



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Additional Estimates)

TUESDAY, 17 FEBRUARY 2004

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

Tuesday, 17 February 2004

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

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

Committee met at 9.01 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

In Attendance

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

Department of Transport and Regional Services

Corporate

Mr Ken Matthews, Secretary
Peter Yuile, Deputy Secretary
Lynelle Briggs, Deputy Secretary

Corporate Group

Jeremy Chandler, First Assistant Secretary Corporate
Robert Twomey, Chief Finance Officer
Linda Holub, Assistant Secretary Executive and Governance
David Banham, Chief Information Officer

Policy and Research Group

Bureau of Transport and Regional Economics, Regional and Cross Portfolio Issues

Phil Potterton, Executive Director of the BTRE
Judith Winternitz, Assistant Secretary Regional and Statistics (BTRE)
Anthony Ockwell, Assistant Secretary Portfolio Policy
Daniel Owen, Assistant Secretary Regional Policy

Transport Policy Functions

Mike Mrdak, First Assistant Secretary Policy and Research
Sema Varova, First Assistant Secretary Policy and Research
John Elliott, Assistant Secretary Infrastructure
Jim Wolfe, Assistant Secretary Rail, Logistics and Maritime
Nick Bogiatzis, Assistant Secretary Transport Markets

Regulatory Group

Surface Transport Regulation

Bill Ellis, First Assistant Secretary Surface Transport Regulation
Peter Robertson, Assistant Secretary Vehicle Safety Standards

Maureen Ellis, Acting Assistant Secretary Surface Transport Regulation and Reform

Australian Maritime Safety Authority

Clive Davidson, Chief Executive Officer, Australian Maritime Safety Authority

Mrs Dianne Rimington, General Manager Corporate

Dr Greg Feeney, General Manager Maritime Safety and Environmental Strategy

Transport Security Regulation

Andrew Tongue, First Assistant Secretary Transport Security Regulation

John Kilner, Assistant Secretary Maritime Security Regulation

Andy Turner, Assistant Secretary Aviation Security Regulation

Aviation and Airports Regulation

Martin Dolan, First Assistant Secretary Aviation and Airports Regulation

Linda Addison, Assistant Secretary Airport Planning and Regulation

Merrilyn Chilvers, Assistant Secretary Aviation Operations

Vicki Dickman, Acting Assistant Secretary Regional and Freight Security

Mike Smith, Executive Director National Airspace System Implementation Group

Warrwick Paddon, Group Captain, National Airspace System Implementation Group

Civil Aviation Safety Authority

Bruce Byron, Chief Executive Officer

Bruce Gemmill, Deputy Chief Executive Officer

Rob Collins, Acting Deputy Director of Aviation Safety

Bill McIntyre, Executive Manager Aviation Safety Standards

Eric Edwards, Head, Maintenance Standards Branch, CASA

Rob Elder, Executive Manager Corporate Affairs

Sue-Ellen Bickford, Executive Manager Corporate Services

Ray Comer, Executive Manager Corporate Improvement Program

Peter Ilyk, General Counsel

Airservices Australia

Bernie Smith, Chief Executive Officer, Airservices Australia

Tom Grant, General Manager, Organisation Development and Corporate Secretary

Safety and Investigation Group

Australian Transport Safety Bureau

Kym Bills, Executive Director Australian Transport Safety Bureau

Rob Graham, Director Safety Investigations

Alan Stray, Deputy Director Air Safety Investigation

Joe Motha, Director Safety Research and Education

Programs Group

Regional Programs

Leslie Riggs, First Assistant Secretary Regional Programs and Territories

Wendi Key, Assistant Secretary Regional Program Operations

Leo Dobes, Assistant Secretary, Analysis and Performance

Gary Dolman, Assistant Secretary Regional Community—Regional Office Network

Transport Programs

John Doherty, First Assistant Secretary Transport and Local Government

Joan Armitage, Assistant Secretary Transport Programs North and West

Robert Hogan, Assistant Secretary Transport Programs South-East

Territories and Local Government

John Doherty, First Assistant Secretary Transport and Local Government

Adrian Beresford-Wylie, Assistant Secretary Local Government Taskforce

Andrew Wilson, Assistant Secretary Territories

Margaret Backhouse, Director Self-Governing Territories

Diana Williams, Acting Assistant Secretary Local Government and Natural Disasters

