about the weather. When you look at the types of operations that happen there, United Airlines take their BAe146s in there daily, American Airlines take in 757s and Delta take in 737s. And huge

numbers of corporate jets and private jets go in there because the US have a population that supports general aviation—they have thousands of business jets in the US and many of their owners like to go to places like Steamboat Springs. Does it operate safely? Their view is that it does. Is it outside of radar? Yes. Does it have a control tower? No. When you look at what happens in the US it is easy to say that they have 85 per cent radar coverage in terms of their land mass, but they have at least 20 times the traffic, and most likely more. So similarly in Australia, where we have high traffic densities we have good radar just like the US. In fact, our radar is much better integrated than theirs. TAAATS is a terrific radar system, acknowledged worldwide as one of the best—if not the best. Where they do not have much traffic then like us they do not have radar, but there are a lot more Americans than there are Australians and so there are a lot more aircraft—around 230,000 compared with around 11,000 in Australia. So naturally you would expect that there would be more area of the US that is covered by radar coverage just to deal with the much greater traffic density. It is important to recognise that where we have high levels of traffic we have radar. Where our traffic density is low, and we can satisfactorily, safely and efficiently operate our airspace without that surveillance system, then we do not have a surveillance system.

Senator COLBECK—Going back to the discussion you had with Senator O’Brien about ADSB, would you see that as an enhancement system to what is going to be introduced or as somewhat of a different system?

Mr M. Smith—I see the two as separate issues. It is not a case of not being able to have one without the other. But I say that if you had a surveillance system where a lot more traffic was captured by that system, what would you do with that information in low traffic density airspace, in low level airspace? If I were the service provider, I would want to provide a better service to aircraft that are flying in cloud—when they cannot see each other—because that is really where you need an air traffic system; where aircraft cannot see each other they need a means of knowing about each other. There are plenty of ways of doing that but one is an air traffic system.

If you have a surveillance system that says, ‘We know where these IFR aircraft are, pretty well all of the time,’ we would want to give them the best service we can, but because it is not busy airspace, without necessarily restricting their operation or unnecessarily restricting visual flight rules aircraft. What class of airspace delivers that outcome? It is class E airspace. The NAS introduces significant areas of class E airspace in Australia. When we get to its end state—and that might be commensurate with the introduction of widespread ADSB; it may not, because the two are not tied—then what you would do is say, ‘Let’s have widespread class E airspace. It allows us to provide the service that we would like to provide to IFR aircraft without unnecessarily restricting them or imposing restrictions on VFR aircraft.’ So to that extent, the introduction of the NAS is a facilitator for the further implementation of ADSB. But you can have one without the other; they are not tied together.

Senator COLBECK—Going on to non-controlled, non-radar airports that are currently classified as mandatory broadcast zones, what is the situation with respect to the changeover to the new system?

Mr M. Smith—The National Airspace System contemplates replacing all of our procedures at non-towered aerodromes with a standard operating procedure which is the same

as that procedure used in the US. In the US they call it the CTAF. We got our name for our non-towered airport procedure from the US system back in 1991—the CTAF procedure. It is unfortunate that we have CTAFs and so do they, because they are quite different. Our system will introduce the US CTAF practice at all of our non-towered aerodromes, but there is a significant amount of work to do before we actually get there. So, although that characteristic was planned for introduction this month, I sought—and the department and the minister agreed to—the deferral of the introduction of that characteristic to next year to allow us time to better consult with all stakeholders, and that includes airport operators, airlines, and others, so that everyone has a better understanding of what is being introduced and better understands the advantages of the new system and addresses the perceptions and any risks that can be identified. So I have sought the deferral, and the others have agreed that that characteristic ought to be deferred until some time in the new year, to enable all that work to be done.

Senator COLBECK—Has the airspace around an airport been classified as a mandatory broadcast zone compatible with the new system?

Mr M. Smith—No, it has not. There is no similar arrangement in the United States system. They have class G airspace, which we have. They have, at non-towered aerodromes, common traffic advisory frequency procedures. They support those by Unicom procedures, and if there is a need for an additional level of service—and there is a criterion they use to determine this—then it is appropriate to have a control tower, and class D airspace is established. That is how their system works, and that is how our system will work once we get further into the implementation.

It is interesting when you think of these procedures. A lot of people like to think that the ‘mandatory’ word is the thing that delivers a safe outcome there. The new system introduces a range of new and improved recommended practices, but ‘recommended’ does not mean optional. It really means that if you are a pilot operating into that airport, the responsibility is now yours, and not the regulator’s, to determine what the appropriate calls to make are. As a pilot myself operating potentially in the new system, I would look at the new CTAF procedures and see that there are now nine calls that the regulator recommends that I make. I had better be pretty careful if I do not make any of those calls, because I have got the regulator telling me that I should make those.

So although we take away the ‘mandatory’ word, what you actually deliver is an outcome that has pilots thinking for themselves and saying, ‘Hang on. Anything other than making all of those calls is fraught with regulatory danger.’ So you achieve, by going to a seemingly non-prescriptive set of rules, an enhanced outcome. If you stay with the current system you basically regulate the activity to the extent that you get the regulated outcome. If you introduce a non-prescriptive but very carefully managed and educated change, you get a system that delivers in excess of the regulated level of safety. A demonstration of that is the system in its operation in the US.

Senator O’BRIEN—I think I mentioned the RAPAC industry meeting held immediately after that 3 July workshop where the participants also supported the inclusion of the two medicos. Were you at that meeting, Mr Smith?

Mr M. Smith—Yes, I was.

Senator O'BRIEN—It has been put to me that at that meeting you personally assured the meeting that, should there be insufficient time to effect these changes to the charts, the implementation can be delayed to suit.

Mr M. Smith—I do not think that is an accurate reflection of the outcome at all. My recollection of the meeting was that no commitments were given and that it was acknowledged that, if in the development of implementation safety cases hazards were found which could not be mitigated, one option was deferral. However, there was not in the development of those safety cases—which I would like to point out again have been assessed and accepted by both Airservices Australia and the Civil Aviation Safety Authority—a need to do any additional work, and certainly there was not a need to defer the implementation.

Senator O'BRIEN—But didn't that meeting also agree it would be preferable to delay the implementation to ensure these two mitigators were included?

Mr M. Smith—I would not have characterised it that way. There was advice provided by the RAPAC convenor that, in his view, industry would accept a deferral of the introduction of this stage if it meant that required mitigators were put in place. But I would just like to reiterate that, during the development of the implementation safety case, there were not any additional mitigators required that could not be implemented in the time available, and all of those mitigators have been implemented. The responsible Commonwealth agencies for assessment of safety cases have both agreed that the necessary mitigators have been incorporated in the implementation plans, and so it is appropriate to progress the implementation in the time frame proposed.

Senator O'BRIEN—It is put to me that Mr Heath, the convenor, wrote to you on 9 July confirming what I have described as the finding of the meeting and saying that 'VNC and ERC charts to depict common or consistent local frequency' and 'to be depicted by FAOI boundaries' and, further, that industry will accept a delay in the implementation if additional work is required to achieve these requirements in the 2b states. It is something similar to what you just said to me, but I am attempting to quote from the letter.

Mr M. Smith—Yes, as I said, the work we are required to do is to prepare implementation plans and implementation safety cases. There is an agreed mechanism for doing that and for progressing those, and that was followed and Airservices Australia and the Civil Aviation Safety Authority both independently, with some additional work, because each of them required additional work, accepted the implementation plans and the safety cases. So we went through the process. We consulted with those that we are required to consult with in developing implementation plans and safety cases. We identified hazards which, in the safety case and in the implementation, have been mitigated. Yes, there are people who think that their views have not been reflected in that implementation; but you can never get away from the fact that aviators, like me, are terribly conservative people and would like to stick to the old systems. And that is not what we are about. This is a genuine reform; this is not about just painting the building a different colour but when you walk inside it is all the same.

Senator O'BRIEN—That is an interesting depiction, but I am sure that those involved feel that the ARG rejection of the recommendations of their workshop render the safety case and implementation workshop process irrelevant.

Mr M. Smith—I would not have said that at all. All of the very comprehensive material that we have produced—I have got a sample of some of it here—was developed as a result of hazards identified by those implementation workshops, and through the RAPAC process, and in consultation with a range of stakeholders, including some of the airlines, some of our regionals, our major airlines, the Aircraft Owners and Pilots Association, a range of flying instructors and a range of air traffic controllers. The mitigators are most definitely there, and it is the most comprehensive material that I have seen for any reform of this nature. As I said before, as this material has been getting out and people better understand the new procedures and the new system, a lot of the early concerns are going away. There are some zealots out there that you will never satisfy; we all acknowledge that.

Senator O'BRIEN—But perhaps some of those see an approach like yours as zealous, to implement something else.

Mr M. Smith—However, in contrast to a bunch of pilots sitting around in a room trying to design an airspace system, my team and the team at Airservices and CASA and participants from Defence have spent a lot of time and a lot of effort thoroughly understanding the system. I suggest that, if you were to ask a long-distance truck driver to design a national highway system, you might get a different outcome from the system that we have. It is as relevant an analogy as asking an airline pilot how to design an airspace system. The qualification to fly an aircraft does not give you a significant background in designing an airspace system. Many of the people in my team and from Defence, Airservices and CASA have spent their working lifetime in air traffic management and have studied extensively the systems in use around the world. They have worked exclusively on this system for a couple of years, in consultation with many people in industry, and it is the appropriate way to go. You will not get a consistent view.

Senator O'BRIEN—Mr Smith, you are a very strong advocate for the system. I am recalling Mr Mathews's statements about why we are proceeding down this path—harmonisation, US system. But, if there is a safety issue, we should not be going down this path; we should identify it. The process that is going on—whether you agree with it or not—is that people in the industry are saying that they do not think it is quite safe. Obviously, some people are not convinced and it is tempting for people like me to throw my hands up and say, 'Who is going to own the residual risk if we implement this system in the face of these objections.' Who does own that risk? We can paint all sorts of horrible word pictures of what might happen. I just wonder how you can accommodate the views of people in the industry who are, after all, like you, experienced pilots or aviators with a view and a knowledge and who are the ones who are going to be operating the system.

Mr M. Smith—Senator, even our current system would have its detractors. There are people who say our current system is unsafe, and there is evidence that they can use to draw attention to elements of our system that are unsafe. What we really need to understand is that the hazard identification workshops are there to do just that: identify hazards and suggest mitigators. Some of those hazards and mitigators are hazards that exist in the minds of very experienced and capable people; but are they legitimate residual hazards in the system? There are some people who have a view that they are, but they do not represent the majority and nor do they represent the most informed elements of the view.

There will be people who consider that their input has not been recognised and that their risks have not been properly mitigated. But you have really got to look at the total picture and at the purpose of those workshops. We will undertake to provide you with the material that was developed as a result of them, as you will see very clearly what the purpose of those workshops was: to get a group of users of the system together to help us to identify potential hazards and mitigators, but not to be the final arbiters of whether the system was safe or not. That is properly the role of the people within Airservices Australia and within the Civil Aviation Safety Authority and that is where any residual risks have been treated and mitigated.

The progress towards implementation has significant checks and balances that have been used to ensure that the system can be implemented safely. Of course, there will always be people who are disaffected and who do not believe that their risks have been properly understood or mitigated. That is just a fact of life; I cannot characterise it any other way.

Mr Matthews—I will add some words of my own. The government has taken a decision to introduce this new system, based on an internationally proven design which has been in place for quite some time in the United States and which has been endorsed in that form by ICAO. The approach the Australian authorities have taken is that that design will only be modified if there is an imperative unique to Australia that requires an adaptation to that design. Otherwise, the design will be as designed, implemented and proven in the United States.

Mr Smith has not been talking about design. He has been talking about implementation. Stakeholders, including experienced pilots, have very legitimate interests in the process of implementation. We value the input and the consultation that people are engaging in, and we very much respect those views. The hazard implementation workshops are one way but not the only way of getting the views of professional pilots. We do value and respect their views and integrate them into the implementation process wherever we can. But in the end it is the agencies who have legal and professional responsibility for those decisions which have to take the decisions, and those agencies in Australia are CASA and Airservices. They have to satisfy themselves—and they will say if they are not satisfied—with the design of the implementation case. So, when Mr Smith goes forward with his set of ideas about how to implement this proven international design, he has to satisfy the legal authorities, Airservices and CASA.

For my part, I think it is really important that that process be scrupulously observed. The process has been set up in law and over many years to examine and make sure that not only design but, in this case, implementation of new systems is done safely and people, or agencies, take responsibility for the decisions that are implicit in that. Those agencies are CASA and Airservices, and they have to be persuaded by Mr Smith; that process has to be observed.

Senator O'BRIEN—Surely the minister has a say in all this.

Mr Matthews—The legal position is that the agencies which have to sign off are Airservices and CASA, and the minister would be emphatic that he wants those agencies to do that sign-off. The minister wants them to put up their hands if they, as professionals, think there is a safety problem with implementation. He would not expect otherwise. So the

decision makers are the agencies with those responsibilities in law. One of the points that I am emphasising here is that it is important that the process be observed, and that has been the case through this timetable up to now.

Senator O'BRIEN—I want to go to an example of one of the forums, the NAS-Guild of Air Pilots and Air Navigators forum held in Brisbane on 27 October—quite recently—to discuss concerns with the NAS. A letter dated 28 October has been sent to the minister. Do you have a complete list of attendees of that meeting?

Mr M. Smith—I am disappointed to say that I was not invited to the meeting; therefore, I did not go and I do not really know what happened at the meeting. I am sure I can find a list of attendees, but I do not have that and I have not seen one.

Senator O'BRIEN—I understand it included industry participants whose concerns about the National Airspace System had not been, in their view, clearly heard or acted upon by the implementation group, CASA or Airservices. The meeting was of operators, including operators from the emergency medical services, helicopters, fixed-wing aeromedical organisations, regional and main line airlines, general aviation—both VFR and IFR—including charter and flying and training organisations. RAPAC was also represented by the Queensland and Northern Territory conveners. I wonder what you would say to this statement in GAPAN's letter to the minister:

We are bound to report to you that there was a unanimous call from the meeting to halt the implementation of Stage 2 of the NAS until the identified mitigators are implemented. Put very clearly, the message from the meeting was "Do not proceed any further with Stage 2b in its present form".

Mr M. Smith—What I would say in response is that, over the last week or so, the education material to support 2b has commenced widespread distribution. We have continued to work with stakeholders on what needs to be addressed in education, which everyone acknowledges is the most significant mitigator. The impression I have—as recently as this afternoon I was speaking to senior operations people within Qantas, for instance—is that some of the education options available to us over the coming weeks can adequately address their residual concerns, if there are any. This work is ongoing. I have planned to meet with them tomorrow to talk about some of the additional work that they would like us to do and that we are more than willing to do. I think the important thing here is that people come to understand what the system is all about and see how it all links together. They can only do that when they avail themselves of the very comprehensive education material that we have put together—again, in consultation with many of the participants of the GAPAN meeting to which you refer. Only when they avail themselves of that comprehensive material can you really get them to have an informed view of the appropriateness or otherwise of the implementation of the system. So I would suggest that the decision at the GAPAN meeting to which you refer was taken in the absence of the consolidated material and that, were the meeting to view and consider the material that has been produced and has now been distributed, you might have a different outcome.

Senator O'BRIEN—Another comment in that letter to the minister says:

The group was unanimous in its opinion that "unalerted see and avoid", proposed by Stage 2b as a primary means of collision avoidance is fundamentally flawed. If Stage 2b is introduced in its present

form with the current associated training and education material we believe that the risk of a mid air collision will increase.

Mr M. Smith—I am puzzled by that because stage 2b does not propose unalerted see-and-avoid in any of the airspace that we are introducing. The system has multiple safeguards; our current system has multiple safeguards. We are introducing proven and existing, in many cases, airspace to a larger area of Australia. The education that we have developed to support that change is very comprehensive and addresses the residual concerns in a most emphatic fashion.

Senator O'BRIEN—It does not appear to be working then.

Mr M. Smith—As I said, the meeting to which you refer, which I think you said was on 27 October, predated the widespread distribution of this material.

Senator O'BRIEN—So it has only just gone out.

Mr M. Smith—It has. Again, in consultation with stakeholder groups, it has gone out to coincide with the distribution of the regulatory material and charts that support the implementation. We have had a pretty carefully managed timetable of distribution of material, both regulatory within the ICAO-AIRAC cycle—which is the accepted way of dealing with these changes—and supported by education material that has gone out commensurate with that cycle. With more than a month to go—in other words, outside of the normal AIRAC cycle—people have formed a view that does not take account of the promulgation of material within the acknowledged and agreed international AIRAC cycle for introduction of a change like this.

Senator O'BRIEN—I would have taken this to be a wide-ranging group. Is it not significant that they have said:

As a whole the group supports the airspace architecture consistent with the ATM Strategic Plan, but believes that the transitional phase needs elements of the current system to ensure the continued safety of all airspace users, which includes the travelling and trusting public.

It is not as if they are trenchant critics.

Mr M. Smith—I have a couple of observations. Firstly, I have not seen who was there so I cannot comment on how well-constituted a group it was, as well-intentioned as that forum might have been. As the secretary has indicated, there are some Commonwealth agencies charged with ensuring the safe implementation of this system. I can say that they have asked for, and have got, extra mitigators incorporated within our training material to ensure that those agencies, which have the legislative and the legal responsibility to uphold the safety of our system, have been satisfied. They are the people who are the experts; they are the people who have that responsibility. It has been my task to satisfy them, and to the extent that they have agreed that the change should progress and that we have incorporated the additional material, we have met our obligations, and our obligations to safety.

Senator O'BRIEN—So you believe that no notice should be taken of this?

Mr M. Smith—I would have liked to have been invited to the meeting because I think it would have been to my benefit and theirs—and I am disappointed that I was not invited.

Mr Dolan—To add to that, the minister has received a letter and he has asked for advice on the letter. It is a letter that would, of course, be taken seriously and there will no doubt be an appropriate response from the minister. And there will continue to be consultation with stakeholders about the safe implementation of this system.

Senator O'BRIEN—That letter requests a meeting with the minister. Will that occur?

Mr Dolan—I cannot comment on that, Senator. That is a matter for the minister.

Senator O'BRIEN—The letter has an annexure subtitled 'Unresolved Identified hazards to NAS Stage 2b and earlier phases.' Could we have a response to that on notice?

Mr M. Smith—Yes, certainly. I think there is a response to GAPAN along those lines and I can certainly undertake to provide that to you. It is interesting to reflect on some of the issues that were raised by GAPAN, because we did a post-implementation review of some of the early characteristics. That, I believe, has been provided to GAPAN but if it hasn't I can undertake to do that as well.

Senator O'BRIEN—That is probably sufficient for me on the National Airspace System for the time being.

Senator COLBECK—What assistance is available to pilots over and above the educational material that been sent out?

Mr M. Smith—In addition to what has been sent out already, we have worked with a number of flying training organisations around the country. We have provided them with an instructor pack, which is in addition to material provided to all pilots, so they can talk to their flying schools. We have also provided it to air operator certificate holders so that a training organisation with an AOC holder has additional material. We have a hotline that pilots can call to talk to our tech team, and we are getting some calls to that hotline right now, so that is useful. We have also undertaken a range of briefings around the country—many briefings around the country—and they are ongoing activities as we approach the implementation. Anybody who really wants a briefing, if they have a group of pilots together we will undertake to get someone out there to brief them on the new system. So there are a range of things happening: mailouts to all pilots, comprehensive training packages available to flying training organisations and air operator certificate holders, a hotline, a web site, and plenty of briefings around the country to which we have invited all pilots, and we have had over 10 per cent of the pilot population attend those briefings over the last couple of months. Those are ongoing and available on demand, so there is plenty of opportunity for people to avail themselves of information about the new system.

If I could bring it into some context, though, the overall package is comprehensive. There is a lot of change happening. But, for an individual pilot who only really needs to consider the impact on their operation, the changes are not all that great, can be readily understood and ought to be readily understood with the training material. The material has undergone a fair degree of user testing, incidentally, with low time and high time pilots, flying instructors, instrument flight rules pilots and visual flight rules pilots. We have had regional pilots contribute to the development of the material. We have had Qantas and the Aircraft Owners and Pilots Association representatives contribute to the material. So it is comprehensive, but

additional help is readily available, either by telephone, through the web site, or by personal briefing.

Senator COLBECK—You mentioned the impact on a pilot and their individual operations. Would that depend on the extent of their operations and the area of their operations?

Mr M. Smith—It does. I guess for the average private pilot, for instance, who operates around their local aerodrome and does the odd cross-country flight, there will be minimal impact. For the airline pilot who operates the same sorts of routes— and I do not mean in terms of what they have to understand but in terms of the number of new procedures they need to understand—there will be minimal impact. For someone, perhaps like me, who flies IFR, VFR, aeroplanes, helicopters, balloons, there is a bit more to understand, but not a lot, and it is certainly there in the material.

Senator COLBECK—Just as a matter of curiosity, how many changes to the base system due to unique situations to Australia have been made; would it be a large quantity?

Mr M. Smith—No, a very minor deviation. I have been trying to think of any off the top of my head. I cannot. I guess there are some things where, as I said, it is unique to Australia. In one we introduced a procedure where we did not pick up the US variation or exemption to aircraft operating above 10,000 feet within 2,500 feet of the terrain, simply because it is not possible to do that in Australia. We did not extend an exemption to a particular procedure to presidential aircraft, again because it is not necessary to do that in Australia. So there have not been many real deviations; I am struggling to think of any that would be deviations. As we move further along towards the end state, it is not our intention to remove the availability of traffic information in the terminal area, for instance, to IFR aircraft; yet in the US system traffic information to IFR aircraft in class G airspace is not routinely provided. So that might be a variation; but, again, it is in the end state and it would be subject to the scrutiny of the ARG, as well as the other agencies, before we would contemplate that deviation.

Senator O'BRIEN—Just one quick question on the material that was not available to the GAPAN meeting on 27 October: can you tell us what that was?

Mr M. Smith—Sure. I have got a pack of material here. We have what we call a reference guide, which talks about how to operate in the new airspace system. It is a 52-page document that describes the ins and outs.

Senator O'BRIEN—Is that new, or is that a repackaging of information that was already out?

Mr M. Smith—This is new. This one, which was produced with the strong cooperation of our airlines—Qantas actually sent one of their pilots down to work with us on this—is an in-flight guide. It takes on a location by location basis and type of operation. This one that I just opened the page on—IFR flight, non-radar coverage, descent into Hobart and Launceston, for instance—goes through the details of the system in terms of how you would do that. Up here, it is the same thing, but for VFR flights. These are designed so the pilots can tear them out and carry them with them in their in-flight documents. It is very comprehensive. It describes each of the new stages on a location by location basis.

We have a video that tries to bring it all together and shows some of the airmanship points that we want people to consider when operating in the system. We have put together for pilots a CD-ROM which has the same sort of material in an interactive fashion. You can look up where you want to go. If you want to go to Alice Springs as an IFR pilot, you can see what the new procedures are and what the airspace will be like, and you can guide yourself through that operation. For instructors and people wanting to run briefings we have put together a heap of PowerPoint presentations that are narrated and guide people through operating in the new system. We have given instructors additional slides and notes that they can use to understand the system.