National Capital Authority

Annabelle Pegrum, Chief Executive Officer, National Capital Authority

Lindsay Evans, Managing Director Business

Graham Scott-Bohanna, Managing Director Design

Andrew Baird, Director Promotions

George Lasek, Director National Capital Estate

Ross Addison, Director Finance

George Lasek, Director National Capital Estate

Alison Walker-Kaye, Director Corporate Business

Phil Wales, Director Executive Governance

Andrew Smith, Director National Capital Projects

Ted Schultheis, Principal Town Planner

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 3 December 2003 the Senate referred to the committee the particulars of proposed additional expenditure in respect of the year ending 30 June 2004 for the portfolio area of transport and regional services. Today the committee will commence its examination of additional estimates with the Department of Transport and Regional Services. The committee is required to report to the Senate by 24 March 2004.

I propose to call on the estimates according to the format adopted in the printed program but with one change, which is that we will consider item 5.1 after item 5.2. Answers to the questions taken on notice and additional information should be received by the committee no later than Friday, 2 April 2004. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome Senator the Hon. Ian Campbell, Minister for Local Government, Territories and Roads, who is accompanied by Mr Ken Matthews, Secretary; Peter Yuile, Deputy Secretary; Lynelle Briggs, Deputy Secretary; and other officers from the Department of Transport and Regional Services and related agencies.

Officers are reminded that the Senate has consistently decided, by way of continuing resolution, that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanation 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 of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. Finally, witnesses are reminded that the evidence given to this committee is protected by parliamentary privilege. I

also remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate. Minister Campbell, I invite you or Mr Matthews to make an opening statement, and then we will go to questions.

Senator Ian Campbell—I do not wish to make an opening statement.

Mr Matthews—Nor do I wish to make an opening statement.

Senator O'BRIEN—Chair, yesterday AFFA undertook to come back to the committee regarding a question about a meeting that they said had not taken place. That did not happen. I wonder if the committee secretariat could chase them up to see if they are intending to respond to that question. Thank you.

I want to start by discussing the minister's responses to questions on notice arising from the last estimates hearing in November. During that hearing 92 questions were taken on notice and another 158 placed on notice because time ran out. Of the 92 questions taken on notice, 43 were returned last week. Of the 158 placed on notice, 123 were returned last week. Minister, are you satisfied with this performance, given that the last estimates hearing was on 4 November 2003—more than three months ago?

Senator Ian Campbell—I obviously rely on the department to prepare answers, and I know from talking to the senior officers in the department that they also have to chase agencies such as, for example, the NCA. I know there has been a very long delay in the NCA answers, which I am going to raise with them directly. I have not done so at this stage. I think the department have responded to the extent that they have been able to, bearing in mind that many of the questions, I think, were put on notice by Senator Crossin and relate to the territories and require advice coming from external territories. They have been prepared very diligently. Can I say that, as it was my first estimates in a new portfolio, I carefully read all of the responses myself for two reasons: firstly, I wanted to make sure that they were words that I was happy to have go on the record; and, secondly, it was probably a slightly indulgent way of briefing myself on some aspects of the portfolio.

I have tended to read voraciously since I came into the portfolio, and I thought reading answers to questions on notice would be one way of getting into some of the nitty-gritty of the details. So I have read every single answer and I might accept some blame—if we need to put blame anywhere. I do not think you are trying to do that; you are asking me if it is acceptable. I certainly held up the tabling of the responses for a number of weeks over the summer period because I did insist on reading every answer myself. That is what I have done, so I apologise to the committee if that has in any way constrained your consideration of the estimates.

Senator O'BRIEN—Is this a one-off?

Senator Ian Campbell—From my point of view, Chair, I can give an undertaking that I will process the answers as quickly as I can. The department have told me that they are not happy with some of the agencies' responses, and the NCA is one of those. I will be personally taking that up with the NCA during the day. We try very hard to meet our deadlines.

Senator HOGG—Was there any reason why the answers were not released in blocks?

Senator Ian Campbell—The reason I just gave was that I had them in a great big file in my in-tray, and I worked through them. Even with constant berating from Scott Faragher in

my office, I basically insisted on reading them all. It is fair to say it was probably one of those things sitting in my in-tray that did not strike me as one of the more appealing things to read. I think we released them in two blocks, to answer Senator Hogg's question accurately, but that is my fault, no-one else's. They were dealt up to me from the department and I insisted on reading them quite thoroughly, which I did. It was not a delaying tactic; it was for the very honest reasons I gave: I wanted to read them all thoroughly, firstly, to make sure the answers were how I wanted them to be, because they are my answers even though they are prepared by the department; and, secondly, as a way of briefing myself on aspects of the portfolio. I can tell you that as a result of reading them I know a lot more about the intricacies of gardening on Christmas Island and a whole range of other fascinating subjects.

Senator O'BRIEN—I am glad that you have emerged from the experience well-informed, Minister.

Senator Ian Campbell—Were there any particular areas that were delayed that you were concerned about? There were hundreds of questions which seemed a bit pedantic to me.

Senator O'BRIEN—There were 250 questions.

Senator Ian Campbell—Yes, I know.

Senator O'BRIEN—Some of them were directed to your areas and many of them were directed to Mr Anderson's areas.

Senator Ian Campbell—I had to clear them all, of course, because I am ultimately responsible to this committee.

Senator O'BRIEN—Does that mean that Mr Anderson had to clear them and then you had to clear them?

Senator Ian Campbell—I would expect that his office would have looked at them, but I ultimately would clear them before they came to this committee because I am responsible to the committee. There was no attempt to slow them up, I can assure you of that.

Ms Holub—In addition to what the minister has been saying, I understand that there are a block—I do not have the actual number of them with me—that were returned for some changes and have not yet been resubmitted. I think they are in the airports and aviation area. They were certainly trying to finalise them prior to the commencement of these hearings, but I understand that, as of late yesterday, they were not able to do that.

Senator O'BRIEN—There are a number of questions about the TAATS system, radar and technology for the future, national airspace, a World Cup helicopter incident—

Senator Ian Campbell—I suggest that we go through the questions. I am sure Senator O'Brien will know when there is an unanswered question from the last round of estimates and how it relates to the issue. As we would all know, some of these issues evolve and roll on. I can understand that it might be tougher for Senator O'Brien not to have the answers to those outstanding questions in front of him, but I am sure the issues are the same. We will do our best to get those.

Senator O'BRIEN—This is an all too frequent occurrence. Of the 250 questions, 68, which we only received last week, appear to have been provided to Minister Anderson:

RST14 to RST15, PREG1 to PREG48, RAA1 to RAA2 and RAA10 to RAA25. Can officers tell me when Mr Anderson received the material?

Ms Holub—I am afraid I do not have those details with me.

Senator O'BRIEN—Can you ascertain that?

Ms Holub—Yes.

Senator O'BRIEN—Minister, can you provide the answers to the National Capital Authority questions, particularly questions 1 to 34 on the centenary of women's suffrage issue?

Senator Ian Campbell—I actually related to those in my earlier remarks. I understand that there is a whole batch of them.

Senator O'BRIEN—There are 43.

Senator Ian Campbell—They arrived in my office yesterday afternoon. I have made it clear that I am not very happy with that performance, and the NCA will be told of my unhappiness.

Senator HOGG—Is there an internal process in your office for following up those outstanding questions?

Senator Ian Campbell—Yes, there is.

Senator HOGG—How often is that process applied?

Senator Ian Campbell—Basically, we have a very efficient person in my office—who you know well—who reminds me that there is a deadline imposed by the Senate and tells me who has not met it. He then gets on the phone and chases up the relevant people, to avoid situations like this.

Senator HOGG—Obviously.

Senator Ian Campbell—I am not having a go at any senator or even taking away from them, but I think it is fair to say, from the department's point of view, that there are times when senators—and it is not usually the ones I have noticed in my short time at estimates that sit here like Senator O'Brien doing detailed forensic work—come in and ask a few questions and are obviously not occupied with this committee. They may have good reasons; their main focus may be somewhere else. But they often come in with a whole bunch of questions that have generally been prepared by diligent staffers sitting somewhere else and say, 'Here you go, here's 150 questions on notice.'

That happens, but it does put a very large load on the department. We just have to cop that. It is entirely appropriate. It is an accountability process. But I do not think it is what estimates were designed for. There has to be a balance struck. When you have 150 questions stuck down, there is a burden on the resources of the department. We are not shirking that. The department seeks to answer those questions as diligently as possible. I think there is a difference between some senators who sit here and engage with the department and follow a line of questioning and others who come in and say, 'Here's 150 questions. I'll leave them on notice,' and then shoot through. That does put a big burden on the resources of the department.

Senator HOGG—That could also in part be due to the timing of various estimates around here, as various estimates clash.