That material was not available until early this week. It commenced distribution on Monday and by now all air operator certificate holders, including international airlines, should have the material. We actually got it out in advance to some of the airlines who asked for it prior to this week to fit into their normal training cycles. So that they could deal with their normal training cycles, we got it out to them in advance. That material is now available to basically anyone who needs it. GAPAN and members of GAPAN, if they want it, could avail themselves of the material. Many of them will have got it by now anyway, but certainly none of them had it last Monday when they had their meeting in Brisbane.

CHAIR—Thank you very much. We will move to CASA now.

[5.53 p.m.]

Civil Aviation Safety Authority

CHAIR—I have to ask you not to get too settled because, if everything goes to program, at six o'clock we are going to revert to an earlier program. Mr Mike Taylor will be coming back for a few minutes. We will get as much done as we can, and we will return to you after dinner.

Senator O'BRIEN—I may have to put a large list of questions on notice if we do that.

Senator Ian Campbell—Was that decision just made? I certainly was not told, and the secretary was not told.

CHAIR—It has been the subject of some negotiation.

Senator Ian Campbell—Did you want a minister to be present?

CHAIR—Yes; you.

Senator Ian Campbell—Has the secretary of the other department been requested to come forward? Has there been a process? It just seems very unusual and, I think, slightly discourteous, that we were not told. We have a lot of officers waiting around here who could have gone off. We are trying to run a department. They have been sitting around here for ages. We are getting cross-examined about efficiencies and savings and spending \$1,000 on flying someone to some meetings, and a lot of people have been hanging around, wasting time.

CHAIR—Everyone will be given an opportunity between now and midnight to exert themselves, so I would just relax.

Senator Ian Campbell—I think we should do an efficiency audit of parliamentary committees.

Senator O'BRIEN—Mr Gemmell, I think you probably heard Mr Smith's comments earlier. Do you have anything to add?

Mr Gemmell—There is very little I can think of to add to what Mr Smith has said over an extended period of time. We of course play a role in the NAS process. One of the key roles we play is to ensure the safety of whatever is happening through that process. We take that job seriously and we pursue it seriously.

Senator O'BRIEN—As a regulator who has ticked off on proceedings, are you concerned about the identification of these issues with regard to the safety concerns about the implementation?

Mr Gemmell—We have thoroughly gone through all elements of the proposal that is going forward in 2b. A concern on our part would be if the industry is not well disposed to proceed with the initiatives, because that could lead to problems in reality. It is a proposition we will proceed with rather more smoothly and safely if in fact there is widespread support for it. As we see concerns being raised and opposition, if you like, it worries us, but it does not necessarily mean that you have to stop.

Senator O'BRIEN—Has CASA any response to the allegations about hazardous implementation of the 2b stage of the NAS?

Mr Gemmell—It is our job to go through the proposals and to make sure both that the design is satisfactory and that the implementation that is being pursued is satisfactory. We have thoroughly been through all the material that has been provided. We have accepted the safety case. Our position is clear: we support the program proceeding.

Senator O'BRIEN—You have got the Guild of Air Pilots and Air Navigators' letter as well, haven't you, Mr Gemmell?

Mr Gemmell—It was copied to me, yes, Senator.

Senator O'BRIEN—They are fairly stark statements of opposition. What is CASA's response? You reject those concerns, I take it?

Mr Gemmell—From our perspective we have thoroughly been through all the issues that are involved there. For the reasons along the lines that Mr Smith advanced, we support proceeding with the proven US systems. Our concern is that there is opposition like that and we would like to see that negotiated through so there is a smoother transition process occurring.

Senator O'BRIEN—That is the sum of CASA's response? Are you proposing to respond to the guild's letter?

Mr Gemmell—No, the letter was sent to the minister. It was copied to me.

Senator O'BRIEN—You are not proposing to respond individually on each of the hazards?

Mr Gemmell—No, I was not.

Senator O'BRIEN—In a joint media statement dated 21 October entitled 'Airspace changes will be safely, efficiently and professionally introduced from 27 November 2003', you are quoted as saying:

... the Authority has accepted the safety cases prepared by the NAS Implementation Group, which allows the introduction of the new changes.

You also said:

“Our acceptance follows the incorporation of changes in updated pilot and air traffic controller training and education material, regarding radio use, operations in non-controlled airspace, and the inclusion of additional safety mitigators ...”

I take it that means that CASA provided unreserved endorsement of the stage 2b design and implementation safety case?

Mr Gemmell—There are two separate elements to the process: one is the design safety case and the other is the implementation safety case. Our acceptance of the implementation safety case, which is the one that the press release refers to, was on the basis that certain things would be incorporated in the training and education materials. It had been agreed they would be so incorporated. Our acceptance certainly was not unconditional in that sense. There were things that had to be incorporated into that material—which, by the way, I should say have been incorporated.

Senator O’BRIEN—Sorry, I missed that. There was a bit of interference on the way through.

Mr Gemmell—Did you miss the whole bit?

Senator O’BRIEN—I do not have instant recall to tell you at which point you were interrupted.

Mr Gemmell—All right. I will say it again from the top. There are two elements to the safety case: the design safety case—and CASA’s comments and acceptance or otherwise of that—and the implementation safety case. The 21 October press release was announcing the acceptance of the implementation safety case. We had accepted that particular safety case on the basis that certain things would be included in the training and education material. It had been agreed they would be included, and I can tell you now that they have actually been included. But our acceptance of that safety case was not unconditional in that we required certain things to be included in the training and education material.

Senator O’BRIEN—Has CASA prepared an analysis of the stage 2b design and implementation safety case?

Mr Gemmell—I do not know what you mean by an analysis. The safety cases are submitted to us and we respond to them with our comments. To an extent that is an analysis, but all it is is our response.

Senator O’BRIEN—Can a copy of the response be provided to the committee?

Mr Gemmell—Our response to the safety cases? There are two, remember; there is a design safety case and there is an implementation safety case.

Senator O’BRIEN—Yes—responses, then.

Mr Gemmell—I have to say it is not normal for us to provide those, but I do not see any particular reason why we cannot.

Senator O'BRIEN—Thank you. During the last estimates hearings in May, CASA provided some information about the issuing of a single air operator's certificate for Rex, as opposed to the two separate AOCs the airline was then operating under. The committee was told this process began in August 2002 and was expected to take 12 months. Has Rex now been issued with a single AOC? If not, what is holding up the process?

Mr Gemmell—I might get Mr Arthur White to answer that one.

Mr White—At the moment we have the two operators: Australiawide, the former Kendell Airlines, have one certificate; Hazelton Airlines have the other. They both operate as Rex. We are expecting them to have a combined certificate by about the end of this month or by December.

Senator O'BRIEN—In other words, the certificate will be in the name of Rex or whatever the corporate entity is?

Mr White—I believe it will be under the actual name of Australiawide, but they will operate as Rex.

Senator O'BRIEN—I turn now to CASA internal reserves. In section 3 of the budgeted financial statements on page 117 of the PBS, the first dot point discusses additional resources provided to CASA for the improvement program, additional compliance staff and other matters. An amount of \$36 million of the additional cost was provided by the government, but \$9.5 million was said to be funded from 'internal reserves'—I think that was the term used. What are those reserves, how did they accumulate and what is the amount remaining?

Mr Gemmell—I might get Ms Sue-Ellen Bickford to answer the last part of that question. I can tell you what they are. CASA has generated surpluses over a period of years. In effect, for whatever reason, our revenue exceeding our costs has enabled us to build up reserves. They are mostly in the form of cash or amounts on term deposit with approved bodies. So we have built up a storeholding of reserves, some of which are needed for working capital purposes. Another part of those reserves we intend to use for capital acquisition purposes—what is now the CASA IP program; and the government has agreed that we can access those reserves to fund that program. Is the last part of your question: what is the amount of it?

Senator O'BRIEN—Yes, how much is left.

Ms Bickford—As at 30 June 2003 in our audited financial statements, our equity—which effectively is the reserves—is just over \$15 million.

[6.08 p.m.]

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 3 November 2003

In Attendance

Senator Ian Campbell, Minister for Local Government, Territories and Roads
Department of Agriculture, Fisheries and Forestry

Mr Michael Taylor, Secretary

Mr Don Banfield, Deputy Secretary

CHAIR—Thank you, gentlemen. Just by way of explanation: this is strictly an opportunity for some points of clarification to be made. There will be no questions on policy or further issues. It is just an opportunity for questions to be asked in clarifying some misunderstandings that may have occurred following evidence given yesterday. Would you care to make any opening statement?

Mr Taylor—Thank you, but no. I am here to assist the Senate.

CHAIR—Thank you very much.

Senator O'BRIEN—Mr Taylor, yesterday you told this committee that the government's plan for managing future rejected live export shipments did not include a return home option. You were quite clear on this point. I reviewed the video that we made of the evidence just to be sure that my recollection was accurate. Any return home option involves an assessment of quarantine risks, and you told the committee that your assessment of the quarantine risk associated with the return of rejected live exports ceased between 3.30 p.m. and 4 p.m. on 24 October. Again, you were unequivocal on this point. This morning, Minister Truss told the ABC *AM* program that the government was continuing to explore a number of options for rejected shipments, including:

... an arrangement with another country, or an island, or alternatively bringing them back to Australia.

The statement by the minister is not consistent with your evidence to the committee yesterday. I do not believe that the ongoing development of a return home option by your department would be something you, as secretary, would not know about. There are two reasons that I have asked that you be recalled before this committee. Unless you provide an adequate explanation for the inconsistency between your evidence and the minister's statement this morning—and you have that opportunity now—consideration would have to be given to referring your evidence to the Senate on a matter of privilege, and unless you definitively rule out the bringing them home option as the department's plan B this committee in my view would be compelled to reconvene its inquiry into this option.

Mr Taylor—I have had the chance to look at the transcript of the ABC *AM* program. I do not believe the minister said he was continuing to explore options. I have a copy of the transcript here. He said:

Well, I think we've got to have an assurance that we're going to be able to unload sheep before we can allow any further to be dispatched for that market. And that could involve an arrangement with another country, or an island, or alternatively bringing them back to Australia.

I do not believe the minister said that we were exploring options at all, and I stand by my comments of yesterday, where I said, importantly, that we had ceased work on both a risk evaluation and a slaughter at sea option because we now had a site at which the sheep had been offloaded. I did say in answer to some questioning that the chairman of the Keniry inquiry and his colleagues would consider a range of issues and, accordingly, in light of that, we will reach some new policy positions. I actually made that comment. I do not envisage doing any work on either a slaughter at sea option or a return to Australia option. That is what I said yesterday, and that is what I continue to say now.

CHAIR—Can I say that over my dead body—I do not like to use that term too often—

Senator FERRIS—Some people might take you up on it.

CHAIR—will we be considering bringing sheep back to Australia after they have left.

Mr Taylor—Could I make that point clear. Minister Truss did not indicate that we were continuing to explore options. Importantly, I said that we had ceased doing work on options. We have reflected on the fact that the Keniry inquiry is going to explore all aspects with respect to the *Cormo Express* and, given that we have no trade in live sheep with Saudi Arabia at present and that we have no policy applying with respect to Saudi Arabia, it will not be until the Keniry inquiry is completed that we as a government or a department will look at any activity. That, as a department, would be done on the basis of a government policy decision.

Senator O'BRIEN—Mr Taylor, yesterday you said:

... when the sheep started coming off the ship and we started to have some sort of feeling of security, was when we clearly started to come to a view that further work on alternatives would no longer be pursued.

That is a fairly clear statement of intent.

Mr Taylor—And I stand by it.

Senator O'BRIEN—I am pleased that you do. The trouble is that, when talking about the Saudi situation on *AM*, Minister Truss talked about the consideration of options in the case of being unable to load sheep. He actually said:

Well, I think we've got to have an assurance that we're going to be able to unload sheep before we can allow any further to be dispatched for that market—

He was referring there to Saudi Arabia—

And that could involve an arrangement with another country, or an island, or alternatively bringing them back to Australia

In other words, he laid out three options to deal with a future rejection. That is what the minister was saying. I believe that is inconsistent with the statement that you made to us which certainly led me to believe—and, I believe, led the committee and others to believe—that the option of returning sheep back to Australia had been ruled out as at 3.30 p.m. to 4 p.m. on 24 October.

Senator Ian Campbell—Senator O'Brien is wrong, Mr Chair. Mr Taylor was talking yesterday about the past and the *Cormo Express* sheep, and clearly the minister is talking about hypotheticals in the future.

Senator O'BRIEN—Is that right Mr Taylor?

Senator Ian Campbell—He is comparing apples and oranges as far as I am concerned. If you want to make apples equal to oranges, you should not be in agriculture.

Mr Taylor—The minister is correct. I have the transcript in front of me so I have actually had a chance to look at my words.

Senator O'BRIEN—I have seen the transcript.

Mr Taylor—There was a discussion which followed some questions from Senator Ferris. I made the point that, in the light of the conclusions of the Keniry inquiry, we will reach some new policy. We do not have a current policy.

CHAIR—For a start, let us get it on the record that we are not doing any more business with Saudi Arabia until after we have come to a solution.

Mr Taylor—And the minister has made that quite clear.

Senator Ian Campbell—I would like to make a point. This government has a policy that we want to ensure that we have a sustainable, successful live sheep trade. Quite clearly, Senator O'Brien does not want to. He wants to try and pick up the Green vote and the Democrat vote by dog whistling to the animal liberationists. He pretends, on the one hand, to want to keep the trade going; but in reality he is dog whistling to the animal liberationists. He is trying to kill this trade. There is a difference between Liberal and Labor, between this government and the opposition, on this. We want to succeed with this trade, and he wants to kill it. So he is playing all of these little games and trying to draw distinctions where they are none. He will wear it out there amongst rural Australians who want to see this trade continue as sustainable trade that is fair on the animal; trade that makes sure that they can be looked after in a humane way. He wants to kill this trade. He should be labelled for what he is trying to do: he wants to close down this very important trade that helps rural Australia.

Senator O'BRIEN—Frankly, the minister is seeking to obscure this matter.

CHAIR—I would like to bring this meeting to order.

Senator Ian Campbell—This is a stunt.

Senator O'BRIEN—Yes, it is your stunt.

Senator Ian Campbell—It is an abuse of the Senate committees.

Senator O'BRIEN—You are your usual petulant child.

Senator Ian Campbell—We were not told about this stunt. Normally when a Senate committee rearranges its schedule, it negotiates with the minister and negotiates with the government.

CHAIR—Minister, can I have the call?

Senator Ian Campbell—I thought I had the call.

CHAIR—I have the call. I am the chair.

Senator Ian Campbell—You are the chair.

CHAIR—I do not want this to degenerate into some sort of low-grade shouting match. Thank you, if you have made your contribution, can we move on.

Senator Ian Campbell—I would like to make the point that this is a Bob Brown-esque stunt by Labor and by Senator O'Brien. I am still not happy that the Manager of Government Business and the people who organise estimates were not shown the basic courtesy of being told, 'By the way, we are going to recall a committee.' That is a basic courtesy; it is also how you manage the chamber effectively.

Senator O'BRIEN—We are not in the chamber.

Senator Ian Campbell—A few minutes ago we were told we were going to recall the committee from yesterday. It is a discourtesy to the Department of Transport and Regional Services. I was prepared to let it go, but I have found out it is just another of Senator O'Brien's stunts to try to keep the *Cormo Express* thing going a little longer. You can only breathe life into a dead sheep for so long.

CHAIR—Thank you very much for your contribution, Minister. Could I just go back—

Senator Ian Campbell—Can I have an explanation about why there was no communication with the government, the ministers and the departments about this stunt?

Senator O'BRIEN—There was, quite clearly.

Senator Ian Campbell—We were told a couple of minutes before you recalled them.

CHAIR—This has been an ongoing matter for discussion—

Senator Ian Campbell—It might have been amongst the committee, but if you want the government to appear you need to communicate with us. I had no communication, and I would like to know why.

CHAIR—It has been an ongoing matter for discussion between the government and this committee all day. There was no resolution until we advised 10 or 15 minutes before this episode was to occur that it was to occur. I am grateful for your contribution.

Senator Ian Campbell—Normally the committee secretariat would contact my office, as the manager, and advise that you were going to recall a committee from yesterday. There is an agreement between the opposition and the government about how these committees will be run, and that agreement has now been breached—

Senator O'BRIEN—Rubbish.

Senator Ian Campbell—in a Bob Brown-esque stunt.

Senator O'BRIEN—You are the stunt player.

CHAIR—Let me continue.

Senator Ian Campbell—Let me say, Mr Chairman—and I will conclude here—that I will be raising this with the Manager of Opposition Business—

Senator O'BRIEN—You do that.

Senator Ian Campbell—because it is outrageous.

Senator O'BRIEN—Yes, you are.

CHAIR—Thank you. Let me raise the Keniry report. I would imagine that coming out of that report will be some recommendations on how we can continue this business. Let me use an analogy, a possible proposition. Junee, where I come from, is a great railway town, and we have along a siding there a train with a crane and a whole lot of other gear on it. That train is a contingency for a derailment. I imagine that out of the Keniry report there may be a contingency built into future trading which makes allowance for what has happened in recent times with the *Cormo Express*. I reiterate that, as I am sure you, the minister and everyone else in the government knows, right across Australia at a farm level and at a farm industry

level there is a strong view that bringing sheep home after they have been overseas is not an option that we would contemplate.

Mr Taylor—Let me respond to that. First of all, I want to reiterate from yesterday. I thought I made it clear on a number of occasions—and I put it to Senator O’Brien like this to try to be helpful, but it may not have helped—that when the sheep started walking off in Eritrea—and I did not use these words, but they came out at different times—clearly the work we had been doing on the non-preferred alternatives ceased. It remains ceased, and we do not envisage it being restarted.

Second, we made it clear that the Keniry inquiry had been convened. Until the Keniry inquiry is completed we do not have any policy applying with Saudi Arabia. We have a suspended trade situation. The Keniry inquiry is going to look in particular at the adequacy of the regulatory arrangements for live export trade from farm of origin to ultimate destination. The minister made it clear in a press release this afternoon that the government has no predetermined policy on what the most appropriate contingency should be. He made the point that these are matters which the Keniry inquiry will consider and discuss with industry. He also made the point that the government’s preferred position has been, and always will be, to find a suitable market outlet for any rejected live animal export consignments, rather than pursue options of last resort. It could not be clearer. I made the comment yesterday that, in the light of the conclusions of the Keniry inquiry, some new policy positions might be reached—as you have alluded to. I did no more than that yesterday, and today I make the same comments I made yesterday.

Senator O’Brien—Is the return home of future shipments one of the options to be considered potentially out of the Keniry inquiry? It is clearly a matter that the minister referred to yesterday. When you were talking about the sheep coming off the ship, you said:

... we clearly started to come to a view that further work on alternatives would no longer be pursued.

The question was:

... whether the department is still involved in developing protocols that would permit the **return of a future rejected live shipment** to Australia?

Mr M. Taylor—The answer to that is: no, we are not working on protocol.

Senator Ian Campbell—Mr Chairman, he has been told ‘no’ three times on this. It has become a tedious repetition.

Senator O’Brien—If you sit and listen, you might learn something for a change.

Senator Ian Campbell—You have been told three times the same answer to the same question. It is getting tedious and repetitious. You are breaching standing orders.

Senator O’Brien— In the *Hansard*, the question is:

... whether the department is involved in developing protocols that would permit the return of a future rejected live shipment to Australia.

Senator Ian Campbell—That is ‘no’ four times now. Ask the question one more time and it will still be no.

Senator O’Brien—In terms of where you say:

... we clearly started to come to a view that further work on alternatives would no longer be pursued.

Did you misinterpret the question—that is, were you talking about something different to the question that was asked? I understand your answer in the context of the question, and I am asking if I am entitled to do that.

Mr M. Taylor—Senator, please put the question again, because when you ask me, I presume you are asking me as Michael Taylor and me in my role as the Secretary and head of the Department of Agriculture, Fisheries and Forestry and our department.

Senator O'BRIEN—The question I asked was:

Mr Taylor, can you tell the committee—and I think you touched on this, but I just want to be sure—whether the department is still involved in developing protocols that would permit the return of a future rejected live shipment to Australia?

Mr M. Taylor—The answer to that is no. We are not doing any work on those. We were doing work on those on the morning of the 24th—

CHAIR—To tidy this up so that we can go to dinner, would it be fair to say that the only circumstances under which that work would recommence would be a recommendation coming to the government out of the inquiry that put a view—

Mr M. Taylor—It would only be if the Keniry inquiry precipitated, either in its deliberations or in its recommendations, work of that nature.

Senator FERRIS—It is hard to imagine that they would.

CHAIR—I will be dead if they do.

Mr M. Taylor—All I am saying is that I gave a statement the other day—and it was a pretty simple statement. We had had a very exhausting period in managing a very difficult situation when a private operator was unable to manage a circumstance involving their sheep. The government acquired those sheep. We found a place in which those sheep could be located and, importantly, we were not forced to consider the options of last resort, which we discussed yesterday. I made it clear yesterday that, in respect of either a risk evaluation or the slaughter at sea, our work on those options had ceased—and not surprisingly, given that we now had a home for the sheep. We do not envisage starting that work again. It is as simple as that.

CHAIR—For the record, on behalf of Australia's farmers I want to again congratulate the government. Everyone in the government knows how the industry and the farmers feel about this. Under the greatest duress, with the trickiest group of people that you are probably ever going to try and do business with and in circumstances that we had to, as it were, not show our hand, the government managed to find a fit-all solution, for which we are all very grateful.

Senator O'BRIEN—All I can say is that, if Mr Truss had said the same thing when he spoke on *AM* this morning as Mr Taylor has just said, we would not be here now.

Senator Ian Campbell—One was talking about apples and one was talking about oranges, and you obviously cannot understand that.

Senator FERRIS—They were both talking about sheep, and I am sure they both meant the same thing.

CHAIR—Any further questions, Senator O'Brien?

Senator O'BRIEN—No, not at this time.

CHAIR—Thank you very much, Mr Taylor.

Proceedings suspended from 6.28 p.m. to 7.30 p.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed.

In Attendance

Senator Ian Campbell, Minister for Local Government, Territories and Roads

Department of Transport and Regional Services**Output 1—Corporate**

Mr Ken Matthews, Secretary
Mr Peter Yuile, Deputy Secretary
Ms Lynelle Briggs, Deputy Secretary

Output 1.1—Corporate Group

Mr Roger Fisher, First Assistant Secretary, Corporate
Mr Jeremy Chandler, Chief Finance Officer
Ms Linda Holub, Assistant Secretary, Executive and Governance
Mr David Banham, Chief Information Officer

Output 2—Policy and Research Group**Output 2.1—Bureau of Transport and Regional Economics, Regional and Cross****Portfolio Issues**

Mr Tony Slatyer, First Assistant Secretary, Policy and Research
Mr Phil Potterton, Assistant Secretary, Transport and Research (BTRE)
Ms Judith Winternitz, Assistant Secretary, Regional and Statistics (BTRE)
Mr Anthony Ockwell, Assistant Secretary, Portfolio Policy
Mr Daniel Owen, Assistant Secretary, Regional Policy

Output 2.2—Transport Policy Functions

Mr Mike Mrdak, First Assistant Secretary, Policy and Research
Mr John Elliott, Assistant Secretary, Infrastructure
Mr Jim Wolfe, Assistant Secretary, Rail, Logistics and Maritime
Mr Nick Bogiatzis, Assistant Secretary, Aviation

Output 3—Regulatory Group**Output 3.1—Surface Transport Regulation**

Mr Bill Ellis, First Assistant Secretary, Surface Transport Regulation
Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards
Ms Maureen Ellis, Acting Assistant Secretary, Surface Transport Regulation and Reform

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer, Australian Maritime Safety Authority

Output 3.2—Transport Security Regulation

Mr Andrew Tongue, First Assistant Secretary Transport Security
Mr John Kilner, Assistant Secretary Maritime Security Regulation
Mr Andy Turner, Assistant Secretary Aviation Security Regulation

Output 3.3—Aviation and Airports Regulation

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Regulation
Ms Linda Addison, Assistant Secretary, Airport Planning and Regulation

Ms Merylyn Chilvers, Assistant Secretary, Aviation Operations

Mr Mike Smith, Executive Director, National Airspace System Implementation Group

Civil Aviation Safety Authority

Mr Bruce Gemmell, Acting Director of Aviation Safety

Mr Rob Collins, Acting Deputy Director of Aviation Safety

Mr Bill McIntyre, Executive Manager, Aviation Safety Standards

Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance

Mr Rob Elder, Executive Manager, Corporate Affairs

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Ray Comer, Executive Manager, Corporate Development

Mr Peter Ilyk, General Counsel

Airservices Australia

Mr Bernie Smith, Chief Executive Officer, Airservices Australia

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

Output 4—Safety and Investigation Group

Output 4.1—Australian Transport Safety Bureau

Mr Kym Bills, Executive Director, Australian Transport Safety Bureau

Mr Robin Graham, Director, Safety Investigations

Mr Alan Stray, Deputy Director, Air Safety Investigation

Mr Joe Motha, Director, Safety Research and Education

Output 5—Programmes Group

Output 5.1—Regional Programmes

Ms Leslie Riggs, First Assistant Secretary, Programmes

Ms Wendi Key, Assistant Secretary, Regional Programme Operations

Mr Leo Dobes, Assistant Secretary, Regional Analysis and Performance

Mr Gary Dolman, Assistant Secretary, Regional Community Liaison

Mr Bill De Jong, Director, Sustainable Regions

Mr Luke Wild, Project Officer, Sustainable Regions Operations

Ms Alexandra Staples, Assistant Director, Regional Programme Operations

Output 5.2—Transport Programmes

Ms Sema Varova, First Assistant Secretary, Transport Programmes

Ms Joan Armitage, Assistant Secretary, Transport Programmes North & West

Mr Barry O'Neill, Director, Investment Policy and Black Spot

Mr Ed Cory, Director, NSW and ACT

Mr Leo Kennedy, Director, WA and SA

Mr Wayne Trappett, Director, VIC and TAS

Mr Martin Cotton, Director, QLD and NT

Output 5.3—Territories and Local Government

Mr John Doherty, First Assistant Secretary, Territories and Local Government

Mr Andrew Wilson, Assistant Secretary, Territories

Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters

Ms Margaret Backhouse, Director, Self-Governing Territories

National Capital Authority

Ms Annabelle Pegrum, Chief Executive Officer, National Capital Authority

Mr Lindsay Evans, Managing Director, Business
Ms Graham Scott-Bohanna, Managing Director, Design
Mr George Lasek, Acting Director, National Capital Estate
Mr Shamsul Huda, Acting Director, National Capital Plan
Mr Ross Addison, Director, Finance
Mr Jeremy Lasek, Director, Promotions
Ms Alison Walker-Kaye, Director, Corporate Business
[7.32 p.m.]

Airservices Australia

CHAIR—Senator O'Brien, you may like to begin.

Senator O'BRIEN—At the last estimates we discussed the Airservices equity repayments to the government. A total of \$75 million had been paid to the government in the year 2001-02. The follow-up answer to my questions advised that Airservices has in fact repaid \$124 million in capital since 1995-96. At the last hearing you advised that the projected amount of capital repayment for 2003-04 was under consideration. What have you considered paying? What are you going to pay—that is, Airservices, not you personally?

Mr Bernie Smith—Yes, we did make the payments as stated. 2003-04 payments, though, have not yet been finally resolved. We are discussing those with the minister at the moment.

Senator O'BRIEN—What is the capacity of Airservices to make a capital repayment?

Mr Bernie Smith—I can best answer that by stating how it came about. The capital repayment was in fact an initiative of Airservices. We thought it prudent to have a look at our gearing ratio and see whether or not we ought to change it. So we had a review conducted by external people. As a result, we talked to the government about repaying some capital. Since then we have had September 11, SARS and Ansett's failure. The financial situation has just been all over the place—good and bad, I might add, but mostly bad. As a result of that, we are now reviewing things. The capacity is there, but our issue is about whether we would end up with the right gearing ratio for an organisation of this size, and that is the matter that we are discussing with the government at the moment.

Senator O'BRIEN—Do you have a projected capital repayment scheme for the out years?

Mr Bernie Smith—We have, yes, and that is part of the same consideration.

Senator O'BRIEN—How much have you considered you would be able to repay in the out years?

Mr Bernie Smith—As I say, that has not yet been resolved. We did put a corporate plan together the year before last. Off the top of my head, I cannot recall what the out year payments were. But we have said, 'Hang on, the balance sheet has altered somewhat in the meantime and we need to have another look at this.' So we have gone back and we are discussing that with the minister now. We do not have an answer for this year or the out years.

Senator O'BRIEN—What is the total amount of residual capital from the former Civil Aviation Authority still remaining on the Airservices balance sheet?

Mr Bernie Smith—We do not record it in that fashion. We have a certain amount of equity and a certain amount of debt. It would be impossible, I think, or at least very difficult to say after all these years what is residual and what is not.

Senator O'BRIEN—You have talked about these equity repayments.

Mr Bernie Smith—I am sorry, Senator?

Senator O'BRIEN—You have talked about these capital repayments as equity repayments. Have you a notional amount of equity?

Mr Bernie Smith—No, the balance sheet is split up into debt and equity. The equity is the cash that has been returned to the business and the value of our assets that have existed over a period of years with the ins and outs that we have. So what is not debt is government equity. What that is exactly at the moment I cannot recall. It is a couple of hundred million dollars. But we could take that on notice and give you a firm advice on it. The annual report which has just been released shows total equity of \$226.3 million. That is the balance at 30 June 2003.

Senator O'BRIEN—Did Airservices conduct its own independent analysis of the national airspace model?

Mr Bernie Smith—The final airspace model has not yet been fully determined. We conduct analysis with every element of the national airspace process as it comes up through design safety case and through implementation safety case.

Senator O'BRIEN—Have you done any analysis to date?

Mr Bernie Smith—Yes, we have certainly worked on the design and implementation safety cases for stages 1 and 2.

Senator O'BRIEN—Can you confirm that Airservices Australia believes the National Airspace System is safe?

Mr Bernie Smith—‘Safe’ is a word that I think is often misused. There is no such thing as absolutely safe in anything. What we do is assess the amount of risk and make sure that we assess the risks that need to be mitigated and we bring them down to a manageable level. I guess the best demonstration of that would be our roads. They are not absolutely safe. We could make them absolutely safe by not letting any cars or people on them, but clearly that is ridiculous. So we manage whatever we do in life to a reasonable level of risk. If you are asking do we as an organisation have confidence in the NAS model, the American model, the answer is clearly, yes, we are very confident in the American system, simply by virtue of the fact that it has worked for umpteen years with much greater traffic density, much worse weather, much more trying conditions in terrain terms than we have in Australia; therefore, it is a proven system. Our concern, as a board, is to make sure that we transition to that position in a safe and orderly manner.

Senator O'BRIEN—Will the National Airspace System result in a safer airspace system than we have now?

Mr Bernie Smith—We do not know what the final position is, because not all the characteristics have been determined fully. But I am certainly saying to you that I have full confidence that it is a safe system. As I say, it has been operating for many, many years.

Senator O'BRIEN—So you are assessing the changes round by round, I take it?

Mr Bernie Smith—We are.

Senator O'BRIEN—Are there aspects of NAS and its implementation that you have reservations about from a safety perspective?

Mr Bernie Smith—I have reservations. We have reservations from time to time. That is why we do the safety case analysis. The issues that we have looked at to date and the risks that have come up through the hazard analysis we are satisfied have been satisfactorily mitigated.

Senator O'BRIEN—What mitigators have been implemented to satisfy your concerns?

Mr Bernie Smith—There are a whole range of them.

Senator O'BRIEN—Can you supply us with information on notice on the concerns you have raised and the mitigators that have been implemented to satisfy them?

Mr Bernie Smith—Are you saying that you would like a copy of the safety case? Are you after the design or implementation?

Senator O'BRIEN—Whether the safety case is necessary or whether it can be stated in simpler terms, I do not know.

Mr Bernie Smith—We will arrange that.

Senator O'BRIEN—What is the situation with your head air traffic controller?

Mr Bernie Smith—We are in the process of recruiting one.

Senator O'BRIEN—So there is not one at the moment?

Mr Bernie Smith—A person is acting.

Senator O'BRIEN—Was the officer who resigned also an acting head air traffic controller?

Mr Bernie Smith—No, he was permanent in the position. My colleague has pointed out to me that the acting head air traffic controller has also resigned. He will be leaving in three or four months.

Senator O'BRIEN—Has this anything to do with NAS?

Mr Bernie Smith—No, not to my knowledge. The first fellow we are talking about has taken up a position as a representative for air traffic at IATA in Montreal. So it is quite a prestigious move for him. I certainly talked to the second fellow about his reasons, but no concerns were raised about NAS. We would have to ask him specifically, but that is what he has told me.

Senator O'BRIEN—If we could have a copy of the safety case as well I would appreciate it.

Mr Bernie Smith—Okay.

Senator O'BRIEN—The Willoughby report estimated that the implementation of the National Airspace System will save about \$70 million. The last estimates hearing you strongly disputed this. I seem to remember you were gobsmacked by the figure. Are you aware of any work being conducted to verify this figure?

Mr Bernie Smith—I am not aware that anything specific has happened. I think BTRE are to be tasked with doing that. The department is organising that.

Senator O'BRIEN—So Airservices is not conducting any separate analysis?

Mr Bernie Smith—No.

Senator O'BRIEN—Is there no way of independently verifying that \$70 million saving figure?

Mr Bernie Smith—There certainly would be ways of verifying it within a reasonable order of accuracy. It is not a task that we have undertaken.

Senator O'BRIEN—Have you any view as to cost savings for Airservices?

Mr Bernie Smith—No, we have not done any work on that. The government has said that this is government policy; this is what you are to do. That is what we are doing. Whether it saves or loses dollars is not something that we can determine accurately at the moment or could change the outcome of any way.

Senator O'BRIEN—Mr Matthews, is the financial savings aspect of this measure important?

Mr Matthews—The overriding issue is always safety. I listed before some of the objectives the government had in mind including the potential for savings. At this stage, the government has not been able to quantify those savings.

Senator O'BRIEN—So what work is the department actually doing? I assume BTRE is doing the work.

Mr Matthews—The department will be commissioning BTRE to look again at the savings that would be feasible. We are in a better position to do that now that the final status or the final shape of the NAS is clarifying. The design parameters are clearer than they were at the time Willoughby was doing his work. I emphasise that the government has not been driven simply by cost savings as an objective.

Senator O'BRIEN—Mr Bernie Smith, the *Sydney Sunday Telegraph* of 12 October reported that a rove helicopter flying into the airspace over the opening of the Rugby World Cup led to the cancellation of the fireworks. At that stage, there was an inquiry into identifying the culprit. Can you provide any information on the status of the breach of this airspace? Who owned the helicopter?

Mr Bernie Smith—I cannot, no. It is not something that Airservices would normally investigate. Our role in situations such as that, and they do occur from time to time, is to raise an incident report. That goes off to the ATSB and to the Civil Aviation Safety Authority. They take whatever action they deem is appropriate. Our role is not that of policemen.

Senator O'BRIEN—So you have referred it to CASA?

Mr Bernie Smith—I would imagine so. If there was an incident, an incident report would have been raised. I have heard anecdotally about the incident you are speaking of. It was not something that I needed to get involved in.

Senator O'BRIEN—Can you take that on notice and let us know whether Airservices raised a safety incident report. Would that tell us who owned the helicopter?

Mr Bernie Smith—No, it gives the registration, time, date and nature of the issue.

Senator O'BRIEN—So it identifies the registration of the helicopter?

Mr Bernie Smith—Yes.

Senator O'BRIEN—Would it tell us who was operating it?

Mr Bernie Smith—Not normally. The report I am referring to is raised by the person involved. That is normally an air traffic controller, although it could be raised by other persons in the organisation. They do not normally have the knowledge of the operator at that time, I would not think. My recollection is that that does not go through to the control tower.

Senator O'BRIEN—The activity in Canberra's airspace during the visits of the American and Chinese presidents attracted some attention. What changes were made to the standard airspace arrangements during these visits?

Mr Bernie Smith—I am a little vague on that. My involvement was to make sure that adequate arrangements were being made. I know that we put out a NOTAM and advised of some airspace closure times. There were some requirements placed on regular public transport and charter aircraft to flight plan in a different manner. We also required flight rules aircraft to flight-plan where they would not normally have flown a plane. I cannot say that is an exhaustive list of things. That is as much as I can remember at this time.

Senator O'BRIEN—There was obviously a large RAAF presence in the skies particularly over Canberra. Were they controlled by RAAF air traffic controllers?

Mr Bernie Smith—Any military aircraft operating within civil airspace is controlled separately by the civilian controllers. The reverse is true in military situations. So we each control the other's aircraft. I imagine there would have been certain operational controls from Defence activities, but I am not an expert in that.

Senator O'BRIEN—So did the airspace controlled by Defence and Airservices change, for example around Canberra, during the visit of the US president?

Mr Bernie Smith—My recollection is that the things I just talked about were the only changes. We did not change airspace boundaries or vertical limits or classes of airspace.

Senator O'BRIEN—Did Airservices incur any additional costs as a result of the presidential visit?

Mr Bernie Smith—Not to my knowledge. If we did it would have been marginal.

Senator O'BRIEN—What is the protocol in terms of charging aircraft of the Chinese and US governments? Are they billed the same as any other aircraft?

Mr Bernie Smith—You are testing my memory here, but I think not. I am assured that there is an international protocol that prevents that.

Senator O'BRIEN—Thanks very much for that.

CHAIR—Thank you, gentlemen. We can now proceed to ATSB.

[7.55 p.m.]

Australian Transport Safety Bureau

Senator BUCKLAND—Last week, ATSB released a supplementary aviation investigation report into the Whyalla Airlines crash in May 2000. At the time, Mr Bills, you told reporters that you would be happy to answer questions at this estimates hearing regarding that crash. I will concentrate on that crash as the only air issue I want to address tonight.

I have read that report only once. I cannot say that I have been through it in minute detail, because I am not a metallurgist. I had only the weekend to go through it in detail, so I have not had access to someone to explain the metallurgical terms to me. On reading that, at first glance a lot of questions came to mind. I will start by asking you about the testing carried out in the USA. How was that testing carried out, to your knowledge?

Mr Bills—I am not a metallurgist, either, so I cannot give you a metallurgist's answer to that question.

Senator BUCKLAND—But you did produce a report. I will be staying reasonably clear of the finer details, so we should get on very fine here tonight.

Mr Bills—Sure. That is fine. I just thought I should make that clear at the outset. Of course, if there are detailed metallurgical questions that you need answered I am happy to take those on notice. In terms of the testing in the US, where did you want to start?

Senator BUCKLAND—What testing was carried out, how was it carried out and by whom?

Mr Bills—Just to set the context, we produced our report in December 2001. Subsequent to that report being released there were three service bulletins released by the engine manufacturer between February and September 2002. The one on 16 September 2002 indicated that there could be a problem with the steel in the left crankshaft of VH-MZK, the accident aircraft. At that stage both engines had been sent over to the US. The coronial inquest had started in Adelaide on 22 July 2002. In early August—I think it was 2 August—the coroner had agreed that the engines could go to the US for further testing. That was because his experts, who were working out of the University of Adelaide, said that they did not have any more tests they wanted to do at that stage. The US testing was basically linked to a US civil damages case that the families of the deceased had on foot in the United States. The firm that was doing the testing—McSwain, with the principal tester being a Mr Hood—was based in the United States.

On 3 October the coroner authorised that firm to do destructive testing on the crankshaft, which means that they could cut back into the actual area where the fracture occurred to actually see if there was something in the steel there that had initiated the crack or what indeed had initiated the fatigue crack that everyone agreed had progressed in that crankshaft over about 50 flights. The coroner in fact arranged to go to the United States to hear evidence from that firm that was to indicate the results of that testing. The coroner did go over with a number of others, including representatives from the ATSB, and heard evidence towards the

end of October. The twenty-third I think was the day. But at that stage the destructive testing had not occurred, although Mr Hood indicated that it would take him about two days to do that destructive testing. So everyone came back from the United States without any destructive testing having occurred in the United States. All that had occurred is that the US firm McSwain had produced a draft report of a few pages long which indicated their opinion that there was a defect in the steel. Of course, that opinion was helpful to their clients who were seeking to sue the engine manufacturer based on that possibility.

The next stage, as I have indicated here before briefly, was in November, when I formally reopened the ATSB investigation because, with McSwain not having done the testing that was meant to occur in the United States, I thought we might be able to get the United States National Transportation Safety Board to do the testing or at least to supervise the testing on our behalf. The only way to get them to do that would be if we were formally investigating the accident at that time. We did reopen the investigation on 21 November. The NTSB were sounding pretty helpful but, unfortunately, having told the coroner's counsel assisting and getting his agreement to try to enlist the help of the US NTSB, the lawyers for the families applied pressure to the NTSB and they decided that they did not want to have anything to do with it because they did not want to get sucked into civil damages proceedings, so nothing happened.

We were saying to the coroner this really needed to be resolved, destructive testing on this crankshaft needed to occur, and on 3 January 2003 the coroner authorised again the testing and said that whenever the crankshaft was opened up and any destructive testing occurred the ATSB and other parties were to be present to make sure that that occurred properly under supervision. Testing did start in the middle of January, but it stopped at lunchtime on 16 January, having done some destructive testing but not down to the origin of where the fatigue crack initiated. Although it had not been completed, counsel for the families, Mr Greenwall, said to the coroner's counsel that it had been completed. The next thing that happened was that we, having been witness to this stopping before it had been completed, told counsel assisting in Adelaide—I went over to Adelaide the next day and suggested that the crankshaft should come back to Australia for the ATSB to finish the job that had not been completed. Counsel assisting was very sympathetic to that. The next thing was there were a number of telephone calls and he was indicating that that was a good course of action, he seemed to be very supportive. The next thing that happened was that the testing resumed without us being told or being present. In fact, no-one was present when the destructive testing was completed in the United States—only the engine manufacturer and McSwain's. An incredibly voluminous report in a couple of volumes with hundreds of photographs was meant to be sent to the coroner, but what came some weeks later was a very short report of about 12 pages long, much of which rehearsed things that were in our earlier report.

That final report from McSwain's—and the conclusions are in our supplementary report together with our commentary upon them—basically continued to maintain the opinion that there was a problem in the steel in the crankshaft, based on the destructive testing that they had undertaken, but they had only looked at one side of the crack. They had some circumstantial evidence in a couple of areas. They thought that maybe something that had been embedded in the steel when it was manufactured had dropped out—they could not really

be sure—but they still opined that there was a problem with the steel. That is a long answer, but I think the context is important.

Senator BUCKLAND—I will need to read *Hansard* to recap a lot of that, but we will go over some of the points you made. The first test was 16 September 2002—is that correct? That was the first destructive test?

Mr Bills—No, the first destructive testing occurred in the middle of January 2003, between the 13 and 16 January, is my memory.

Senator BUCKLAND—On that occasion was the crankshaft tested to destruction?

Mr Bills—There was destructive testing in that they carved off, probably is the best way to describe it, thin layers as they went towards the area where the crack initiated.

Senator BUCKLAND—I think we covered some of that on the last occasion.

Mr Bills—That is right, but it was not finished. So there was destructive testing that occurred but not to the point where the crack originated.

Senator BUCKLAND—On the subsequent testing, was it tested to destruction on that occasion?

Mr Bills—No, not quite. It got to the point where the crack was initiated, but after it came back to us in March—and I have not covered that part of the story—it was still possible to do some further destructive testing on the one side of the crack that had been destructively tested in the US, and the other side of the crack had not been touched at all. So we were able to initiate destructive testing on that side, which we did, with independent witnesses.

Senator BUCKLAND—Where is the crankshaft now?

Mr Bills—We have it.

Senator BUCKLAND—In relation to the coroner-initiated testing in the US—and I ask you, Mr Bills, because, as I say, we only got this last week so I have not read through the coroner's report or findings again and I have not read through the first ATSB report, so there is a little bit of memory here—correct me if I am wrong, but my understanding is that the protocol in the US for testing of this nature is that the terms of what will happen, how it will happen, are actually hammered out between the lawyers—that is, the lawyers in this case for Textron Lycoming, the plaintiffs, I think you said it was Mr Greenwall, and the South Australian coroner. Is that your understanding of how it occurred?

Mr Bills—There were certainly some protocols that were agreed in South Australia, that is correct.

Senator BUCKLAND—Would it also be fair to say that Textron Lycoming would not agree to any testing unless they had experts present? In fact—again, this is recollection—they were insistent on having someone present. Are you aware of that, or could you respond to that?

Mr Bills—I am sure that would be the case, yes.

Senator BUCKLAND—So the plaintiffs, Textron Lycoming, the coroner, of course the testing agency, were all well represented by experts at that testing. Was ATSB present for that testing?

Mr Bills—The protocol that the coroner agreed on 3 January this year said that the ATSB and any other party that wished to be present had a right to be present. We were present between 13 and 16 January, but we were not present when the further testing occurred later in the month because that occurred without our knowledge, despite the fact that I had been talking to the coroner's counsel assisting who was saying that he was sympathetic to the crankshaft being brought back for us to complete the testing. So it happened without any notice whatsoever, despite the coroner's formal order that we had a right to be present, so we were not present.

Senator BUCKLAND—Do you have a view about the testing that was carried out on 13 to 16 January and then subsequent testing? Do you have a view as to what was done at that time? Was it the standard testing regime or was there something special or different?

Mr Bills—It was relatively standard. There were two problems. One was as time passed, as they got towards lunchtime on the 16th, they accelerated the rate at which they were doing certain things and so at the very time when you should be taking more care, less care was taken. As I say, ultimately when they ceased work they had not finished the job. But in terms of what they had been doing, I think it was relatively standard. I do not think there was a particular issue about that. There are issues in the detail, but nothing major.

The real problem was that McSwain, through Mr Greenwall—I think Dr McSwain, as well, of McSwains—had said to the coroner's counsel assisting and solicitor that the testing had been completed on the 16th and they were still maintaining that a number of days later, whereas our metallurgist who was over there said that that was not the case. Also things were alleged to have been discovered by lunchtime of the 16th which were at significant variance from what our metallurgist observed and reported both to me and to the coroner's counsel assisting by teleconference on the 17th. I think they are probably the major differences.