Senator Ian Campbell—I think I have made it clear that I think that does happen and some people have conflicting priorities. I think it is fair to say that where you had estimates towards the end of last calendar year and these estimates literally within a week of the parliament starting and the summer break in between, where not only some senators took a couple of weeks R and R but I presume a significant portion of the department would also have taken some recreation leave, the resources available to respond are probably lower than they are at other times of the year. I was very reluctant to use the Christmas and summer holidays as an excuse—and I am not—but I think the reality is that in all of our offices on both sides of the isle in the parliament and the departments a lot of people do take recreation leave during the Australian summer. So the practical reality is that there are fewer staff resources available during this short break between the two estimates rounds. We are not using it as an excuse; that is just a practical reality. I am not sure whether the whole of the NCA went away for the whole summer, but we will be finding out soon.

Senator O'BRIEN—There might have been another trip involved. At the last estimates hearing so long ago we discussed the financial position of the department. Mr Matthews, you indicated that the departmental budget had been divided into five groups. Those groups are now managing their own budgets. You said that after the first quarter:

... we are more or less on track in achieving our financial targets across the department.

A little further down the track, what is the financial position of the department?

Mr Matthews—The situation is similar. We have now had our half-yearly review—that is, after the second quarter—and again the department in aggregate is tracking pretty well on its financial targets. You will recall that the groups, by and large, had had this year a 10.7 per cent reduction, and there will be a further reduction in the year ahead, though it will be considerably smaller than that. But at the end of the first six months we are still on track in aggregate to achieve those pretty tough financial budgets.

Senator O'BRIEN—When you say 'on track in aggregate', does that mean that some are ahead of the track and some are behind it?

Mr Matthews—Some are further ahead of target than others, but I think I am correct that all groups have achieved—

Mr Chandler—All groups are currently very close to or within their targets for the year.

Senator O'BRIEN—When you say 'very close to,' I take that to mean that some have not quite made it and some have.

Mr Chandler—There are components to the budget. The total position as of the end of January is that we are only \$300,000 away from our expected position at that date, and that is within budget. So, in total, we are working within our budget.

Senator O'BRIEN—Whilst that is happening, is the impact of the work out/work up plan on staff being monitored as well?

Mr Matthews—Yes. We monitor it very carefully and in a variety of ways. As managers and leaders of the organisation, we have to monitor, first of all, its impact on the output of the

department, but we also need to monitor how people are feeling as individuals and as teams. We have a variety of methods of doing each of those things. For the first of them we have a business planning and reporting process where, for example, at the end of the first quarter and again at the end of the second quarter, halfway through the year, we had a review at the board executive level about how each group was performing on what they had planned to do—which is performance reporting—and we compared that with your previous question about how they are performing on budgets.

On the second matter of how it is impacting on staff as individuals and as teams, again we have a variety of measures. For example, we have recently had a review of our Investors in People accreditation, and that has led to a series of opportunities for staff to tell us how they are feeling. We also take readings from the contracted departmental counselling service and look at parameters such as sick leave and family leave. So there are a variety of indicators that we need to take account of.

The result of all that is that there is no doubt a degree of stress around the department. We need to manage that—I do not deny that for moment—but overall I think we are managing well and, importantly, we are continuing to produce the outputs that the government expects from us, particularly the highest priority work tasks.

Senator O'BRIEN—At the last hearing, you mentioned that you have designed the change process so that people are well aware of its objectives. Are you confident that all people in the department are well aware of the objectives of the work out/work up plan?

Mr Matthews—I am more confident that people are well aware of what are the highest priority work tasks that the ministers expect of us and that the taxpayers pay us for. One of the findings of our Investors in People accreditation survey was that staff do want to know more about where work out/work up is going. But that is looking internally, and I guess what I am emphasising is that it is important that we as an organisation do not always only think inwardly but maintain a view and a priority for the things that we are meant to produce outside. But it is true that staff are asking for more clarity about what happens next on work out/work up.

Senator O'BRIEN—So there is a bit of a task ahead to make people fully aware of what this program means so that, presumably, they can understand and embrace it?

Mr Matthews—Yes, that is definitely so. What we have been doing as the executive, meaning me and the two deputy secretaries here at the table, is trying to define what the next phase of work out/work up is. We shorthand it by saying that we are going to put more emphasis this year on the work up part of work out/work up. That is, we have made good progress on working out of our financial challenges. We now need to work up the performance because work out/work up was always more than just working ourselves out of financial challenges; it was also about working up the performance of the department. That is something that I am trying to communicate to staff. For example, last Friday we had a session with all SES officers around the department to begin the process of articulating what work out/work up—that is, the management agenda as we look forward this year—will look like so that the SES can contribute to that and can carry consistent messages to staff throughout the department.