Senator BUCKLAND—I think you said that the testing at about lunchtime on the 16th was sped up. Was that the correct term?

Mr Bills—In the lead-up to ceasing work at about 1 o'clock on the 16th, as they were going through successive layers, instead of taking more care as they got closer to the site where the crack was initiated, things were speeding up to try to get as much done as possible by 1 o'clock on the 16th—this sort of arbitrary time at which work ceased.

Senator BUCKLAND—In your view, that would have made a significant difference to the results?

Mr Bills—No, I did not think it did. It was a higher risk practice. It was less careful than it could have been. But our report of what happened up to that point at 1 o'clock on the 16th is fairly clear and there was no evidence of a material defect in the crankshaft up to that point.

Senator BUCKLAND—Following this testing—and you said that there was one occasion you were not present—were you surprised that Textron Lycoming settled the plaintiff's claims?

Mr Bills—No, I was not. This is an area where I will need to speculate to an extent, because we do not have access to the detail of that settlement. There are two media reports that are potentially helpful. One is by Terry Plane in the *Australian* on 30 July and another is in *Australian Aviation* of September this year. Terry Plane in particular seems to have had access to some court documents that we have not had access to despite trying. I do not think we had a right to have access to them, and the Commonwealth of course acts as a model litigant ethically and so we have not tried to get things that we are not entitled to. As I understand it, based on his article—and it seems to be reasonably understood—the settlement was of the order of \$US5.5 million in respect of the eight fatalities. Our sources in the United States—and we checked this recently—indicate that a typical settlement in the United States for a fatality is \$US2.7 million. So the settlement for the eight fatalities is of the order of one-third or slightly under a third of the typical settlement. So that was essentially in Terry Plane's article.

In the *Australian Aviation* article—and that seems to have included a source involving lawyers for the plaintiffs—it was indicated that had the matter proceeded to trial in the US the advice was that the damages amount would have been significantly less than the settlement amount. Some \$5.5 million sounds like a lot of money, but what I am suggesting—and, as I say, I cannot prove it other than the sources I have quoted—is that it may not have been a very strong case. So it may have been seen as a good settlement for the families to get what they did get, and I certainly do not begrudge them that. But in terms of Textron Lycoming, according to Mr Plane's article, the families had to sign something along the lines that there was not a material problem in the crankshaft and of course they would not claim in the future and all the rest of it. From Textron Lycoming's point of view, the matter went away and there was not a potentially new issue involving their engines and their crankshafts, which had of course come up in our report, that differed from the material defect in crankshafts—about 30 per cent of the batch potentially affected were tested and were shown to have a material defect.

What I am driving at is that they were probably insured for that risk. It was a known risk. They did not want a new issue to potentially be on the tables as a litigation matter. The families got a settlement but it was much less than typical in the United States. I think where you were going—and I think perhaps what the coroner may have thought as well; counsel assisting certainly intimated this from time to time—was that the settlement proves that the crankshaft was defective in the steel and I am suggesting that the size of the settlement may indicate quite the opposite.

Senator BUCKLAND—You mentioned in your press conference that you got this information from sources in the United States. You have also mentioned Terry Plane. Who were the actual sources in the United States you got the information from?

Mr Stray—I cannot remember the exact title, but the Family Assistance Group was formed after the shooting down of the Korean Airlines plane. A group was formed by families of the victims of the shooting down of the Korean Airlines aircraft some years ago and that group has assisted families in subsequent air disasters. A Mr Efraimson, an elderly gentleman, lost his daughter in the crash and he is the spokesperson for that group. I was in the United States and met with him at a conference only a few weeks ago. He has been very helpful with

supplying us with a lot of information about these issues. There is assistance in understanding the litigation and family assistance.

Senator BUCKLAND—Would it be normal for that group to be made privy to any settlement that is made?

Mr Stray—I could not answer that, but they do have inroads to many of the groups. There is a European group also. I met the lady who is the spokesperson for that who lost her parents on the Concord disaster, and she links very closely with this American group.

Senator BUCKLAND—Have you seen the actual terms of settlement?

Mr Bills—No. That is why I was saying that what I was suggesting to you had an element of speculation in it. I apologise for that, but it is an area where I know in the past people have assumed that the settlement proves that the crankshaft—because people have put this to me—must have had defective steel. I do not believe that that is the case, and I have given you what evidence we have. But we have not seen the terms of the settlement.

Senator BUCKLAND—So the \$2.7 million per family you quoted in your press conference is a ballpark figure? I do not know, and I am just asking.

Mr Bills—It is according to Mr Efraimson. As I say, we checked that quite recently. Previously, there was a serious book written on the crash of Flight 427 which indicated the average settlement was around \$US2 million, although it could go significantly higher if there were young people on it or professionals and so forth. I do not want to be too precise, but it is significantly more than the actual settlement that Mr Plane cited in the *Australian* newspaper.

Senator BUCKLAND—I am using my interpretation of the press conference here. I run into a difficulty, I am sorry, Mr Bills, in that I actually typed up a heap of questions and conveniently did not bring them. So I have had to rewrite them. So for some of these I am just relying on my interpretation as best I can today. In that press statement of last week you said that the damages paid to the plaintiffs were a bit low, thereby reducing the likelihood of Textron Lycoming accepting blame and your theory being correct—that is, regarding the crankshaft. You also say the quoted but unconfirmed figure is a bit low. I think I said that. But you also made reference to the extent that you are aware that the maximum payment in cases of death apply where dependants are concerned. Of course, in the case of the Whyalla Airlines tragedy not all the passengers—and, indeed, as I recall, the young pilot—had dependants. So that \$2.7 million figure is really no more than a guesstimate and could in fact be quite inaccurate in some instances?

Mr Bills—I have the transcript of my media conference here and I am looking at the area that you are referring to. I cannot see any reference to dependants in that.

Senator BUCKLAND—No, these are my words. But you would be aware that in cases of death—you may not be aware, let me say—where dependants are concerned payments are higher than if there are no dependants?

Mr Bills—That could certainly be the case. But the \$2.7 million was per life, irrespective of whether there were dependants or whether someone was a sports star, which may mean the payment could be much higher if it went to trial, et cetera. That would really reinforce the point I made because there were dependants involved in this case, unfortunately.

Senator BUCKLAND—The comments you made in relation to this would have us believe that the MZK's left engine had a perfectly good crankshaft?

Mr Bills—No.

Senator BUCKLAND—You have said even this evening that they have done—

Mr Bills—No, what I said was that our testing indicated that there were no problems in the steel of the crankshaft that under normal operating conditions would have led to the crack being initiated. There is complete agreement that this crankshaft, about 50 flights before the accident, started to develop a fatigue crack. So by the time of the accident that fatigue crack had progressed quite significantly. So it certainly was not a perfectly good crankshaft. What I am saying is that there was not a manufacturing problem in the steel of the crankshaft, based on our testing. But the crankshaft was certainly not in perfect order when that flight took off just before the accident. Our alternative is that the crack was initiated by a bearing touching the surface of the crankshaft, heating the surface and initiating a thermal crack which then progressed subsurface just below the nitrated case.

Senator BUCKLAND—The metallurgist you sent to the US for the testing or at least three days of the testing—that was Mr Neville Blythe?

Mr Bills—Correct.

Senator BUCKLAND—Was this the same Mr Blythe who claims he did not see any fault in the crankshaft?

Mr Bills—At what time period are you talking about?

Senator BUCKLAND—He has made a statement that there was no fault in the crankshaft.

Mr Bills—Mr Blythe reported to me in the presence of the coroner's counsel assisting and solicitor and also one of our solicitors on 17 January that the testing that he had witnessed to that point did not indicate that there was a manufacturing defect. So if that is what you are referring to, then certainly that is Mr Blythe.

Senator BUCKLAND—That was despite his written report stating that at 6 p.m. on the second day of the testing Mr Leary—Mr Leary being a lawyer for Textron Lycoming—said that they believed there were grounds for suspecting the presence of a steel-making defect. This was of such concern that they wanted to stop the testing because of the concern of spoiling the primary evidence. They wanted to preserve this as evidence so they could join the steel manufacturer to the proceedings in the US. It seems to me that there are two versions of the story.

Mr Bills—No, the fact that a lawyer might be concerned that the testing might uncover something that another party to potential litigation in the US may want to see really has nothing to do with Mr Blythe's report. He was reporting what lawyers said to him. Firstly, they were not technical experts. Secondly, I do not think there was any conflict.

Senator BUCKLAND—I understand that. I understand that a lawyer is not a metallurgist or an expert in testing procedures, but it concerns me that what Mr Leary had to say would have been based on expert opinion at that time. I accept what you say. Whether I can myself believe that, I am not at this point entirely sure.

CHAIR—You have aroused my curiosity. Was the bearing edge which interfered with the crankshaft service a thrust bearing, a half-thrust bearing or what was it?

Mr Bills—There are some diagrams in our report. It is essentially the bearing back, which is in two halves.

CHAIR—It is a crankshaft bearing?

Mr Bills—Yes.

CHAIR—So it is one of the bearings?

Mr Bills—That is right, exactly.

CHAIR—But it was not a thrust bearing; it was just one of the main carriers?

Mr Bills—That is right, yes.

CHAIR—What did it do? It just rubbed on the back of the—

Mr Bills—We think the edge of it just touched the surface of the crankshaft.

CHAIR—But that means either the crankshaft moved or the bearing similarly moved.

Mr Bills—Exactly.

CHAIR—Does that mean the thrust bearing was giving way?

Mr Bills—We think that at around about 50 flights before the accident there was some combination of higher than normal engine pressures and we think that was the result of pre-ignition.

CHAIR—All right. But how did you pick that up 50 flights before and not do something about it?

Mr Bills—You could not.

CHAIR—How do they know that? Is it a guess?

Mr Bills—No, it is because of the layers of the crack as it progressed. There was an extra layer with each flight cycle.

CHAIR—It was a fatigue crack where the half-bearing and the crank sits against or right under the bearing. Was it on the edge of the bearing, the fatigue crack, or under the bearing?

Mr Bills—There is a picture in here, which is probably easier. And I am hampered by the fact that I am not a metallurgist. It failed to act as it should have acted. The bearing failed.

Senator BUCKLAND—The real concern I have developed, Mr Bills, is that it appears to me that everyone except the ATSB metallurgist could see there was a problem. It really does concern me. That may be a very shallow view. But with the reading I have done I tend to think that we have a real problem with the way ATSB approached and observed what was going on. You see, I do not think for one moment—I may be wrong—that Mr Leary, the solicitor, would have had sufficient capacity without expert advice to have believed that the testing should stop to preserve the evidence.

Mr Bills—This testing, remember, was meant to have occurred by October 2002 and it did not happen. The parties did not agree to let the testing proceed for a very long time. We had to

be very insistent to get this moving. Here we are, the testing is finally going on in January and at the first whiff of potential concern to one side they tried to stop the testing again to bring in another party. There seemed to be a lot of this happening. There were a lot of legal games occurring. It is fairly unfortunate that any questions are placed upon us. We had nothing to gain in all of this. We were trying to see if there was a safety problem.

Lawyers were trying to minimise exposure for their clients or maximum damages depending on which side they were on. That seemed to be the major issue. In terms of everyone agreeing with ATSB, here we have the firm McSwain and the counsel in Adelaide saying that this testing had been completed on 16 January. That is patently not true. It was not true several days later when the same line was still being run. We said it was not true. We were correct. Unfortunately, they resumed the testing some days later without us being there. I put it to you that that is a fairly strong indication that what was being said occurred at that time was not an accurate reflection of what was occurring at that time. Our person on the spot, who was a metallurgist, was giving a full and fair report as he saw it.

Senator BUCKLAND—That is an area that concerns me. I am in a fortunate position where I have not taken a side in this issue. I have made no public statement, despite many opportunities to do so early in the piece and subsequent to that. I am not an expert, but I want to get to the truth as best I can. I feel there is something missing in what is being put forward. I note in your latest report you indicate that a Piper Chieftain such as MZK was capable of single engine flight of 167 knots—I think that is measured in ground speed. You will have to correct me if I am wrong. That being the case, where do you get this single engine flight speed from?

Mr Bills—I am not quite sure what you mean.

Senator BUCKLAND—Does it come from manufacturers advice? Do they say that their plane can go 30 kilometres faster than it really can as they do with cars? Is there a test for it or is it age, engine type, frame modification or whatever?

Mr Bills—There are a number of answers to that in that case. The manufacturer gave us some performance data on the engines and that was part of the basis. That was cited in our initial report. I cannot give you the page reference off the top of my head, but I can find that later. In addition, there was an engine in the United States on a test stand that was tested while the coroner and our other people were there. It showed, for example, that the engine, which is rated at 350 brake horsepower, actually delivered 359 brake horsepower at just under 2,400 RPM at 45.8 inches of manifold pressure and a full rich mixture. This indicates that engines can produce more than their rated power, which is one thing that was in dispute during the inquest. That was with a full rich mixture. At a less than full rich mixture you could potentially get power, although the risk of detonation would be much higher. Our belief is that the reason the right engine developed a hole in the top of the right piston and there was melting damage to other cylinders around No. 6 was that that indeed occurred.

No-one actually knows what the ultimate one engine performance is when an engine is operating beyond where it is meant to in terms of specifications. We can never answer that question. We had manufacturers data; we had test stand data; there was a test flight conducted

in the United States which also provided some additional supporting data. They are the main sources.

Senator BUCKLAND—I did not really understand the significance of 167 knot speed for a single engine. I might have missed something, but I could not see the significance of that. It is that the Chieftain on a single engine has a much lower single engine speed capability—is that right?

Mr Bills—No, it really goes to the accident scenarios and the coroner's scenario, as against the one we believe is much more likely. In our scenario the left engine had a fatigue crack developing over 50 flights and the crankshaft fractured into the cruise section of the flight after a fairly normal take-off and climb. The broken crankshaft remained dogged for about 10 minutes before completely fracturing, then the aircraft operated on one engine—namely, the right engine in our scenario—and achieved the speed that was achieved in the radar data that we have for that aircraft. That is the significance: could it maintain the speed that it did maintain on the night of the accident flight?

Senator BUCKLAND—How do you know it did maintain that speed?

Mr Bills—Because of radar data.

Senator BUCKLAND—I suspected that was the case.

CHAIR—How many hours did the engine have on it?

Mr Bills—About 260.2 is what sticks in my mind. It is in the report that you have, rather than the one I have at the moment.

Senator BUCKLAND—Did you at any time discuss that with the NTSB, the US crash investigator body, to see whether they could help you or guide you to come to a conclusion that this was the speed of the plane?

Mr Bills—We did not seek their opinion on that aspect. We sought their opinion and assistance in some other aspects of the report. We were mainly interested in getting assistance from the engine manufacturer, but, unfortunately, because of the litigation in the US, no-one was giving a lot of assistance, I think it is fair to say.

Senator BUCKLAND—Who was it that you spoke with?

Mr Bills—When?

Senator BUCKLAND—When you spoke to NTSB or were there a series of people.

Mr Stray—The head of the international liaison group, Mr Robert MacIntosh, and his manager Mr Tom Haughter. That is the usual protocol for interaction with the agencies. Then they appointed an accredited representative. That person is the liaison person from then on.

Senator BUCKLAND—Was any of this communication between ATSB and NTSB in writing?

CHAIR—What did they conclude was the cause of this accident?

Mr Bills—What did we conclude or what did the coroner conclude?

CHAIR—The two versions.

Mr Bills—We concluded that the most likely scenario was that the left crankshaft broke after this fatigue crack progressed to separation on the accident flight. It stayed dogged together for about 10 minutes, then it completely fractured and the engine went completely. Then we believe that extra power was applied to the right engine and at about 1858—the crash was about 1906—the whole—

CHAIR—Why do you reckon the crankshaft failed?

Mr Bills—Why? Because of the fatigue crack that was initiated by that interference with the—

CHAIR—It was just a bearing failure.

Mr Bills—side of the bearing—a thermal crack.

CHAIR—There is nothing very surprising about what is in here. It is a bearing failure. On a Cat throwaway engine this happens all the time unless you change the bearing. If they slip a bearing at 3,000 hours, you will crack the crankshaft. Big deal! It happens every day on the farm, if you let it happen. So what does the opinion somewhere else say caused it?

Mr Bills—The opinion somewhere else—this is after our report came out in December 2001—is that there was a dodgy batch of crankshafts and so this one broke because—

CHAIR—That is a load of rubbish.

Mr Bills—of a material fault within the crankshaft. It is true that there was a dodgy batch of crankshafts, but not all of them were dodgy. All of the testing we have done says that this one was fine under normal operating conditions, and the fatigue crack was initiated from the surface. We have got pictures of it and everything else.

CHAIR—That is not unique to flying a plane.

Mr Bills—Certainly not.

Senator BUCKLAND—I have just asked you about the documentation. I might have got confused as to whether we got an answer to that. Is there any documentation in relation to the ground speed calculations?

Mr Bills—The main documentation is—

Senator BUCKLAND—Any documentation coming out of the NTSB?

Mr Bills—The documentation in terms of single-engine engine speed is not from the NTSB. It is from the sources that I mentioned; namely, the engine manufacturer, the radar data, the test flight in the United States and—what was the other one?

Senator BUCKLAND—That is okay. I can pursue that perhaps later. Mr Chair, I will be here for about three hours with this, and I am aware that other things have to be dealt with. I will seek other opportunities, but there are a number of questions that I really do want to ask.

CHAIR—We will just let Senator Ferris have a go and then we will work out how much more time we need for the night and try to give you as much as you need.

Senator FERRIS—Mr Bills, you made a comment at the end of the press conference. You said:

There has to be an end to this process eventually, and I do not really want to speculate on motives or anything like that.

Let's just start there. What do you think is the end to this process?

Mr Bills—I do not know. In one sense the end of the process is whatever this committee decides. I am hopeful that, the settlement having reportedly occurred, the litigation in the US has ended. The coronial inquest has ended. We have released our supplementary report based on the investigation we reopened under the legislation as we were required to do. So the last aspect, I hope, is the committee's questions, which were deferred from last time, so I was expecting them this time. So whenever you say it is over, it is over.

Senator FERRIS—Clearly there are still a lot of unanswered questions. Senator Buckland is exploring some of those. I would just like to take the position of some of the families in South Australia, in particular some of the women and children who are now without a parent as a result of the accident. I have had correspondence from them over the last week, in particular since your press conference of last week, to draw my attention to the fact that until the news came on that night they had no idea that you would be releasing that report.

I know that in the past you have been quite diligent in making sure that those families have been aware of the fact that you were about to release something. So where was the breakdown this time? Individually I think three widows contacted me to say that they were extremely distressed when, without warning, the television news opened up the whole process again—footage of the crash, footage of the aircraft, a comment from you which differed from what they had accepted—and that they had no prior knowledge of it. Can you tell me whether there was some breakdown in the communications there?

Mr Bills—We were in a difficult position in the sense that the inquest was incredibly, in our view, legalistic and adversarial. When the coroner released his report on 24 July I was asked about whether we would be seeking to overturn it in the Supreme Court or challenge the findings. Basically, our view is that that would not be an appropriate use of time or money, even though, as you understand, we were aggrieved.

Senator FERRIS—But just a courtesy. If you could not have told those women what was in the report, was there any reason they could not be told to expect it that day?

Mr Bills—We were not certain that it was going to be tabled. What I was leading to is that the report was tabled in the Senate, and the reason it was tabled in the Senate was that we wanted the protection of parliamentary privilege for it so that we were not opening up a new round of potential litigation. That is where I was coming to.

Senator FERRIS—I accept all of that.

Mr Bills—We were not certain it was going to be tabled on the 28th. It was possible that it could be tabled on the 29th.

Senator FERRIS—But you still could have told them. If you recall, the first time around we did a lot of questioning in this committee. I can clearly recall you telling us that you had contacted the families and they had seen an early draft, as I recall, of your report. I find it really distressing that children watching the news suddenly saw the whole thing for their fathers opened up again, with no prior warning. It surprised me, because it was not the way

the ATSB had operated in the past. I accept the uncertainty of Senate tabling and so on, but I still find it very unusual that you would have done that. I think it is very unfortunate, because these people are looking desperately for closure, particularly the children who were orphaned. It is just a very bad breach of faith not to warn them that when they saw the news that night they were going to see the whole thing all over again. They did not have the choice about turning it off or making sure they did not watch it. I really think that ATSB needs to apologise to those families. If I showed you the letters that I got from some of those widows you also would be very distressed. I would really like ATSB to consider a letter of apology to each of those families, because they were particularly distressed.

Mr Bills—I am certainly very sensitive to the distress, and I have spoken to some of the families myself. There were some parties that said that they did not expect any additional ATSB report, that they did not know anything about that. It was made clear in my media statement on 24 July, when the coroner released his report, that there was another report, that it was not the end of the process. I said that in the media. There was a nasty, in my view, editorial in the *Advertiser* about that. So I think it was well known that there was another report coming out.

Our normal process—you are quite right—is to give an advance copy of the report to all of the interested parties and directly involved parties. On this occasion it was not possible because we could not do that and have the protection of parliamentary privilege. So what happened is that they were express posted on the day. I spoke to the grandmother of the three children at length, and I think she understands where we are coming from. I was very sensitive about the issue and I have—

Senator FERRIS—I know you have been in the past. That is why this breach was unfortunate. I will not labour the point, because I know that Senator Buckland has a lot of technical questions. I suspect that, because of time constraints, we may need to take some time at another time to complete the questioning on this.

Senator BUCKLAND—I just have a few questions. Where is MZK stored now?

Mr Bills—When we had finished our investigation, under our legislation we needed to hand it back to the lawful owners. The coroner intervened and requested all of the wreckage, so he had it stored in Adelaide. Really, he had control of it. So other than the crankshaft that came from the United States to us, with the coroner's agreement back in March this year, I cannot tell you where the rest is because the coroner had control of it. I assume it is passed on to the owners, but I do not know.

Senator BUCKLAND—I am all done. I did not get the answer I thought I might have got.

CHAIR—Thank you very much for that, gentlemen. We will move on to output 5.1, Regional programs.

Senator O'BRIEN—Ms Riggs, how many people work in regional offices assigned to your division?

Ms Riggs—Senator, the number of staff in regional offices at the moment is some 57. That is regional officers working on regional programs.

Senator O'BRIEN—That is your area, is it not?

Ms Riggs—I am one of the three first assistant secretaries of the programs group.

Senator O'BRIEN—Can we get a breakdown of where they are located, please?

Ms Riggs—I am sure we have given that to you in the past, Senator, but I will be happy to take that on notice.

Senator O'BRIEN—Give us a reference and we will look it up.

Ms Riggs—I have been passed some additional information. Perhaps I could give you the numbers now.

Senator O'BRIEN—Okay, that is fine.

Ms Riggs—These are by state rather than by individual office. You will recall that in a small number of states we have more than one office. We have 15 staff in New South Wales in regional offices, 11 in Victoria, three in Tasmania, seven in Western Australia, two in the Northern Territory, six in South Australia and 12 in Queensland.

Senator O'BRIEN—Question on notice 2167 was placed on the Senate *Notice Paper* on 22 September. Do you know if that question has been or is about to be answered?

Ms Riggs—The response to that is still in preparation, Senator.

Senator O'BRIEN—How long do you think before we will see that answer?