Senator O'BRIEN—I will come back to that. You mentioned before that staff would be well aware of the resources that are available. Does that mean that there have been thoroughgoing briefings of all staff about the first aspect—the work out of the financial problem side of the equation?

Mr Matthews—From the beginning, which means from the day after the last budget, there have been all-staff briefings about our financial situation which, in my experience in a number of departments, have been very open in terms of what the numbers are and what the aggregate financial challenge is. In addition to that, we are trying to localise briefings to staff because I know that staff identify more strongly with their local managers. So at group level, as we call it—these five groups within the department—we try to encourage briefings about the specific circumstances of each group. That includes the financial circumstances and the work tasks that are ahead and making sure that people at a local level as well as at an aggregate level have the best understanding that we can give them about their financial situation. It has been one of the principles that we have had: that it would be a transparent process and that the financial challenge we have had would be shared with everyone.

Senator O'BRIEN—After the briefings, is there some way that you examine whether the message is getting through?

Ms Briggs—Could you repeat that question, Senator?

Senator O'BRIEN—After you have meetings of the five groups, is there some way you test whether the message is getting through?

Mr Yuile—Maybe I can add something to what Mr Matthews has said. The line of your questions is really about communication and I suppose the one lesson we have is that, as every text book tells you, it does not matter how much communication you undertake, you never do enough. What the secretary has said is that clearly we have done a lot in terms of broadcast communication to the department through all-staff briefings and through group by group discussions and briefings by the secretary and us, but also I know that regular meetings within the group structures take place. In terms of your question about feedback and testing, I think that happens through mechanisms like Investors in People, which is an independent audit. People come from outside and randomly select staff to talk to and test what they have picked up and what they know and do not know. That is part of what the secretary has already said by way of feedback. I know in my case that since I came back from sick leave I have been undertaking a range of informal lunches or meetings within the workplace, talking with staff members about what exactly they perceive is happening, how they are tracking and what their expectations are of us, and, indeed, they ask what our expectations are of them.

So there is a range of informal and formal devices like the Investors in People program and our next staff survey. There are those sorts of mechanisms. We are constantly in discussions in our people management committee and also at the executive board, sharing information about what is getting through and what is coming back by way of feedback and trying to address that. We have recently agreed that we will do regular quarterly formal briefing in terms of our financials so that comes out, along with the question of our work up strategy and the kinds of management priorities we have. We look at building capability in the department, our learning and development priorities, our recruitment and retention priorities and our performance

exchange priorities. Again, we are doing that with staff, seeking feedback and trying to refine it through task forces and things like that. That is the range of ways in which we try to gather information. But ultimately we can do as much as we can but people still have to take some responsibility for finding out, too.

Senator O'BRIEN—You mentioned a staff survey. Is that a quarterly staff survey?

Mr Yuile—No, every couple of years we do a survey.

Senator O'BRIEN—So that is due now, is it?

Mr Yuile—No, it is not due now. I think it is due next year but I can check that for you.

Ms Briggs—It is due later this year.

Senator O'BRIEN—How many people, ongoing and non-ongoing, are left in the department now?

Mr Matthews—As of last night there were 803.3 full-time equivalents.

Senator O'BRIEN—How does that compare with the position immediately prior to the budget last year?

Mr Matthews—As I recall, the number at that time was 927.

Ms Holub—The figure that Mr Matthews quoted from last night was a full-time equivalent figure. I do not have that for the May period but I have a head count, which is very similar, and that was 922.

Senator O'BRIEN—So there were 922 people?

Ms Holub—In May last year.

Senator O'BRIEN—So something less than 922 full-time equivalents?

Ms Holub—That is the ongoing staff.

Senator O'BRIEN—Just ongoing, not non-ongoing?

Ms Holub—There were an additional 15 non-ongoing, so the total was 937.

Senator O'BRIEN—Is there a target figure to be achieved by budget time this year?

Mr Matthews—No. As I was saying at the last hearings—I am sure I said it at the last hearings—we certainly have not set staffing targets. What we have set are budgetary targets. For each group, the objective is to achieve those targets. Doing so will clearly include some staff losses but that is not the only way, and each group can make decisions about the best way to make those savings. All groups have made savings in things like consultancies and general administrative costs. There has been a crackdown or a reduction in travel and in similar sorts of expenditures in addition to staff losses. But there are no staff targets.

Senator O'BRIEN—How many non-ongoing staff were employed at 1 November last year?