Ms Riggs—It is in preparation and we always try to do our best.

Senator O'BRIEN—In relation to the Regional Partnerships Program, how many projects have been approved for funding in 2003-04?

Ms Riggs—To date 11 projects have been approved under regional partnerships in this financial year.

Senator O'BRIEN—What is the total level of funding for these projects?

Ms Riggs—Some \$556,000.

Senator O'BRIEN—What is the committed expenditure for this financial year on that program?

Ms Riggs—This is, as you know, a new program, but if I encompass within my response to you the commitment from the previous programs, which now come under the Regional Partnerships framework—that is, we are managing out, as you know, contracts under regional assistance, regional solutions, and Dairy RAP under this—then the commitment for expenditure in 2003-04 for all the projects under that broad Regional Partnerships banner is some \$83 million.

Senator O'BRIEN—What is committed for the same program for 2004-05?

Ms Riggs—Senator, I will take it on notice.

Senator O'BRIEN—Is there any financial commitment for the subsequent two out years?

Ms Riggs—Not that I am aware of, and if I am incorrect I will provide that in the same answer.

Senator O'BRIEN—In relation to projects approved for funding prior to 30 June 2003 from the Regional Solutions Program, how much has been committed for expenditure in 2003-04?

Ms Riggs—That is some \$20.3 million.

Senator O'BRIEN—Of that committed money, how much has been expended to date in this financial year?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Is there any money committed for expenditure in the subsequent three out years?

Ms Riggs—Senator, I am advised that there is a small amount only in 2004-05. It is less than \$1 million.

Senator O'BRIEN—In relation to projects approved for funding prior to 30 June 2003 from the Rural Transaction Centres Program, how much has been committed for expenditure in 2003-04?

Dr Dobes—Senator, I only half got that question, but I think I understood you to ask how much has been committed for the Rural Transaction Centres Program for 2003-04. The amount that I have here is some \$20.38 million.

Ms Riggs—Senator, I think I need to correct that. That is our expected expenditure. In fact, what has been committed is just under \$6 million.

Senator O'BRIEN—And how much of the just under \$6 million has been spent to date?

Dr Dobes—In terms of cash expenditure, it is about \$2.4 million, but there are obviously things in the pipeline which we expect to spend. But the actual cash expenditure is \$2.365 million.

Senator O'BRIEN—How much is committed for expenditure in the out years 2004-05, 2005-06, 2006-07?

Dr Dobes—There is nothing specific. There will be projects ongoing, but I cannot really tell you off the top of my head exactly how much because it will depend on which projects get their funding approvals coming through at particular rates. But we could look that up for you and give you a better estimate.

Senator O'BRIEN—Thanks for that. In relation to projects approved for funding prior to 30 June this year from the Regional Assistance Program, how much has been committed for expenditure in 2003-04?

Ms Riggs—I am sorry, but we do not have the breakdown of the Regional Partnerships commitment in the fulsome detail that you clearly want, so we will take that on notice.

Senator O'BRIEN—With that could you tell me how much of the funds committed for expenditure in 2003-04 has been expended to date and how much has been committed for the following three out years?

Ms Riggs—Yes, certainly.

Senator O'BRIEN—In relation to projects approved for funding to 30 June 2003 from DRAP, how much has been committed for expenditure in 2003-04?

Ms Riggs—That is some \$16.6 million.

Senator O'BRIEN—And how much of that \$16.6 million has been expended to date?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Could you also let me know the commitment for the out years 2004-05 et cetera?

Ms Riggs—Yes, certainly.

Senator O'BRIEN—In relation to projects approved for funding prior to 30 June from the Wide Bay-Burnett structural adjustment package, how much has been committed for expenditure in 2003-04?

Ms Riggs—I believe that it is some \$700,000.

Senator O'BRIEN—And how much of that \$700,000 has been expended to date?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Thank you.

Ms Riggs—I will take your follow-on question on notice, although on this occasion I would like to say that we anticipate that this package may in fact be completed in this financial year.

Senator O'BRIEN—It will be a short answer then?

Ms Riggs—I would hope so.

CHAIR—Senator O'Brien, before you go on, we were going to have a supper break now. I know you are in the middle of asking—

Senator O'BRIEN—I would never be involved in breaking down conditions.

CHAIR—It is good to hear you have your priorities in order. Thank you.

Proceedings suspended from 9.06 p.m. to 9.20 p.m.

Senator O'BRIEN—I have got some questions about the grant of \$220,000 to the Beaudesert polocrosse association and Dairy RAP. In May I asked a number of questions about this grant. The department was unable to assist me at the hearing but answered a number of questions on notice. The department had access to the file related to this grant to answer those questions. Have you brought that file along today and is there an officer who is able to answer questions about the expenditure of this money?

Ms Riggs—No, we thought we had answered your questions on notice and therefore we have not come equipped to respond in even greater detail.

Senator O'BRIEN—Were you not given any notice that this matter was going to be raised?

Ms Riggs—We were given no notice that this matter would be raised.

Senator O'BRIEN—In answer to question on notice No. 7 the department says it does not know how many members the proponent polocrosse association had at the time of the application. That is a pretty basic question. Could you tell me how the department could make an assessment about whether the proponent was a legitimate polocrosse association let alone whether it had the capacity to deliver an international standard multidiscipline equestrian centre without knowing if it had any members?

Ms Riggs—There is no-one in this room who was involved in that assessment so, no, I am not able to assist you in answering the question that you have asked.

Senator O'BRIEN—The answer you provided says the Beaudesert polocrosse association has four board members that represent a user group. The question, however, was how many members it has. Does that mean that the only members are in fact the board members?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—The answer says that the four board members each represent a user group. Do you have any information on the user groups—how many members—

Ms Riggs—No, I do not.

Mr Matthews—I think the situation is that we do not have people or information in the room to answer questions about this matter.

Senator O'BRIEN—Who is handling this matter? Anybody? It is just a follow-up matter, is it? Is it handled in Canberra? Is it handled in the regional office? Is it simply a record that is on file somewhere? This is a \$220,000 grant that has been the subject of a number of questions in Senate estimates to date.

Ms Riggs—The file on this matter is held in our Brisbane office. That is where all the base work on the assessment for this project would have been done.

Senator O'BRIEN—So when the question on notice went out, where were the answers prepared?

Ms Riggs—The information for the answers to these questions would first have had to be culled from the file that is in the Brisbane office by staff in that office.

Senator O'BRIEN—This particular application featured in the *Daily Telegraph*. I think a photo of the polocrosse field appeared in that paper on 15 April of this year. It pictured a fenced paddock with limited infrastructure—what looked like a small garden shed. Would any of your Queensland officers have visited the site since that time to check on the value for money aspects of this project?

Ms Riggs—Since April of this year?

Senator O'BRIEN—Yes.

Ms Riggs—I will have to take that on notice.

Senator O'BRIEN—Would there have been any instruction from Canberra to follow that up?

Ms Riggs—I am not aware of any such instruction.

Senator O'BRIEN—I asked Dr Dobes in May what we were supposed to get for our \$220,000, funded by the 11c a litre milk tax. I do not think we received an answer to that, Dr Dobes. Can you assist me further?

Dr Dobes—Not here. We have had a change in the way we run the program, so I am not any longer running that program. I can certainly chase that up for you to see what happened.

Ms Riggs—I think Regional Programmes question 8C, taken on notice at that hearing, says—

What was the \$220,000 supposed to pay for?

And we have in fact provided an answer. I am happy to read it to you. It says—

I am advised that Dairy RAP funds were provided to fence the site, carry out initial preparation of the competition surfaces and erect stables and yards.

Senator O'BRIEN—So 8C is the answer from the last estimates hearing. There have been dozens of questions on notice. I am still bewildered as to why the department was not prepared to deal with this matter this evening.

Ms Riggs—I understand that we have provided a response to every question from those hearings that were agreed between the department and the secretariat to be questions on notice.

Senator O'BRIEN—So which answers do you refer to?

Ms Riggs—I believe that the numbering system that I have in front of me for the complete suite of answers given to this committee's secretariat through the minister calls the response that I am talking to RPROG08C.

Senator O'BRIEN—Is that the only one you have?

Ms Riggs—There are several here that go to the Beaudesert equestrian project—RPROG07, RPROG08 and RPROG08A, B and C. There are at least those five.

Senator O'BRIEN—In terms of that particular project, can you remind me how many job outcomes have been generated by this project?

Ms Riggs—That response is provided in RPROG8A. The expected employment outcomes—

Senator O'BRIEN—I am not sure we have seen these answers. That is why I am asking the question.

Ms Riggs—Perhaps I can assist by giving you a set of what I believe to have been the tabled answers in respect of your questions about the Southern Cross Polocrosse and Equestrian Centre upgrade.

Mr Matthews—Chairman, could I ask the secretariat whether they—

CHAIR—We will find the answer.

Mr Matthews—We believe that these questions have been answered.

CHAIR—To the best of the knowledge of the secretary, he agrees with you, but we are about to find out whether—

Mr Matthews—The other point I would want to make as secretary is that I do not want there to be left any impression that the officers are in some way failing in their responsibilities by not coming prepared for this, because they had answered all of the questions and they had no indication that this was to be raised.

Senator O'BRIEN—There is no list on the program here of 8A, B, C and D, so that may explain the difference, but I am not sure without going back to the office and checking all of the records. Nevertheless, Ms Riggs, you have come here obviously with that material—

Ms Riggs—I always come to one of these hearings with the questions we have answered on notice from the previous hearing.

Senator O'BRIEN—So when did you supply these answers, Ms Riggs?

Ms Riggs—I do not have the precise date with me, but I can assure you that any questions in relation to Regional Programmes were answered within, if not the agreed time then within a few days after that.

Mr Matthews—We will be able to supply that.

Senator O'BRIEN—In terms of the issue of the Morgan Park polocrosse field, which is 100 kilometres from the Beaudesert polocrosse project, I see you say in your answer that the department was aware of this project. I take it that means it was aware of the project at the time it funded the Beaudesert polocrosse project?

Ms Riggs—The answer to PROG8B says that 'I am advised that the department was aware of this'—yes.

Senator O'BRIEN—So the department was aware there was a world-class polocrosse field within 100 kilometres of the Beaudesert polocrosse project?

Ms Riggs—I have just answered the question.

Senator O'BRIEN—I just want to be sure that that is the answer that you have given. In terms of the progress payments that you have advised in answer RPROG8—

Ms Riggs—Yes, Senator?

Senator O'BRIEN—Can you tell me what milestones those payments indicated?

Ms Riggs—No, Senator, I cannot. But I can tell you that the final payment made on 22 November 2001 was made after a site visit which was carried out on 8 November 2001—and this information is contained in RPROG7—at which the officer carrying out the site visit was able to record that all actions outlined in the project application were completed. So I can only assume that the milestone for that final payment was because the project was completed.

Senator O'BRIEN—So the site has been fenced. There has been initial preparation of the competition services and stables and yards have been erected. Is that what has been recorded?

Ms Riggs—Senator, I have not been to visit this site. So in answering—

Senator O'BRIEN—They are the answers.

Ms Riggs—In answering your question, all I can do is draw your attention again to question RPROG8C and its answer, which describes the project, and question RPROG7, which tells us that all actions outlined in the project proposal were completed by that date,

and then RPROG8, which has allowed me to draw, I hope, a not inappropriate conclusion about the fact that we did not make the final payment until we actually knew that all of the actions required in this project were completed.

Senator O'BRIEN—I am just looking at that answer. I know I have referred it to you before. I referred you to a *Daily Telegraph* article and a photograph that appeared with it which seems to show that, yes, there is fencing, there is what looks like a small garden shed on the project, and a sign. I have not been to the site, either. But there do not appear to be any stables or yards constructed.

Ms Riggs—Maybe they are not in the photograph, Senator.

Senator O'BRIEN—Maybe they are not. Is there a report which indicates that that has been inspected, that they have ticked off the work that answer 8C indicates was done?

Ms Riggs—Senator, can I take you back again to RPROG7, which shows that an officer of the Brisbane office visited this site on 8 November 2001, and it records, I assume in summary form from a report on the file, that all actions as outlined in the project application were completed.

Senator O'BRIEN—I am taking that to mean that there are yards, there are stables—

Ms Riggs—Senator, I am taking it to mean exactly what it says.

Senator O'BRIEN—Exactly what it says is 'all actions as outlined in the project application were completed'. RPROG8C states:

What was the \$220,000 supposed to pay for?

Answer:

I am advised that Dairy RAP funds were provided to fence the site, carry out initial preparation of the competition surfaces and erect stables and yards.

Ms Riggs—Yes.

Senator O'BRIEN—All that I am asking you is: are we entitled to assume that the inspection has ticked off all of those projects as having been completed?

Ms Riggs—That is what I take the sentence that I have read out from the answer of RPROG7 to mean, Senator.

Senator O'BRIEN—In terms of answer RPROG8A, I see the expected employment was eight to 10 full-time equivalents and 20 casual staff. But the actuals are significantly less than that, that is, one full-time equivalent last year and this year. Would it be possible to ascertain how frequently the casual staff are expected to be employed or is that—

Ms Riggs—Senator, I think that may be stretching a non-existent relationship between us and this association for something for which we paid out the final money over two years ago. But we will ask.

Senator Ian Campbell—This is a dairy community that is undergoing a transition and quite a stressful period in their lives, I imagine.

Ms Riggs—The real issue is that there is—

Senator O'BRIEN—It is a polocrosse field, actually. It is nothing to do with dairy.

ACTING CHAIR—I think it was steering that funding to a polocrosse club. But I take Ms Riggs's point that you are actually traversing something that I can remember being asked at least twice previously and I think there might be an egg beater present in some of this questioning.

Senator Ian Campbell—Any further questions on this program, Madam Chair, or can I dismiss these officers?

Senator O'BRIEN—In May I asked some questions about the Wide Bay-Burnett Structural Adjustment Program—the Kingaroy council and the purchase of a private hospital. The grant was worth a quarter of a million dollars, so it is not small beer. The answer to a question the department took on notice confirms that the Wide Bay-Burnett Structural Adjustment Program and advisory committee did not recommend the project. Could you tell me when the committee considered the project application?

Ms Riggs—Can you perhaps now help me by pointing me to the number of this question?

Senator O'BRIEN—RPROG 13.

Mr Yuile—You have not seen the written response sent on 11 August?

Senator Ian Campbell—The officer is saying that these were sent on 11 August.

Senator O'BRIEN—I am referring to one we have. I have an email from my office saying that we cannot locate 8A, B, C and D. That may be our problem and I am assuring you that it is an honest problem.

Ms Riggs—I have the response you are referring to. I believe you are referring to part 4 of the response; is that right?

Senator O'BRIEN—Yes.

Ms Riggs—Your question was—I have lost it in seeking your help.

Senator O'BRIEN—When did the committee consider the project application? It would be some time prior to 27 March 2002 obviously.

Ms Riggs—I will have to take that on notice.

Senator Ian Campbell—Does the senator want the department to take it on notice?

Senator O'BRIEN—I do. The advisory committee did not invite the council to make a presentation, did it?

Ms Riggs—I believe you have some other questions on notice about projects in Wide Bay-Burnett, including one which my records suggest—although I do not have the full question with me—is further questions about the Kingaroy Private Hospital. Is it true that you asked the minister on notice these in a difference place?

Senator O'BRIEN—I have asked a number of questions on notice that have not been answered.

Ms Riggs—Perhaps you should wait until the minister has answered further questions that you have already asked.

Senator O'BRIEN—If they have been answered by the time estimates come around it is appropriate that I raise them at estimates and often do. The advisory committee did not invite the council to make a presentation. Do you know why it did not recommend the project?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Did the committee reject the application because this was a regional health department program?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—What date did the advisory committee tell the minister the project should not be funded?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Can you tell me which other projects funded under this program were not recommended by the advisory committee?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—In terms of the chronology of this application, applications closed on 28 September 2001. All projects except the hospital were announced by way of media statement by Mr Anderson on 21 December 2001. Is there something special about this project meaning that it was not announced along with the other 18?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—The advisory committee recommended against this project but, according to an answer that you have given, which we referred to earlier, the minister asked for further investigation. When did he request that further investigation?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Who undertook that investigation?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Did the minister advise the department why he did not accept the advisory committee's recommendation?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—How did the proponent's application change between 18 September 2001 and 14 March 2002 when, according to the department, a revised submission was made?

Ms Riggs—I will take that on notice.

Senator O'BRIEN—Could you provide details of all changes and copies of the original and revised application?

Ms Riggs—I will take on notice the best way to satisfy what I understand to be the intent behind that question.

Senator O'BRIEN—In an answer provided earlier you say that a revised submission was made to the minister on 14 March which he approved. Does that mean this process bypassed the department altogether—that is, the revised application went straight into the minister's office?

Ms Riggs—I will take that on notice. I point out that it was not 14 March this year; it was 14 March 2002.

Senator O'BRIEN—You are correct. Could you ascertain why a grant of a quarter of a million dollars was not, as is the usual practice, the subject of a media release?

Ms Riggs—We will take that question on notice.

Senator O'BRIEN—Does the department consult the Department of Health and Ageing over a \$250,000 grant to purchase a hospital, given that a contract with that department was declared in the application?

Ms Riggs—I refer you to the answer to RPROG 15 in which we say that there are no records of discussion or email exchanges between DTRS and DHA staff. Ms Key would like to clarify the nature of the proposal that we considered.

Ms Key—The proposal was not to fund the purchase of the hospital but rather for equipment and operating expenses for the first few months of the operation of the hospital.

Senator O'BRIEN—Are you referring to RPROG 15 specifically or some other document?

Ms Key—I was referring to the funding of the Kingaroy Private Hospital project. It was not funding to buy the buildings; it was to fund some equipment purchases and operating costs for first few months of the hospital.

Senator O'BRIEN—So the project under this application was for equipment rather than freehold?

Ms Key—It was for equipment and operating expenses.

Senator O'BRIEN—Would you think that it would be appropriate to consult another department where a grant such as this was being made and which affects the operation of an entity potentially being funded by government?

Ms Riggs—In answer to RPROG 15(3) the minister indicated that he agreed that other contracts were relevant to the totality of this project.

Senator O'BRIEN—The department has advised the committee that the \$250,000 grant was acknowledged in the local media and on a plaque at the hospital. When you say the 'local media', can you identify which elements of the media? We have not been able to locate that. I would appreciate your assistance. Perhaps you have media clips that would assist.

Ms Riggs—No. We will have to take that on notice.

Senator O'BRIEN—An answer to a question taken on notice in May says that this hospital does not provide public health services. So presumably that means that you—

Senator Ian Campbell—Mr Chairman, I will just make it clear that I am not going to have the department searching through for media clips from two years ago in western Queensland. It is an outrageous abuse of departmental resources. If it was something lying around, fine; but we are not going to waste resources looking for a media clip. If Labor Party senators, with their generous research staff they are given at taxpayers' expense, have a genuine interest in

this and they cannot keep a media clip or do a media clip search themselves, there is something wrong with their diligence or their resources.

Senator O'BRIEN—What I am saying is that we attempted to locate a media clip but cannot find them. I would appreciate a reference, or if you have a media clip that would be useful. Is there any requirement for this hospital to provide residents of Kingaroy access to health services given the public funding involved?

Ms Riggs—I do not know the answer to that question. Our interest in this project was the job generation impact it would have in the community.

Senator O'BRIEN—Thank you. I look forward to those answers. In terms of RTC electronic point of sale sites, how many are now operational?

Dr Dobes—I will take that on notice. I cannot give you an exact figure here, but it is about 130. There were 130 approved and it is about that. It is very close to that number, but I cannot give you an exact number.

Senator O'BRIEN—And how many in total have been approved for operation?

Dr Dobes—It is that number I have just given you.

Senator O'BRIEN—And all of them have electronic point of sale?

Dr Dobes—Yes. We are talking about licensed post offices, yes, and the giroPost electronic point of sale is what has been approved. That is right.

Senator O'BRIEN—Do they all have EPOS, or is it EFTPOS?

Dr Dobes—When you say 'all', I am not sure what you are referring to?

Senator O'BRIEN—RTCs?

Dr Dobes—No, not all RTCs. I was referring to licensed post offices which had applied to have EPOS put into them and those had been approved. So there might be other RTCs, for example, that would not have a post office or there might be some other arrangement. They are all very different and I cannot give you exact figures on that. But most of them would tend to have an Internet connection of some sort.

Senator O'BRIEN—Have you done figures on the average funding per RTC?

Dr Dobes—There is a figure that tends to be used, but the problem is in the word 'average'. A mean is not a very good indicator here because there is such a wide range, but the figure that we tend to use as a typical sort of figure is about \$150,000. But it really is surrounded by a very wide range, so it is not particularly indicative or accurate.

Senator O'BRIEN—Is that across both the post offices and the—

Dr Dobes—No, I am talking about all RTCs, not the post offices. My memory of those is that they are in the order of \$30,000 each. That is a much more accurate figure because the cost is much the same in a lot of them for EPOS.

Senator O'BRIEN—How many RTCs have commenced operation but subsequently ceased?

Dr Dobes—There are none in that category.

Senator O'BRIEN—How many have applied for additional funding on top of original operational funding grants?

Dr Dobes—I do not have that sort of figure here with me. What would you include, though, if we were going to take this on notice and answer the question for you? Sometimes an RTC might come back and say that it had forgotten, for example, to add in a GST component or sometimes prices may have moved before it actually finished something and other times it might just be something quite different that they are asking for that they had not originally asked for.

Senator O'BRIEN—I can certainly envisage that, if the GST omission was the reason, that would not be as significant as funding for operational purposes to allow the centre to operate—that is, not an oversight but a complete underestimation of the costs required.

Dr Dobes—So you are not looking for oversights; you are looking for underestimation of some sort?

Senator O'BRIEN—Yes.

Dr Dobes—Okay.

Senator O'BRIEN—And how much additional funding has been granted to RTCs who needed additional funding? Is that simpler?

Dr Dobes—It is actually, to be honest, quite difficult to dig up these figures, but we will get them for you as well as we can. It does take a lot of resources to dig out these sorts of figures.

CHAIR—I think I should give a cheerio call to the Burruga rural transaction centre that I opened just recently.

Senator O'BRIEN—And congratulations.

Dr Dobes—We will note that, Senator.

Senator O'BRIEN—Let it be recorded in *Hansard*.

CHAIR—They are looking for money for a bus, too, for it; but I realise that we cannot get that through. I will put that on the record as well.

Senator Ian Campbell—Mr Chairman, can I just make the point, while Senator O'Brien is looking for further questions, that the Commonwealth also funds a range of other access points for citizens throughout particularly regional and rural parts of the country. The RTC is a very good program, but under the Networking the Nation program we assisted with the funding of a range of initiatives such as, for example, the online access centres in Tasmania which make it easy for Tasmanians to get access. I know Senator Richard Colbeck would be aware of those. I think there are well over 100 telecentres in Western Australia that were funded jointly between the former Court-Cowan Liberal coalition government in Western Australia and the federal government. I think it is the same throughout New South Wales and throughout the country.

The crucial thing about the RTCs is that, where the Commonwealth goes into smaller communities, we make sure that we assess the need there. The last thing you want, if you have a small financial services centre operating, is for the Commonwealth to bowl in and set

another one up in opposition and see the other one fail. So you have to be very cautious. The last thing you need to see is an RTC coming into town where you have a successful telecentre or online access centre. So I think the great achievement over the past four or five years has been to ensure that you have high quality Internet access, banking services and other services available through that network of RTCs, telecentres and online access centres. I think it has been an initiative of the federal government across those service provisions that has been very well received. When I go out I am pleased to see so many of them giving services successfully to people in those remote, rural and regional communities.

Dr Dobes—That is absolutely right, Minister, thank you, including Bemboka.

Senator Ian Campbell—Funded of course from the sale of the first and second tranches of Telstra, many of those Networking the Nation programs, just to totally complete the advertisement.

Senator O'BRIEN—When you are looking at the RTCs who have applied for additional funding, can you also tell us which of those have been granted additional funding?

Dr Dobes—Which have been granted additional funding?

Senator O'BRIEN—Yes.

Dr Dobes—Yes. Senator, when you say 'apply for funding'—

Senator O'BRIEN—Some may have been knocked back.

Dr Dobes—Okay. I might also just let you know that there is both a formal and an informal process, so they might come to us and we might ask them to go back and have another look at things. But I think you are talking about formal applications, and that is what we will give you.

Senator Ian Campbell—Presumably we would restrict those to this financial year, too.

Dr Dobes—That would make the task much easier.

Senator Ian Campbell—I think it should only be in this current year.

Senator O'BRIEN—I do not think it should. I think it should be last financial year as well.

Senator Ian Campbell—Well, you should have asked those last year. This is the estimates for this year.

Senator O'BRIEN—I do not know that that is correct. We could do it either way, if you insist. I will put other questions on notice for you.

Senator Ian Campbell—Go for your life. It is a democracy, mate.

Senator O'BRIEN—How much remuneration was available to each member of the Rural Transaction Centres Advisory Panel?

Ms Riggs—You have asked those questions on notice in another place and the answers are in preparation. We will take these on notice.

Senator O'BRIEN—When do you think that answer will be available?

Ms Riggs—As always, we do our very best to be timely.

Senator O'BRIEN—In terms of—

Senator Ian Campbell—We delivered the last batch of questions to this committee on 11 August and you did not read them, Senator. It is a little disappointing for the officers who spend all of their time working on these answers that you do not even bother to read them.

Senator O'BRIEN—That is not true.

Senator Ian Campbell—It is a fair point, Chair. There are a lot of officers who have put a lot of time into this stuff, and when an opposition senator asks endless questions on notice and then does not even bother to read the answers, it is justifiable that some of us get a bit frustrated.

Senator O'BRIEN—Actually, a number of the questions were—

Senator Ian Campbell—11 August. If you worked as hard as these people, you might do a bit better.

Senator O'BRIEN—If you worked as hard as your officers, you might do well.

Senator Ian Campbell—You've had three months to read the answers.

Senator STEPHENS—In relation to rural transaction centres, the original information around that program suggested that the funding allocation was for a five-year period, but it indicated that there was going to be an evaluation after three years. Can you tell me whether that is actually taking place—an evaluation of the RTC program?

Dr Dobes—I can certainly attempt to answer that, but I am not sure which source you are referring to in terms of the three-year evaluation point that you are talking about.

Senator STEPHENS—It was just the guidelines on the Net.

Dr Dobes—You are talking about evaluation of the program itself. There have been a number of types of evaluation undertaken. I cannot give you the exact dates because I was not around at that time, but I think the first one was early last year, so 2002. There was another follow-up earlier this year. Certainly the department always carries out other evaluations. We monitor the program in various ways. You can count all of those as being evaluations.

Senator STEPHENS—At the last estimates hearings we were talking about evaluation of a whole range of programs. I presume, Ms Riggs, that that evaluation led to the consolidation of the eight programs and the announcement of the Regional Partnerships initiative. Can you recall the discussion that we had about the evaluation that you were going to undertake? You hoped to have the findings of that evaluation by August, you told me.

Ms Riggs—The conversation I recall was a conversation about the evaluation strategy for the Sustainable Regions Program.

Senator STEPHENS—Yes, it was. I just wonder whether, given what Dr Dobes has just said, that then was incorporated into the whole evaluation of your programs in the consolidation.

Ms Riggs—We have a quite separate strategy under development for the evaluation of regional partnerships. It follows very much the same principles that we have adopted in setting up the evaluation structure for the Sustainable Regions Program, but in fact Regional Partnerships, as a separate program, will have its own evaluation strategy. There are some

slightly different elements of the program that warrant that. That is currently something that we are discussing internally with a view to finalising the strategy in the very near future.

Senator STEPHENS—In terms of the Sustainable Regions Program, have you completed the evaluation that you thought you would have by August—that preliminary evaluation?

Ms Riggs—We have undertaken the survey work associated with stage 1 of that evaluation strategy, which I think I probably described at the time as a post-implementation review. That work focused on our own staff and on the committees—the Sustainable Regions advisory committees. That gives us certain dimensions about how effectively we are running the process from an insider perspective. We have recently agreed—internally agreed, since we are managing this evaluation ourselves at this stage—to undertake a small number of targeted interviews with some of the project proponents in that program, because we think it is important to balance those insider views of how successful the initial roll-out of Sustainable Regions has been with some of those who have been applicants, whether successful or not successful. That means really that it is going to be another month or two before we are able to report in a consolidated way on that early experience of the program. So, yes, it is delayed from my advice to you at the previous occasion.

Senator STEPHENS—I wonder if you recall our discussions last time about the varying structures of the committees for the Sustainable Regions Program. You suggested that perhaps this post-implementation review stage might deliver some lessons to us about optimal community committee structures. Has that emerged out of what you have done so far?

Ms Riggs—It is fair to say that there are some differences in the responses from members of different committees. I am reluctant to finalise our conclusions from that until we are able to get this outsider perspective on those arrangements.

Senator STEPHENS—I can appreciate that, but you will recall that the discussion was that there were some very small committees, one of which had only three members at one stage, and some that were quite a bit larger. I did think that we had discussions not about what was an optimal number but about the issue of representation on those committees.

Ms Riggs—I will have to confess at this stage that I do not remember our conversation in that degree of detail.

Senator STEPHENS—That is all right. I was thinking about it because it was the issue that struck me as most significant—particularly the Macarthur committee, which is so small, was making some fairly serious decisions and has continued to make fairly significant allocations of funding over this financial year. I am not too sure whether you can help me with this, but the Bureau of Rural Sciences incorporated into the annual report the development of a framework of core indicators for the health of regions and the evaluation of regional programs. It is on page 80 of the annual report, under outcome 2.

Mr Yuile—I think we might have dealt with those issues earlier today.

Senator STEPHENS—My question really is whether or not those benchmarks and the regional wellbeing indicators are being incorporated into what you are doing with the Regional Partnerships Program.

Mr Yuile—What we said—maybe Ms Riggs can take it further—was that that work was in particular focusing on the impacts in the region of our programs and other programs, which is quite groundbreaking work, both here and overseas, because you really are getting into issues of what is relevant and how you collect data, where you set your benchmark and then where you collect to. The work that I think Ms Riggs has been referring to is work particularly around internal program evaluation and project evaluation. So there is a distinction but there is also a cross-fertilisation that is taking place, obviously in sharing of information and sharing of methodology and insights into that process.

Ms Riggs—Mr Yuile is absolutely right. Stage 1 of our evaluation does focus on process. It is a common first stage in an evaluation strategy to do a post-implementation review, which is really about process. The other elements of our strategy do go to issues of having indicators of project outcomes at the project level which will allow that link that Mr Yuile referred to—it is not a conclusive or a definitive link because we are talking about indicators in both cases—to look at some of the same sorts of issues at the project and individual community level as the wellbeingness indicators would let you look at at the macroregional level. For example, if one of the wellbeingness indicators is the level of employment, if it is, and one of our indicators is, ‘Is this project intended to create how many new jobs and did it do that?’, then you get a link between the regional impacts of an array of program interventions and the actual impact on a part of that region in a community sense of a particular project.

Senator STEPHENS—I fully understand, and I appreciate, Mr Yuile, the tensions between effective government service delivery and the demands for good governance of projects in the regions. So, I am interested to see how you are integrating those two. Thank you.

CHAIR—We will now move to transport programs, outcome 5.2.

[10.15 p.m.]

Senator O’BRIEN—Within the road safety research program, how many individual research programs were commissioned and what did they involve in the last financial year?

Ms Briggs—I am afraid the road safety research program is part of the ATSB. I am very sorry about that.

Senator O’BRIEN—I will put them on notice, that is fine. Could I have an update on the National Highway and Roads of National Importance fund? This follows from a response to a question taken on notice at the last hearing that set out the estimated total project cost, the Commonwealth contribution listed by project and by state for all current RONIs and National Highway projects. Can we have a most up-to-date version of the table provided, please?

Ms Varova—Senator, I am sorry, I could not hear anything.

Senator Ian Campbell—An up-to-date list of the funding under the Roads of National Importance project, I think Senator O’Brien asked for. Just the latest payments, I think, was it, Senator O’Brien?

Senator O’BRIEN—Yes, updating the table which was provided on Roads of National Importance, National Highways.

Ms Varova—We can certainly provide that.

Senator O'BRIEN—There were some gaps in that table that I would appreciate being filled. Is it possible to provide an indicative estimate of the costings required for each project in the out years?

Ms Varova—We can provide that.

Senator O'BRIEN—Column 0607 has some figures, but not all columns have figures. In some there may not be any.

Ms Varova—If the figures are not provided it means that we do not have an allocation. However, in the update we will provide you with there may be some additional figures. We will give you whatever we have.

Senator O'BRIEN—Thank you. Is it possible to show how much has been spent on each project by the Commonwealth to date?

Ms Varova—Yes, we can provide that.

Senator O'BRIEN—There are also some gaps in costing. For example, for the Tugun bypass there is a notation that it is not finalised. If there is a cost available can it be included?

Ms Varova—Yes. For Tugun, for example, we do not have a final costing at the moment. So where that is applicable, we will provide it.

Senator O'BRIEN—Thank you.

Senator Ian Campbell—Tugun is still undergoing environmental and planning stages, is it not?

Ms Varova—It is still in the early planning stages, yes, that is right.

Senator Ian Campbell—The Commonwealth has made a global commitment to it, which is quite substantial.

Ms Varova—Exactly—\$120 million capped.

Senator O'BRIEN—Referring to the tables provided with respect to the National Highway Program, there is a category entitled 'asset preservation' with two categories of allocation: program maintenance, and safety and urgent minor works. With respect to project maintenance, in each state and territory there is an asterisk that notes that new arrangements will apply to asset preservation funding under AusLink beyond 2003-04. What does that mean, exactly?

Ms Varova—With the development of the AusLink proposal, Minister Anderson had indicated to his state counterparts that new arrangements would apply for maintenance—at this stage.

Ms Briggs—We talked about this a few estimates hearings back where there was a Commonwealth state working group that looked into achieving a national method or a more consistent national method for assessing maintenance requirements. That is fed into the work that Miss Varova has referred to this evening.

Senator O'BRIEN—The exception is Tasmania which appears to have an allocation guaranteed for one extra year.

Ms Varova—Yes, Tasmania has an allocation for 2004-05 at this stage, and allocations for the other states for 2004-05 will also be communicated by the minister to his counterparts very shortly.

Senator O'BRIEN—There is no asterisk on the table for the category 'safety and urgent minor works' and no funding in the years beyond 2003-04. Does that mean that safety and urgent minor works will also be subject to new arrangements under AusLink?

Ms Varova—Yes, that is right. In the full consideration of the program, the 'safety and urgent minor works' allocation was also held back for 2004-05. However, again, in the communication the minister will be making to his counterparts he will be advising them of the allocations for both maintenance and safety and urgent minor works for 2004-05.

Senator O'BRIEN—If AusLink is not in place by June 2004, what does this mean for national highway maintenance in June 2004?

Senator Ian Campbell—I think we have dealt with that, Chair, when we were talking about the administration generally. It has been well covered. It is entirely hypothetical. The question has been answered previously.

Senator O'BRIEN—As I understand it, a program has to be put in place for national highway maintenance. I am asking the question: do the existing arrangements apply if the AusLink arrangements are not put in place by June 2004?

Senator Ian Campbell—They are matters that are before the cabinet. The government has to make a decision about AusLink and it is the same answer that applied to your question earlier in the day. If for some hypothetical reason—and it is entirely hypothetical—that AusLink did not come out the end of the government's policy pipeline, the funding for ongoing road construction would be dealt with in the same way as ongoing road maintenance. You would have to continue with similar arrangements as those you have at the moment. But the government is very keen to get AusLink out as soon as possible so that everybody knows what the policy is. But I might say it is easy to make politics about it. I see Martin Ferguson MP puts out press releases every few days because he has got nothing better to do. But it is a policy proposal that has not been attempted by any previous government. I think the closest that anyone got to it, to his great credit, was Paul Keating under his ironically named program called One Nation, where he really did put some policy focus into trying to improve Australia's infrastructure. That went the way of Paul Keating, I guess, in some respects.

This government has tried very hard—and it is a credit to John Anderson—to bring transport infrastructure into a sound framework. It is not a simple policy. If it was, I guess it would have been done 50 years ago or 20 years ago. We are very keen to have it delivered as soon as possible. It is not as easy as churning out a press release.

Senator O'BRIEN—Certainly, it is not a matter which has the total support of the community, either. The forward estimates in the PBS provide totals of combined national highway and RONI funds for 2003-04 out to 2006-07. Can you please advise how much in each of those years remains uncommitted to projects?

Ms Varova—Could we take that on notice, please, Senator?

Senator O'BRIEN—Can you break that figure down by state and territory, if that is appropriate?

Ms Varova—Yes, we can.

Senator O'BRIEN—What is the current situation with the Albury-Wodonga Hume Highway upgrade?

Ms Varova—With the Albury-Wodonga Hume Highway upgrade, at this stage the Victorian government is, on our behalf, looking at some issues and options related to a heritage property called Cambourne House which is listed on the Register of the National Estate and may be subject to section 30 of the Australian Heritage Commission Act. We are obliged, in that circumstance, to look at prudent and feasible alternatives for the preservation of the property, and the Victorian government is focused on that at the moment. The construction is stalled also on another matter, on a link called the Bandiana link. That is about a 4.5 kilometre road. It links the Murray Valley Highway with what will be the new national highway. At the moment we are in discussion with Victoria over that link. The Victorian government wishes the Commonwealth to fund it. It is a state responsibility and we are trying to resolve that issue.

Senator Ian Campbell—Did you say that we had \$25 million committed this financial year?

Ms Varova—No, I had not said that.

Senator O'BRIEN—I presume you are discussing whether that link will be included in the tender documents for the Hume Highway upgrade?

Ms Varova—Yes. That is not decided yet, because we have to resolve the funding issue first.

Senator O'BRIEN—What is the estimated cost of the link?

Ms Varova—That changes a little. It is a matter of debate between us. Mr Cory would be able to be more definitive in that. But it has ranged between about \$7 million to \$11 million, if the Victorian government provides us an additional update. I am not sure whether we have that.

CHAIR—Does that depend on how thick the tar is?

Ms Varova—No, it depends very much on issues relating to using some of the landfill, I believe. We are negotiating with them at the moment on that particular issue, but we have not been able to resolve the funding issue.

Senator O'BRIEN—I take it the Commonwealth's position is that the state government should meet the full cost of that link?

Ms Varova—Yes, it is. The full net cost.

Senator O'BRIEN—That and the other property issue, I take it, are holding up commencement of the tender process?

Mr Cory—We have received a proposal from New South Wales for approval to proceed with the construction of the New South Wales section. We are currently examining that

proposal and conducting a dialogue with the Roads and Traffic Authority as to resolving some matters of detail in order to progress that.

Senator O'BRIEN—Once tenders are let, given the complication you have just mentioned, how long before construction is it likely to commence?

Mr Cory—The construction period is around three years, perhaps a little more.

Senator O'BRIEN—But once you let tenders, is it expected that work will start immediately?

Mr Cory—When the road agencies let the tenders, that is, sign a contract with a firm to construct it, we would presume that the contractor would then commence work, and work until it is completed.

Senator O'BRIEN—Is it true that the Save Our City group has commenced a legal action that may delay the project?

Mr Cory—I am not aware of that.

Senator O'BRIEN—In terms of the Albury bypass corridor, what is the status of the land that was reserved for the external bypass that will now not proceed?

Mr Cory—We have issued instructions to the RTA to dispose of that land in an orderly fashion.

Senator O'BRIEN—How many hectares of land does the Commonwealth own in that corridor?

Mr Cory—I could not give you a figure in hectares.

Senator O'BRIEN—Is it currently vacant or is it being used by farmers?

Mr Cory—Can I elaborate on my previous answer? The Commonwealth owns no land. The Commonwealth has funded the acquisition of land by the New South Wales government. The New South Wales Roads and Traffic Authority owns that land. Senator, you asked a follow-up question?

Senator O'BRIEN—If you do not own the land, perhaps the follow-up question is not relevant. The construction of the Western Sydney orbital is under way. As I understand it, it is a National Highway project; is that correct?

Mr Cory—That is correct.

Senator O'BRIEN—So currently it is 100 per cent Commonwealth responsibility—construction and maintenance?

Mr Cory—That has been let as a private sector proposal. The Commonwealth is funding part of that project. The balance is being funded by the private sector and the cost recovered through a toll.

Senator O'BRIEN—So the Commonwealth has agreed to a toll on the road, effectively?

Mr Cory—That is correct.

Senator O'BRIEN—I understand of the \$1.5 billion cost for the road the Commonwealth government has contributed \$350 million?

Mr Cory—I think the figure might be closer to \$360 million. It is of that order.

Senator O'BRIEN—I understand that the bidders for the project were asked to propose options for structuring the toll. Were bidders asked to include options for a differential toll between private road users and commercial users?

Mr Cory—I do not know the answer to that.

Senator O'BRIEN—Can you find out?

Mr Cory—I can take that on notice. The differential tolls for heavy and light vehicles are a normal structure for toll.

Senator O'BRIEN—Would that be a matter for determination by the Commonwealth or the New South Wales government? You could take that on notice as well.

Mr Cory—I will revisit my previous answer. I understand that heavy vehicles and light vehicles pay the same toll.

Senator O'BRIEN—So you do not know whether there is differentiation between private road users and commercial users?

Mr Cory—I am not aware that there is any such differential. The fact that the tolls are the same would tend to suggest that there is no differential.

Senator O'BRIEN—Is it the case that the bidders have to propose a structure for the toll in their bids?

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

Senator O'BRIEN—Can you provide the details of the single toll for all vehicles?

Mr Cory—I understand the rate of toll is 25c a kilometre with a maximum of \$5. Those prices were set in the year 2000. The actual tolls that are charged on opening may in fact be higher now as a result of inflation.

Senator O'BRIEN—In the table of National Highway funding provided to me, \$62.06 million is provided in both 2003-04 and 2004-05 and \$57.066 million in 2005-06 and nothing in 2006-07. That does not add up to anywhere near \$350 million-odd.

Mr Cory—The funds were provided in previous years. I believe that the funding will add up to the full amount of the Commonwealth contribution.

Senator O'BRIEN—So the final provision is \$57.06 million in 2005-06?

Mr Cory—Yes, that is my understanding.

Senator O'BRIEN—Can you provide a summary of the payments for the Western Sydney Orbital for the past years showing the full profile? Is that difficult?

Mr Cory—We will take that on notice.

Senator O'BRIEN—Can you provide an update on the \$100 million Bridgewater Bridge replacement? I understand that additional money may be required.

Mr Cory—I will pass that to someone else.

Mr Trappett—The Tasmanian Department of Infrastructure, Energy and Natural Resources came and saw us about a month ago and updated status on the bridge. We are waiting to get copies of the studies they have done so that we can make an assessment about what the preferred option will be. They have advised that, depending on which option is taken, there may be a variable cost. I do not have the exact figures in front of me, but they range from \$100 million to \$140 million.

Senator O'BRIEN—Do you know how much additional moneys are as a result of noise mitigation measures?

Mr Trappett—No.

Senator O'BRIEN—Perhaps you could provide that information on notice?

Mr Trappett—Yes.

Senator O'BRIEN—Has the minister recently announced additional funds to upgrade the Great Northern Highway between Muchea and Wubin—a distance of 215 kilometres?

Senator Ian Campbell—We have just announced that.

Senator O'BRIEN—That has been announced?

Senator Ian Campbell—Yes.

Senator O'BRIEN—An article in the *Central Midlands and Coastal Advocate* of Thursday, 9 October says that it was announced that \$14 million will be allocated to the road program in Western Australia so that work can start next year on a series of overtaking lanes and safety improvements. Can you confirm what years this money will go into the Western Australian budget and which program it will go to?

Ms Varova—In 2004-05 it will be \$5 million, 2005-06 it will be \$5 million and 2006-07 it will be \$4 million.

Senator O'BRIEN—Which program will it go to?

Ms Varova—To the National Highway Program.

Senator O'BRIEN—When the minister says additional money, where will this \$14 million come from? Will it come from another project?

Ms Varova—It will come from uncommitted funds.

Senator O'BRIEN—What criteria have been used to allocate the additional \$14 million to this particular section of highway?

Ms Varova—That was the minister's decision.

Senator Ian Campbell—The main roads department of WA are sending us a specific proposal to build the first 12 passing lanes which will take up the first year's funds. As someone who has driven along there, I can tell you it is a very strongly needs based application. The road north of Wubin is in quite good shape. In fact, when you go north of Wubin you can drive on very good roads all the way to Broome and beyond out to Derby until you get to the Gibb River Road, but that stretch where this money is being spent definitely needs overtaking lanes. A lot of very big trucks use the road. When you get passenger vehicles

and the big trucks going side by side—there are stretches of road where you cannot overtake for large distances. It is a very good decision. I wish I could claim credit for it.

Senator O'BRIEN—Are there guidelines for approving road funding, or is this a ministerial discretion pure and simple?

Ms Varova—It is a matter of variation by the minister of what priorities he has for the National Highway. Obviously we provide advice and he takes that into consideration. The National Highway is a Commonwealth responsibility. Depending on funding, depending on priority issues put forward by the states and depending on Commonwealth priorities, the minister does make a judgment, as he has in this case.

Senator O'BRIEN—On 24 October Senator Campbell announced an additional \$13 million for stage 1 of the Port River Expressway, taking the Commonwealth contribution to \$39.67 million—possibly breaking his duck. Can you tell me the source of the \$13 million? Did it come from within the South Australian road allocation or from elsewhere?

Ms Varova—Again, this is from our Roads of National Importance funds. They are from uncommitted funds.

Senator O'BRIEN—So it was from the Roads of National Importance Program?

Ms Varova—Yes.

Senator O'BRIEN—Is that specifically a South Australian aspect of that allocation as well?

Ms Varova—The Port River Expressway has already been declared a road of national importance. As part of the stage 1 funding, the South Australian authority came to us requesting additional funds for grade separations on that particular stage. Again, that was considered appropriate in the money allocated.

Senator ALLISON—I return to the Albury-Wodonga bypass. Mr Cory, I want to go back over some questions asked in the last estimates in August and to start with cost estimates. What is the latest cost estimate on the internal—

Mr Cory—I would like to correct the answer that I gave at the last estimates. I think I gave the figure of \$399 million. The figure was actually \$395 million. That is the current estimate.

Senator ALLISON—Is that based on a refined design?

Mr Cory—That is based on the Connell Wagner review, updated for the effects of inflation over the projected life of the project.

Senator ALLISON—You said last time that subsequent to that report—being the Connell Wagner report—the RTA continued to work on further refining the design and preparing for the initial calling of tenders. I am asking you was the design further refined and, if so, what difference did that make to the cost estimate?

Mr Cory—Yes, there has been further design work so that the contract documentation can be completed to go out to tenderers, but there has been no impact on the cost estimates as a result of that work.

Senator ALLISON—So the variations to the design have been costed and found to be not costing any more than the original design? Is that what you are saying?

Mr Cory—Any variations within those Connell Wagner figures have been accommodated—and they have been, I think, quite minor—within the contingency provisions within that estimate.

Senator ALLISON—So they were costed?

Mr Cory—There have been some broad estimates of costs within individual components. Yes, that is correct.

Senator ALLISON—What was the cost of the refinements?

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

Senator ALLISON—Senator O'Brien talked about the Bandiana link. At the last estimates session, there seemed to be some question as to whether the freeway would wait for the Bandiana link resolution of the 'Who pays for what?' question. When was it decided that they would not go out to tender until the resolution of that? Is that still the case? I think that is what you suggested, Ms Varova, earlier.

Ms Varova—We were working on a resolution. However, when it comes to the tender process, we have not been informed formally that it will not go ahead because of the Bandiana link.

Senator ALLISON—I am not sure I understand what you mean by that. At what point will you determine if there is no agreement with the Victorian state government that you will go ahead with tenders without the Bandiana link being part of the tender process?

Ms Varova—I would not like to put a time on it now. We are working on that as we speak, trying to find a resolution. Informally, at officials level from the Victorians, we are aware that they are certainly not prepared to proceed at this stage to tender without that resolution. So we are working on it. I would not like to specify a time frame at this stage.

Senator ALLISON—You did—at least Mr Cory did—specify a time frame of August to October, and we are already well into November.

Ms Varova—That is right. We have not been able to resolve the issue.

Senator ALLISON—But at that time there seemed to be some suggestion that you would go to tender without the Bandiana link at some point. You are now saying no tendering until that is resolved.

Ms Varova—That still could occur. What we are focused on is trying to find a resolution to that. So that is what we are concentrating on. If it works out that there is no resolution, then of course we would have to look at how the project could proceed without that link.

Senator ALLISON—In August, Mr Cory, you mentioned that the Victorian state government was doing the documentation for the Bandiana link. Is that documentation complete?

Mr Cory—I do not know that the documentation is complete. As a result of this situation we will not progress the documentation issue until that is resolved. We understand, however,

that the Victorian government—VicRoads—has been working on that documentation. As to the exact point on the completion of it, I do not know the answer to that.

Senator ALLISON—So are they withholding the documentation until the matter of the cost and who pays is resolved? Is that what you are saying?

Mr Cory—What I am saying is that we understand from VicRoads that they will not be proceeding to issue any documentation until that matter is resolved. In that sense, the question of whether the documentation is complete or newly complete is perhaps somewhat academic.

Senator ALLISON—But you expect it to have been completed; they just do not want to release it until the other matter is resolved?

Mr Cory—I really would not want to comment any further on that.

Senator ALLISON—It sounds like a serious breakdown of relations yet again.

Mr Cory—I would just describe it as a difference of view.

Senator O'BRIEN—Did not Minister Vaile say that the federal government would pay for the Bandiana link?

Mr Cory—I am not aware of that statement.

Senator O'BRIEN—Could you check that and respond, please?

Senator ALLISON—The question of figures came up, as you mentioned earlier, Mr Cory, and you were going to indicate what the differences between two sets of figures were, reconciling the two numbers. There are quite a few things in the last Senate estimates that do not appear to have been followed up. I just wondered if you could do that.

Mr Cory—Which two sets of numbers were they?

Senator ALLISON—The \$399 million which you now say is \$395 million and another figure of \$280 million. It is in the *Hansard* anyway from the last Senate estimates.

Senator Ian Campbell—Is this the Albury-Hume Highway we are looking at?

Senator ALLISON—It is the Albury-Wodonga internal bypass.

Senator Ian Campbell—Upgrade.

Senator ALLISON—Anyway, if I could just remind you about your offer to provide advice about the reconciliation of those two numbers, to use your words.

Senator Ian Campbell—Part of the problem, I guess, would be where the Victorians may want to solve the problem of Cambourne House, I presume. There are a lot of variables in the whole process.

Senator ALLISON—No, it is all to do with the design.

Senator Ian Campbell—There are obviously going to be a lot of variables.

Senator ALLISON—I am just asking for what they are and a reconciliation of them.

Mr Cory—We will check that.

Senator ALLISON—The subject of heavy vehicle traffic on the bypass was raised also last estimates. I think you indicated that the most recent study showed an additional 1,200 B-

doubles as a result of a new wholesale business in Albury or Wodonga or both. There was some question about whether they had been taken into account in the design of particularly the noise and other measures.

Mr Cory—I do recall that discussion. My recollection is that I indicated that there were traffic projections for the growth in vehicle numbers over the life of the project and that, while this was a particular development and perhaps a larger than usual development, in fact this represented only a relatively small increase over that projected traffic growth. My understanding is that the impact as far as noise and noise walls are concerned would not be significant. Again, that would be something which would be looked at as part of the New South Wales government policies on noise amelioration for roadworks or for roads. Any adjustment that was necessary to those noise walls would be made, but it was considered that if an adjustment was necessary it would be of a relatively minor nature.

CHAIR—Is that 1,200 a week or a month?

Mr Cory—I am not sure of that. It is a large development, so I suspect the period is shorter rather than longer.

Senator ALLISON—It is a week.

CHAIR—That is a few trucks, isn't it?

Senator ALLISON—As I understand it, there have been a couple of reports done recently about reviewing the accident analysis that was done for the EIS which demonstrated that the internal bypass proposal was in fact not going to be beneficial over the external with regard to accidents. Have you had a chance to review the review of that report?

Mr Cory—I am not aware of that report.

Senator ALLISON—It was by Monash University's Department of Mechanical Engineering.

Mr Cory—I cannot recall having seen that report.

Senator ALLISON—It would be surprising if it was not provided to your department, I would have thought. There is another one by Robert Morgan.

Mr Cory—That rings a bell. We have passed some information to the New South Wales RTA, who are undertaking the review of the EIS and the updating of the EIS to obtain final sign-off to proceed with the project. We are still awaiting advice from the RTA as to the final outcome of that review.

Senator ALLISON—So would that include matters such as the footpaths in Bridge Street which do not appear to be wide enough?

Mr Cory—I am not across that level of detail.

Senator ALLISON—It would be useful, I think, if you are familiar with that report for us to have some idea of which of the recommendations have been adopted and which are regarded as being unnecessary.

Mr Cory—Which recommendations are they?

Senator ALLISON—The recommendations in Mr Robert Morgan's report which you said you had forwarded to New South Wales.

Senator Ian Campbell—Who commissioned that report, please?

Senator ALLISON—I am not sure. There were two reports, one by Monash and the other one by—

Senator Ian Campbell—The one I am interested in was the—

Senator ALLISON—Traffic Engineering and Road Safety.

Senator Ian Campbell—A department of the Victorian government, I presume.

Senator ALLISON—I do not believe so. I think it was commissioned independently. That is right, Mr Cory, is it?

Senator Ian Campbell—All I am saying is that I do not know that the Commonwealth would respond to a report that was commissioned by—

Senator ALLISON—Mr Cory said that he is familiar with the report and it has been sent to New South Wales and some of the recommendations have been incorporated. I am just asking what they were or what they were not, as it were. It is my understanding that the New South Wales Roads and Traffic Authority has another report. I am not sure what the name of that report is, but it suggests that there will be 5.5 times a greater risk of toxic spill on the internal route, creating a black spot section on the national highway in the middle of Albury. Are you familiar with that? Have you had a chance to respond to that?

Mr Cory—I think that is a question that probably should be addressed to the RTA if they have the report.

Senator ALLISON—Okay. So you are not interested in whether or not there is a black spot in the middle of a federal freeway?

Mr Cory—Again, I am not across that report.

Senator ALLISON—Could I move to Scoresby and just ask for an update on where that freeway proposal is.

Ms Varova—The situation remains the same on the Scoresby freeway.

Senator ALLISON—Which is what?

Senator Ian Campbell—The situation is that the Commonwealth's \$420 million-odd remains on the table. We are committed to building the road without a toll on it. The Victorians have committed to go ahead and build the road with a toll on it, having promised before the last state election that they would build it without a toll. But we have kept our money in the forward estimates and on the table and would like to see it built without a toll.

Senator ALLISON—Are you talking with the Victorian state government or are discussions not under way still?

Ms Varova—Not on this issue between officials.

Senator Ian Campbell—I think it is fair to say it is at a minister to minister level. There is a stand-off, it is fair to say. It is pretty obvious. We have already spent something like \$25

million of taxpayers' money on the basis of the agreement we had in writing with Mr Bracks. So there is a sense of frustration, but we are going to keep holding the line.

CHAIR—And the cheque is not in the mail.

Senator Ian Campbell—Some \$25 million has already been spent. It is a lot of money based on a commitment we had. As I said in the Senate the other day, Senator Allison, we are very cautious in dealing with the Victorian government because of what has happened to us with this project. We are not allowing it to distract us from getting on with building roads wherever we can. But for a couple of projects it has certainly taught us some lessons about dealing with them, certainly at the political level. At the officer level the relationships are still in a very sound condition. It is not something that will hurt the relationship at the officer level where they are getting on with building the roads that have been committed to already. It is a very big project, as you know. It is a lot of money for the Commonwealth, but we are sticking to our side of the agreement.

Senator ALLISON—So when was the last time you met with the state Minister for Transport on that issue?

Senator Ian Campbell—I have not met with him yet. I am going to try to schedule a meeting, hopefully before Christmas, to discuss a couple of issues, including the Hume Highway.

Senator ALLISON—When do you understand the last bit of correspondence or dialogue to have been on the issue?

Senator Ian Campbell—I will check on that for you.

Senator O'BRIEN—I have a couple of questions on this area, the upgrade of the mainland interstate track. The forward estimates have a figure of \$20 million in 2004-05. What is that earmarked for?

Ms Varova—That is earmarked for the Wodonga bypass.

Senator O'BRIEN—I see. Thank you. The full amount is for the Wodonga bypass?

Ms Varova—Yes, that is right?

Senator O'BRIEN—The payment scheme for the Airservices en route charges: is that appropriate to be asked here?

Ms Varova—Yes?

Senator O'BRIEN—Can you confirm the background of this program? It was put in place to help regional aviation when it was struggling to recover from the Ansett collapse, as I understand it?

Ms Varova—To assist regular public transport operators and aeromedical services with payments for their Airservices en route traffic control charges. So it was for that sort of assistance.

Senator O'BRIEN—As I understand it, the program works by the Commonwealth paying the bill for en route air traffic control services provided by Airservices Australia.

Mr Cotton—I am in charge of this program as well. Basically, we do not pay the Airservices bill. The operator is responsible for paying the bill. We rebate.

Senator O'BRIEN—You reimburse.

Mr Cotton—We reimburse the amount for the en route charge that appears on that bill.

Senator O'BRIEN—Is it a 100 per cent reimbursement?

Mr Cotton—100 per cent, yes.

Senator O'BRIEN—The PBS budget is \$6 million for services in 2003-04 and \$6.1 million in 2004-05. Presuming I have got that correct, how much of the \$6 million has been spent to date on the program?

Mr Cotton—This financial year until the end of October we have spent \$1.232 million.

Senator O'BRIEN—Do you expect the full \$6 million to be spent this year?

Mr Cotton—No, we do not. We spent \$4.8 million last year. We expect about the same this year—\$5 million-ish.

Senator O'BRIEN—What about the \$6.1 million allocated for the next financial year?

Mr Cotton—That will probably be a bit high as well.

Senator O'BRIEN—Is it possible to receive a breakdown of the airlines or operators receiving this subsidy?

Mr Cotton—We can give you a list of the airlines that are registered and the ones that have been paid, yes.

Senator O'BRIEN—How much have they been paid?

Mr Cotton—How much each?

Senator O'BRIEN—Yes.

Mr Cotton—Yes, we can break it down to that level. Did you want that for the whole period since they started, or just this financial year?

Senator O'BRIEN—Just this financial year. In terms of the Ansett levy, I would like an update on the total amount collected by the levy before it was removed as at 30 June 2003.

Mr Cotton—The total amount collected to date is \$286.1 million, I think.

Senator O'BRIEN—Is that a final amount?

Mr Cotton—There are still some payments coming in and we are actually paying some reimbursements of cancelled tickets and those sorts of things, and errors that have been identified by auditors. But, yes, \$286 million is basically it.

Senator O'BRIEN—What is the status of the court case appeal between the administrators and the superannuation fund?

Mr Cotton—I understand that that is due for a hearing on 12 November.

Senator O'BRIEN—Is there an expected timetable for the finalisation of the court case?

Mr Cotton—Not that I am aware of.

Senator O'BRIEN—The administrators are not updating the Commonwealth, the primary creditor, on what is happening?

Ms Varova—Yes, we are getting information. However, I could not say that the administrators themselves could predict the timing or outcome of the court case.

Senator O'BRIEN—When does the Commonwealth expect to receive a payment? I suppose that is dependent on the outcome of the case.

Ms Varova—We cannot really answer that. It is very dependent on that court case.

Senator Ian Campbell—Please remind me who brought the court case?

Mr Cotton—Ansett Ground Staff Superannuation.

Senator O'BRIEN—Is \$180 million the amount expected to be recovered by the Commonwealth?

Ms Varova—I would not like to say. I do not think we are in a position, at this stage, until the court case is resolved, to give you a definitive answer on that.

Mr Matthews—I would add that lead responsibility among Commonwealth departments is with DEWR for this court case. The questions are better directed to DEWR.

Senator O'BRIEN—Can we be advised of the latest information on the proceeds from asset sales?

Mr Cotton—We understand that the administrators have what they call \$400 million in the bank from asset sales. I think they have said that publicly.

Senator O'BRIEN—What is the latest figure on that amount loaned by the Commonwealth to the administrators?

Mr Cotton—That is another DEWR matter, but we understand it is \$336 million.

Senator O'BRIEN—Does this department know the amount of money paid to Ansett workers and the amount still owing?

Mr Cotton—As far as we are aware—and that is again a DEWR issue—all of the statutory entitlements due under the SEESA scheme have been paid to all employees who are entitled to those.

Mr Matthews—They are really questions for DEWR. The office is being cooperative, but it is another department's responsibility.

Senator O'BRIEN—Thank you for that. I am ready to go to local government.

[11.13 p.m.]

CHAIR—Thank you very much, ladies and gentlemen. We will move to output 5.3, Territories and local government. I just thought I would give you all an early warning that, regretfully, I have been informed, reliably, that Senator Faulkner has had an attack of insomnia and he might be along for the National Capital Authority. You have something to look forward to!

Senator O'BRIEN—I had better get going just in case. The topic I want to raise first is the review of the local government act and inquiry into local government finance. The former

local government minister, Wilson Tuckey, indicated that the government would not be responding to the Commonwealth Grants Commission review of the Local Government (Financial Assistance) Act until the cost shifting inquiry hands down its report. Is that still the government's position?

Senator Ian Campbell—I am told by the chairman of that committee that it is due in Local Government Week when our friends from local government descend upon us here in Canberra. It is due in a couple of weeks. I am not expecting to make any other decisions between now and then.

Senator O'BRIEN—Can we expect to see a government response to the Grants Commission report shortly after it is handed down? How long will we have to wait for that?

Ms Briggs—The minister before Minister Campbell undertook to state and territory ministers for local government and planning that the report would be discussed at the ministerial council and that the states would be given sufficient time to feed in their responses before the Commonwealth formulated its final position. That may well affect the timing and depending on when those kinds of considerations can occur. We have not got a date. That is what I am really trying to say.

Senator Ian Campbell—I am actually having discussions about when the next meeting of the local government and planning ministers will take place. There is a bit of confusion about what date that should be.

Senator O'BRIEN—Will this department be the lead agency in developing a response to the report?

Ms Briggs—The government has not yet settled that. Certainly we would be heavily involved in that.

Senator O'BRIEN—Which other departments will be involved in that?

Ms Briggs—Depending on the nature of the recommendations that come forward, I imagine that other departments with an interest may include Treasury, finance, health and ageing and maybe FaCS, given the nature and breadth of programs that local government run these days—and, of course, the Prime Minister's department.

Senator O'BRIEN—I refer to the new \$68.5 million Disaster Mitigation Australia package. Could you advise the committee which pre-existing programs have been drawn together to create this package? For example, we know that it will incorporate the Regional Flood Mitigation Program, but does it include any other programs?

Mr Beresford-Wylie—The Disaster Mitigation Australia package draws together the new Disaster Mitigation Program, the Regional Flood Mitigation Program and Natural Disasters Risk Management Studies Program.

Senator O'BRIEN—Is it correct to say this package will cover the mitigation of cyclones and bushfires as well as floods?

Mr Beresford-Wylie—Yes, it is.

Senator O'BRIEN—What sort of things are likely to be funded under this package?

Mr Beresford-Wylie—A range of things have been identified as possible things to be funded under this package. These include disaster mitigation strategies, disaster risk assessments, disaster resilient infrastructure, warning systems and other preparedness measures, and disaster research.

Senator O'BRIEN—As for money that was originally budgeted for flood mitigation, will that now be available to be directed to other areas of disaster mitigation?

Mr Beresford-Wylie—The money that is currently identified for the Regional Flood Mitigation Program continues to be identified as Regional Flood Mitigation Program money for 2003-04 and 2004-05 before being rolled into the Disaster Mitigation Program itself.

Senator O'BRIEN—So only for the out years 2005-06 and beyond?

Mr Beresford-Wylie—That is correct.

Senator O'BRIEN—Given that a broader role in disaster mitigation has been assumed, does this entail taking on additional staff? Is there an additional administration component in this program?

Mr Beresford-Wylie—Funding was provided, as part of the funding identified in the budget in May, for departmental expenditure.

Mr Doherty—The final position in relation to staffing of that function has not been worked out at this stage. Another element of the package is a review of the natural disaster relief arrangements. We will be working through those issues in combination.

Senator O'BRIEN—We will not go backwards from the 12 officers Mr Murdoch told us in February in this division dealt with disaster relief and flood mitigation?

Mr Doherty—I would not expect so, but we will need to work through that.

Senator O'BRIEN—Has there been an increase in that number?

Mr Doherty—My expectation is that we are about that number at the moment.

Senator O'BRIEN—I understand that the Commonwealth's contribution to the new arrangements will be conditional on states and territories providing matching funding; is that right?

Mr Beresford-Wylie—That is correct.

Senator O'BRIEN—Does the figure of \$68.5 million represent the Commonwealth's contribution or does that include the states matching funding?

Mr Doherty—That is the Commonwealth's contribution.

Senator O'BRIEN—How far down the track is the Commonwealth in getting the agreement of the states and territories to provide the matching funding?

Mr Doherty—This issue was on the agenda for the COAG meeting which was not completed. Currently, there is correspondence seeking to resolve agreement to the issue out of session.

Senator O'BRIEN—Does that mean it would go back on to the next COAG meeting agenda or is there some other forum at which it might be addressed?

Senator Ian Campbell—The Commonwealth is trying to resolve it out of session after the premiers did their huff, walked out and spat the dummy. We have written to them and asked them to have an out of session agreement. We are very hopeful that we will get that as soon as we can.

Senator O'BRIEN—But they did turn up, unlike the health minister. When do you plan to have the full package in place?

Mr Doherty—There is funding for this financial year. We certainly expect the first payments under the mitigation program to be made this financial year. The funding then increases into the following financial year.

Senator O'BRIEN—Page 70 of the PBS also states that the funding will be conditional on states and territories introducing more effective statutory land use planning, development and building controls. How do you plan to negotiate that?

Mr Doherty—We are expecting that those are the issues taken forward through to local government planning ministers council and through an augmented police ministers council to give effect to the broad sweep of the package.

Senator O'BRIEN—Has a set of standards been developed to judge state and territory controls to be used as a measuring stick for those controls?

Mr Doherty—Not at this stage.

Senator O'BRIEN—Who will be the judge on when a state and territory has its planning controls up to scratch?

Mr Doherty—At the end of the day the government will be the judge of whether they are happy for the money to be paid out. As I indicated, my expectation is that the process will proceed cooperatively in consultation with the states.

Senator O'BRIEN—Do I presume correctly that funds will be withheld from a state or territory for flood mitigation if its planning controls are not up to scratch?

Mr Doherty—I think that question is a bit speculative at this stage. We would need to work through that.

Senator O'BRIEN—I take it that means we do not know. That means we do not know yet?

Mr Doherty—Exactly. That is part of the process that needs to be worked through.

Senator O'BRIEN—Where does the expertise lie in these matters? You now have about 12 staff working in the area. States and territories would have hundreds who deal with these matters very regularly.

Mr Doherty—In relation to disaster mitigation?

Senator O'BRIEN—Yes.

Mr Doherty—There is a range of expertise across various Commonwealth agencies. We would expect to bring in external assistance in relation to assessing directions for disaster mitigation and, of course, the states have their own expertise on these issues.

Senator O'BRIEN—Would the funding for the external resource be paid for out of the \$68.5 million?

Mr Doherty—The funding for that form of assistance would be paid out of the departmental element of our funding, not out of the program element, as I understand it.

Senator O'BRIEN—How much of the \$68.5 million will be used for the department's administration costs?

Mr Doherty—The department was provided a separate vote for departmental expenses, which I think was in the order of \$1.2 million to \$1.3 million a year.

Mr Beresford-Wylie—Yes, the amount of money that was set aside for the program for the department was around \$4.7 million.

Senator O'BRIEN—Over?

Mr Beresford-Wylie—That was over a period of five years.

Senator O'BRIEN—Can I draw your attention to table 5 on page 158 of the annual report. I note that \$132 million allocated to the national disaster relief arrangements for 2002-03 seems only to have seen \$82 million spent. Given that we had a number of major disasters, bushfires and floods during that period, can you explain why \$50 million—

Ms Briggs—Excuse me, Senator, can you tell us what page and table number?

Senator O'BRIEN—Table 5, page 158.

Ms Briggs—Thank you.

Mr Doherty—Mr Beresford-Wylie may be able to add additional detail, but the nature of the Natural Disaster Relief Arrangements Program is that the timing of payments is dependent upon when claims come in from the states. It is not a program over which we have control of the amount paid. There are essentially eligibility arrangements set out in the determination. If the circumstances arise for eligible disasters, the states then have some discretion as to the timing in which they bring forward their claims over the next two or three financial years. So that figure is more an indication, I would think, of the timing of claims than the ultimate amount of the claims being different.

Senator O'BRIEN—So the \$50 million is set aside for claims that might subsequently arise?

Mr Doherty—As I understand it, the arrangement would be that there would be another allocation in the following year which would cover the amount of claims which come into that year.

Mr Beresford-Wylie—If I could just expand briefly on that, the \$132 million that was included in the 2002-03 budget reflects our best estimate at the time of drawing up the budget of what will be the demand on the NDRA program. That is a product of consultations with the jurisdictions about what they think they will bring forward. Obviously that is just a projection into the future. The \$83 million or so that is listed there is the actual amount that the states claimed.

Senator O'BRIEN—Two questions arise from that. Firstly, what happens to the \$50 million? Does it go back to consolidated revenue?

Mr Beresford-Wylie—Yes, it does.

Senator O'BRIEN—Can you provide a breakdown of how the \$83 million was actually spent?

Mr Beresford-Wylie—I do not have that information with me at the moment, but we can provide it.

Senator O'BRIEN—I take it that the same applies to the Flood Mitigation Program moneys—\$15 million allocated, \$8 million spent. That \$8 million will have gone back into consolidated revenue, I take it?

Mr Beresford-Wylie—The Flood Mitigation Program is different. We seek a rephrasing of that money. It is unlike the NDRA, which exists solely as an appropriation one year and then we seek a new appropriation each year.

Senator O'BRIEN—Can you provide details of claims made on the Flood Mitigation Program for that year?

Mr Beresford-Wylie—The Flood Mitigation Program works differently from the NDRA. It is actually a series of approved projects that the minister approves during the financial year on the basis of programs submitted by the states. Then during the course of the year we receive invoices and make regular payments to the states so the amount of funding that we provide in any given year is dependent on what we receive from the states. It is a project driven program rather than a claims driven program like the NDRA.

Senator O'BRIEN—Do I presume that there were only proposals for projects worth \$8 million in this year?

Mr Beresford-Wylie—No, that is the amount of money that was provided. There were claims or invoices submitted for a total of \$8 million, but that is not the value of the projects.

Senator O'BRIEN—I note from page 97 of the annual report that the government is working with states and territories to develop a longer term approach to aerial firefighting. What is happening with that process?

Mr Doherty—The minister has recently announced agreement to pay \$5.5 million, which was set aside in the budget, to the Australasian Fire Authorities Council for the purposes of additional aerial firefighting equipment as part of the national strategy. In the context of that strategy, the council has established a company with each of the states participating which will hold the leases to the aircraft, which are being paid for by that money and which will then be available to be shared to address the areas of greatest risk.

Senator O'BRIEN—What sort of aircraft will be in this national pool?

Mr Doherty—It is essentially a range of helicopter aircraft ranging from the Erickson Air-Cranes, which have been used in recent seasons, through to smaller helicopters.

Senator O'BRIEN—Do you have details on numbers and types?

Mr Doherty—We can provide that for you.

Senator O'BRIEN—Has the Commonwealth made any commitment to support the pool beyond the current financial year?

Mr Doherty—At this stage, no. I should say that in the terms of the budget announcement for the \$5.5 million in this financial year the statement was made that a commitment into future years would be considered in the light of the outcome of the current inquiries relating to bushfires.

Senator O'BRIEN—When is the COAG inquiry likely to report?

Mr Doherty—We understand it is due to report in March next year.

Senator O'BRIEN—Previously Minister Tuckey made a number of statements indicating that ongoing financial commitments by the Commonwealth to firefighting may be dependent on the states and territories changing land management and risk reduction practices. Is that still the case?

Mr Doherty—These issues are for the government to consider once they see the results of the inquiries.

Senator O'BRIEN—So it is now dependent on the outcome of the inquiry rather than on the states and territories changing land management and risk reduction practices?

Mr Doherty—At this stage there is no commitment to an allocation in future years and certainly no policy about the terms of such a commitment.

Senator O'BRIEN—I understand that, but you would agree, wouldn't you, that there is a difference between Minister Tuckey's statements and the statement you make about the matter being dependent on the outcome of the COAG bushfire inquiry?

Mr Doherty—My expectation is that the inquiries will actually confirm that there is a link between the issues of suppression and mitigation and that this whole range of issues does need to be considered together.

CHAIR—You would not have to be very smart to work that out, either.

Senator O'BRIEN—Has the department any plans for assessing state land management and risk reduction practices?

Mr Beresford-Wylie—If I can just pick up on that, the department has no plans per se to look at those areas, although they would be areas which would necessarily be discussed and touched upon in terms of land use planning reforms. Perhaps that is being addressed as part of the disaster mitigation program.

Senator Ian Campbell—I am the new minister. I will be looking forward to receiving the results of these inquiries. I must put on the table a prejudice towards the Tuckey view of these things. Everything I have read to date points to the fact that sensible planning use can help to mitigate disasters. I think the inquiries that we have made to date reinforce that. I look forward to receiving both the Nairn inquiry report and the COAG inquiry report, which shall inform us. I think the important thing is there will be a coordinated national response to these things based on good information.

Senator O'BRIEN—Back in the February estimates I referred to a press release of 2 April 2002 from Minister Tuckey committing the government to develop both a national

firefighting strategy and a national aerial firefighting strategy. In his answer, Mr Mrdak told the committee that the press release contains a commitment only to a national aerial firefighting strategy and not a national firefighting strategy. But I have had a chance to check that press release. It clearly refers to both a national firefighting strategy and a national aerial firefighting strategy. Can you clarify the nature of the government's commitment? Is it just to develop a national aerial firefighting strategy or a much broader national firefighting strategy?

Mr Doherty—In terms of specific work which has been taken forward, it has been in relation to the national aerial firefighting strategy. It may be that that leads through to broader issues of a national firefighting strategy or indeed that the broader work around disaster mitigation leads into that. But at the moment we have no work on hand in relation to a firefighting strategy other than the aerial strategy.

Mr Beresford-Wylie—I recall that press release, which I think in its heading referred to an aerial firefighting strategy, and there are several references to developing a national aerial firefighting strategy, and there is a reference, I think, sitting in one of the paragraphs on its own which talks about a national firefighting strategy and which I think was in the context of the overall press release talking about aerial firefighting.

Senator O'BRIEN—Yes, it says that Minister Tuckey said:

... the Government was developing a national firefighting strategy in partnership with State and Territory governments. The strategy will take into account traditional methods of firefighting while recognising advances in new technologies.

That is not happening; is that what you are saying?

Senator Ian Campbell—Aerial firefighting is actually firefighting.

Senator O'BRIEN—Aerial firefighting—

Senator Ian Campbell—Aerial firefighting is firefighting, yes.

Senator O'BRIEN—It is part of firefighting, yes.

Senator Ian Campbell—You have got the Nairn review, the COAG review and a proactive federal government looking to work with the states constructively to fight fires.

Senator O'BRIEN—I am curious. The government at this time, April 2002, according to Minister Tuckey, was developing a national firefighting strategy in partnership with state and territory governments and 'the strategy will take into account traditional methods of firefighting while recognising advances in new technologies,' which pretty clearly goes beyond simply aerial firefighting. That was not happening or has not been happening?

Mr Doherty—We are concerned that it may be more a case of miswriting in the press release rather than a new announcement.

Ms Briggs—I have got some recollection of Mr Mrdak being engaged in quite significant discussions on a range of firefighting issues. Can we take that on notice and we will give you a fulsome answer.

Senator O'BRIEN—I look forward to it, thank you.

CHAIR—That concludes that section. We will move on to the National Capital Authority—Territories and local government.

Senator CROSSIN—Can you just give me an idea of the time we are going to finish?

CHAIR—We are definitely walking out of here at midnight. Has anyone got any questions?

Senator CROSSIN—I have got questions on territories and the National Capital Authority—in 18 minutes. Can I take you to your annual report, in which I notice you could spare a whole five pages on the Indian Ocean territories. I refer to page 112. Are you able to provide this committee with a copy of the department's five-year strategic assessment management plan?

Mr Wilson—Yes, I can provide you with the five-year strategic plan.

Senator CROSSIN—In this annual report it mentions that it was updated. When was it updated?

Mr Wilson—The strategic asset management plan is a living document. It is updated quite regularly. The last update was provided to our corporate area in July of this year.

Senator CROSSIN—On page 113 you actually mention that one of the key achievements is improving employment levels. What has the employment growth been in the last six months for Christmas Island?

Mr Wilson—Over the last six months, Senator, as you would be well aware, the economic situation on the island has been, unfortunately, poor. There has been a decline in the level of economic activity on the island with the completion of a number of the capital projects that the Commonwealth—this department—was undertaking, and with the deferment of the immigration reception and processing centre. Other factors that have affected it over the last six months have been the non-progression of the APSC project. So the indicators would be a negative growth.

Senator CROSSIN—Are there any projects being contemplated or planned that would assist the economic activity on the island, aside from those major projects, which obviously are not providing any economic stimulus? What is the department doing to provide an economic stimulus in the absence of that happening because of those projects stalling?

Mr Wilson—Our major task is to provide state government equivalent services out to the island and to put in place a framework in which the island economy can operate. We also contribute to economic activity in that we form a major part of investment. Over the next 12 to 18 months we have quite a large capital program, which you will see in the strategic asset management plan. Those projects will flow through into economic activity. In addition to that, the recreation—

Senator CROSSIN—In what way?

Mr Wilson—It will be direct investment in capital items out on the island. Just as the recreation centre will invest \$8 million into the economy through construction work and the like, a number of the other asset investments will invest directly into the capital stock of the island. That will affect economic activity.

Senator CROSSIN—We have not got time tonight to explore that. As I understand it, there would be no companies on the island—is that correct—that would be able to undertake

that capital program; that, in fact, they would be contractors from Western Australia or the mainland who might do that?

Senator Ian Campbell—That is incorrect. There are contractors on the island who will directly benefit from these construction projects.

Senator CROSSIN—Is there a preferred tender process that would ensure that Christmas Island companies will get benefit from these contracts?

Mr Wilson—There is not a preferred tender status within the contracts that we let. There is certainly a focus within the tender process on encouragement of local employment. There is a selection criterion in there that has a component of local employment. For major projects which we put out there is also a training component associated with the tender process. For instance, the recreation centre that we recently tendered for has a training component built into the tender selection process. It is one of the selection criteria that we utilise.

Senator Ian Campbell—I think we should mention also that PRL have got applications in to expand their mining operations into some new leases. That is obviously pivotal to the future of that business. That is going through proper processes. I did notice that the Senate passed a resolution, however, that may hinder that process. I notice that Warren Snowdon, the member for one of the Northern Territory seats, actually came out and condemned the Senate for passing that resolution.

Senator CROSSIN—I do not have time to actually pursue—

Senator Ian Campbell—I also make the point that I think it is very important that people on Christmas Island do not think that the building of a processing centre or recreation centre is a sustainable future for the islands. We have here tonight Evan Williams, the new administrator who was sworn in on Saturday. In Mr Williams's letter of appointment the government has made it very clear—and I have made it very clear—that we want to focus on sustainable economic development for the islands. Clearly, a sustainable economy will not be built by these one-off major construction projects. Although they will give an economic impetus in the medium term, that is not the basis for long-term environmentally sustainable economic development. Clearly, tourism development is very important for the island. Also, the continuation of the phosphate mining is crucial. Obviously if the space centre can be developed, that is the sort of industry that will be sustainable.

Senator CROSSIN—We are considerably wasting time here. That is all right. It just means there will be more questions for the department.

Senator Ian Campbell—I am sorry, Senator. You asked questions about employment on the island and I was trying to give you a full answer.

Senator CROSSIN—And we are short of time as well.

Senator Ian Campbell—You obviously do not care about the phosphate mining prospects for the island.

Senator CROSSIN—We are short of time. I would have thought we would try to maximise the time with answering questions rather than providing a lecture.

Senator Ian Campbell—All of us have been here since nine o'clock this morning and you have wandered in—

Senator CROSSIN—We have all been here since nine o'clock this morning.

Senator Ian Campbell—Well, you haven't.

Senator CROSSIN—Some of us have been at a number of committees throughout the day. Mr Wilson, I think what I will do is leave that, because those tenders have not actually been awarded yet. Those contracts have not been awarded, have they?

Mr Wilson—The recreation centre tenders have not been awarded as yet. The project is currently with the parliamentary works committee.

Senator CROSSIN—I will follow that up in the February estimates. Can you tell me, therefore, where the process of privatising the Christmas Island administration workers, in terms of cleaners and gardeners, is at?

Mr Wilson—Unfortunately there has been a delay in market testing the cleaning and gardening services due to some administrative difficulties we have had in finalising the tender documentation. I understand that tenders will be called on Wednesday of this week. We will then go through the normal tender processes, assess them against the current costings that we have for the provision of in-house cleaning and gardening and make an assessment based on—

Senator CROSSIN—And how many people employed by the Christmas Island administration does this affect?

Mr Wilson—I understand that—I will have to clarify the exact number with the committee later but it is in the order of 11 cleaners and seven gardeners.

Senator CROSSIN—Is there any guarantee in the tender process that those 18 people must be employed by the new contractor, if it goes ahead?

Mr Wilson—No.

Senator CROSSIN—So technically we might have a situation where 18 people on the island would lose their current employment. Is that right?

Mr Wilson—Potentially, yes.

Senator Ian Campbell—What would be the employment impact of the phosphate mine closing down if it could not get access to new leases?

Senator CROSSIN—Can I just go to Cocos island, because we have only a few minutes left here.

Senator Ian Campbell—How many people are employed in the phosphate mine?

CHAIR—We are asking the questions here.

Senator Ian Campbell—I will ask some questions, too.

CHAIR—No, it is our job to ask the questions.

Senator Ian Campbell—Senator Crossin should understand that by voting for a resolution in the Senate last week she has voted to assist closing down the phosphate mine, which will probably put hundreds of people out of work.

Senator CROSSIN—We do not need to have a debate about what that resolution meant or did not mean.

CHAIR—You have the call, Senator Crossin, if you want it.

Senator CROSSIN—I am trying to get there, actually. An advertisement in the weekend—

Senator Ian Campbell—I am sorry, Mr Chairman. I cannot stand hypocrisy.

Senator CROSSIN—We do not have time to debate what the resolution—

Senator Ian Campbell—You do not want to debate it. I would love to debate you. I would love to debate the phosphate mine out there and why you want to close it down.

Senator CROSSIN—It is probably not the appropriate place, Minister.

Senator Ian Campbell—You go tell the Christmas Island Workers Union that you are trying to close the phosphate mine down.

Senator CROSSIN—That is not the case. The *Weekend Australian* ran an advertisement calling for expressions of interest for residential investment on Cocos island back on 30 and 31 August. How many expressions of interest have been received in response to this advertisement?

Mr Wilson—I believe that we received in the order of 32 expressions of interest following that ad. Since then we have actually put the development Buffett Close out to the marketplace and have received—

Senator CROSSIN—Sorry? Buffett—

Mr Wilson—I am sorry. That is the parcel of land. That is the name of the parcel of land on Cocos island that you asked about. We assess the market in the expressions of interest. We have been to the marketplace now for full sale of the properties. We received yesterday our first \$4,000 holding deposit with regard to sale of one of the blocks of land.

Senator CROSSIN—So of those 32 expressions of interest, how many will—what is the process?

Mr Wilson—It is a two-stage process. What we sought to do was test the marketplace for interest, given that it is a limited market. Given that we had 32 expressions of interest, we judged that there was a reasonable level of interest. We put the ads for sale out recently and have had 101 contacts based on those ads. As I said, we have now received a \$4,000 holding deposit with regard to one block of land—with regard to the process for the blocks of land.

Senator CROSSIN—How many blocks of land are there?

Mr Wilson—Eighteen.

Senator CROSSIN—So you have decided to proceed with the sale of the land?

Mr Wilson—The sale of the land will be subject to us receiving sufficient holding deposits to justify development of the land.

Senator CROSSIN—So what is the price tag attached to each piece of land?

Mr Wilson—\$80,000.

Senator CROSSIN—Are there other land sales that you have in mind for the Cocos islands?

Mr Wilson—Not at that stage.

Senator CROSSIN—Are you telling me that you are not actually going to sell this land in total unless you get 18 deposits?

Mr Wilson—Sufficient interest and sufficient deposits to ensure that the department does not lose financially from development of the land.

Senator CROSSIN—Can you tell me where things are at in terms of the Rumah Baru project on Cocos island?

Mr Wilson—As I think we discussed at the last estimates hearing, we went to the marketplace for Rumah Baru for the design that we had previously passed through the Public Works Committee. The costings came back in excess of what the department has set aside for that project. We have since entered into discussions with Western Stevedores, who are our port managers on Christmas Island, with regard to a possible more efficient and cost-effective solution to the provision of freight handling services on the island. They are currently finalising a scope of works which I understand will fit within the funding envelope that the department has available to—

Senator CROSSIN—Let us just go back. The project was actually given the go-ahead some 18 months ago by the Public Works Committee?

Mr Wilson—That is correct.

Senator CROSSIN—The EIS has been conducted, so it has environmental approval?

Mr Wilson—Yes.

Senator CROSSIN—So what are you now saying—that that has been set aside?

Mr Wilson—That is correct, yes.

Senator CROSSIN—We are basically starting from scratch again now with Western Stevedores. Is that correct?

Mr Wilson—As I have indicated, the cost of the original project was in excess of what the department had available.

Senator CROSSIN—What are those two figures, just remind me?

Mr Wilson—I am afraid I do not have the detail.

Senator CROSSIN—Are we looking at double the price?

Mr Wilson—No.

Senator CROSSIN—It was not double the price; it was—

Mr Wilson—I believe 10 per cent to 25 per cent above what the department had budgeted for.

Senator CROSSIN—So what are you hoping Western Stevedores might be able to provide you?

Mr Wilson—The proposal that we have discussed with Western Stevedores is based around a more, as I said, cost-effective proposal. It is a simpler system.

Senator CROSSIN—What do you mean by a simpler system?

Mr Wilson—It is not as costly.

Senator CROSSIN—Are we looking at building a wharf or a landing station?

Mr Wilson—It is more along the lines of a landing station. If you recall the Rumah Baru project, it involved a 200-metre jetty out to a landing platform or an island, given the depth of the water. This would involve a simpler structure located further up the coast near where the current operations occur that would involve the barge coming close into that area and being handled there. It is a far simpler system and a far more cost-effective investment in terms of value for money. At the moment Western Stevedores are finalising that proposal. Once we have that proposal, we will then look at the potential cost of that vis-a-vis the benefits that accrue from it.

Senator CROSSIN—Does that not go against the very reasons as to why the Rumah Baru project was actually initiated in the first place though—that is, to bring it into the lagoon more in terms of safety?

Mr Wilson—The Rumah Baru project was conceived for two reasons: the safer handling of freight and also the safer handling of passengers. You may be aware that we recently went to tender for passenger services for the ferry.

Senator CROSSIN—Yes, I was hoping to get to that. Time is running out.

Mr Wilson—I will try to go through that now.

Senator CROSSIN—Let us just finish Rumah Baru first.

Mr Wilson—They are interconnected. In the ferry tender, the preferred tenderer is a hovercraft.

Senator CROSSIN—Before I get on to that, I want to finish the Rumah Baru stuff.

Mr Wilson—What the tender with the hovercraft means is that we can handle passengers on land rather than at the wharf, which means that the Rumah Baru facility, which had a dual purpose—safer freight handling but also safer passenger handling—now only needs to handle freight. Because it only needs to handle freight, we can consider a different construction than what Rumah Baru was originally designed for.

CHAIR—Have you thought about a meat-meal plant in four-legged freight?

Mr Wilson—No, Senator.

CHAIR—It is too late at night.

Senator CROSSIN—Are you suggesting that a hovercraft could land up on the sand at Cocos Island? You have been to Cocos Island, I take it?

Mr Wilson—I have been to Cocos Island.

Senator CROSSIN—You have seen how wide the sand is?

Mr Wilson—Yes. I have.

Senator CROSSIN—I know it is late at night, but you are not dreaming while you are awake, are you?

Mr Wilson—No. I currently have a hovercraft expert on the island with officials from the department working through the suitability of the hovercraft operations on Cocos.

Senator CROSSIN—So tell me, what will that mean for the local people who are employed in running the ferry service?

Mr Wilson—Under the current proposal, the preferred tenderer will take at least 12 months before they would have a fully operational ferry service. So for the future 12 months—

Senator CROSSIN—So after 12 months, if the hovercraft tender gets the nod, what happens to the local people employed operating the ferry service?

Mr Wilson—The preferred tenderer has indicated that he has a preference for employing local staff.

Senator CROSSIN—How many of those?

Mr Wilson—At this stage it is unclear as to the exact number, but I understand that it will involve four full-time and a number of part-time workers.

Senator CROSSIN—So how many would then miss out on employment after 12 months time?

Mr Wilson—I am not certain how many are directly employed at the moment under the current ferry contract to provide only ferry services. I can get you those numbers if you wish.

CHAIR—Senator Crossin, you have to make some hard decisions here, because we are out of time. What would you like to do?

Senator CROSSIN—I would like to keep going, but I guess people want some sleep.

CHAIR—So do you want to call the National Capital Authority now? It would give you a few minutes with them.

Senator CROSSIN—There is probably no point actually.

CHAIR—I was just busting to ask them about the fan.

Senator CROSSIN—I know I am busting to ask them about the fan, but I would be at least 15 to 20 minutes.

CHAIR—All right.

Senator CROSSIN—I am afraid I am going to have to put all my questions on notice to you, and they number quite a lot.

Mr Wilson—We understand, Senator.

Senator CROSSIN—But I warned you and I gave that speech in the Senate a couple of months ago that I was going to ask them, and I am sorry that I cannot alleviate it because I

have not had more time tonight. Of course, it was taken up by the minister rambling rather than asking questions.

Senator Ian Campbell—It was not actually. I have not spoken much at all. Chair, if the committee has to decide how it structures its time, can I suggest that you should structure time for each of these divisions so that you do not miss out on something as important as the National Capital Authority. But you have to budget your own time. I have spoken about six times today, so I will not cop that if the senator turns up late.

CHAIR—Thank you very much for your contribution. Before everyone goes home, I want to announce to the committee that sadly this is the last occasion on which Andrew Snedden will be attending as the secretary of our committee. He will be retiring on 21 November after eight years of true and faithful service to this committee. Andrew's career started in parliament on 1 September 1975. To recognise that, I would like to run through some statistical evidence of the support he has given to the people of Australia and to members of this parliament in a diligent and very effective way for 28 years.

In 1975 Andrew started as a research officer. From 1980 to 1984 he became a principal research officer. From 1984 to 1987 he was the committee secretary of the Finance and Public Administration committee. From 1987 to 1988 he was Scrutiny of Bills secretary. In 1988 to 1989 he was with the Select Committee on New Corporations Law. In 1990 he was the National Crime Authority secretary. From 1993 to 1996 he was the National Crime Authority Corporations and Securities secretary. He is a man of great knowledge, this bloke. For eight years, from 1996 until now, he has put up with all the woes of the bush in the Rural and Regional Affairs and Transport committee.

Andrew, on behalf of everyone here and all those people over all those years we are very, very grateful for people such as you. I say that with great fondness to Andrew for all the support he has given us. This committee, unlike a lot of committees, tries to do the right thing and tries to keep politics out of it—we have to keep enough politics in it to keep the shadow minister in a job, I presume. We try to do things in a useful way and with a useful approach for the industries we are concerned with. Andrew's work is far from over because he is leaving to be with his twins, a boy and a girl, who are 15 months old, so he has a long way to go. Thank you very much, ladies and gentlemen. That ends tonight's proceedings.

Committee adjourned at 12.06 a.m.