Ms Holub—In November, the number of ongoing staff—that is, a head count—was 832.

Senator O'BRIEN—What about non-ongoing?

Ms Holub—Thirteen.

Senator O'BRIEN—How did that translate into FTE? Do you know?

Ms Holub—I do not have an FTE figure; I just have the head counts with me. But there would be a marginal difference between the two.

Senator O'BRIEN—Mr Matthews gave us a figure in FTE as of now. As of now, what is the actual body count of ongoing and non-ongoing, if I can put it that way?

Mr Matthews—That is a different term!

Senator O'BRIEN—Perhaps I should not put it that way: I withdraw that.

Ms Holub—Head count?

Senator O'BRIEN—How many people are on the payroll?

Ms Holub—You want to convert the current FTE figure to a head count?

Senator O'BRIEN—Yes.

Ms Holub—I have the figure at the end of January. It does vary, even throughout the day, depending on the processing of paperwork. The figure is 820.

Senator O'BRIEN—So that is 820 ongoing—

Ms Holub—And a further 11 non-ongoing.

Senator O'BRIEN—That is 106 fewer than at budget time last year.

Mr Chandler—It would be of that order.

Senator O'BRIEN—That is a bit over an 11 per cent reduction in staff.

Mr Matthews—The numbers I have are that from May 2003 to the end of January this year the department lost 129 ongoing and non-ongoing staff off a base of 938 staff. The base on this calculation includes the separate group of staff on the Indian Ocean territories. That equates to 13.8 per cent of our employees over the nine-month period.

Senator O'BRIEN—Has that reduction been fairly even across the five groups?

Mr Matthews—No. It has varied quite a bit among the groups—for example, the reduction in the number of staff from the ATSB has been the least, and groups such as the corporate group and the policy and research group have been at the upper end.

Ms Briggs—I would like to correct that. The group that has had the least reduction is the regulatory group, with a loss of about 1 per cent. There have been extra staff coming on in that area due to the enhanced security arrangement decisions the government has taken. I do not have figures that do not allow for that.

Senator O'BRIEN—So perhaps the loss has been counterbalanced by an increase in an area that has not previously been a focus, if I could put it that way.

Ms Briggs—Yes. Decisions on the new maritime security measures have been taken only in the last 12 months.

Senator O'BRIEN—Mr Matthews, at the last estimates hearing you indicated that other ways of balancing the departmental budget include reducing supplier expenses. Can you tell us what savings have been made on supplier expenses for each of the five groups?

Mr Matthews—I do not think any of us have that figure.

Mr Chandler—We could give an indication of the variation in the budget allocation to suppliers. It is not possible to map that exactly, because of the change we had in the department last year from the divisional structure to the group structure, but we can give you indicative figures.

Senator O'BRIEN—So you will supply that on notice?

Mr Chandler—Yes, Senator.

Senator O'BRIEN—What about the issue of revenue, Mr Matthews? You indicated that another way of attending to the budgetary problem would be to increase revenue. What increases have been able to be achieved and what areas are proposed to be increased?

Mr Matthews—I will refer that question to Mr Chandler as well.

Mr Chandler—In terms of budget appropriation revenue, obviously that is covered in the budget measures in this document. In terms of independent sources of revenue, that has not at this stage varied markedly but we are commencing a review of some cost recovery arrangements.

Senator O'BRIEN—Mr Matthews, you indicated last time that there has been a 10.7 per cent reduction in budgets and that this is not evenly spread across the five groups. Can you tell us what the budgeted reduction for each of the five groups is?

Mr Matthews—The point I was trying to make at that time was that the 10.7 per cent cut was not necessarily applied uncritically and uniformly across the groups, but it turned out that, having gone through a process of some ons and some offs, each group did take basically a 10.7 per cent reduction.

Senator O'BRIEN—You say 'some ons and some offs'. Could you explain that further?

Mr Matthews—I am just checking your detail there. There was a review which the deputy secretaries carried out where they considered the position of each of the groups, and the outcome at the end of that was 10.7 per cent but it was not necessarily so from the beginning that we were going to simply apply an across the board cover.

Ms Briggs—If I could just build on the secretary's answer, what he says is correct: we took 10.7 per cent off the then base of the group structures. But in addition to that there were new policy measures which a number of the groups received, so the net effect was not necessarily a reduction of 10.7 per cent for all groups. For example, the ATSB received additional funding in last year's budget, so they did not have that net effect.

Mr Chandler—Can I add an example which may help. The application of the 10.7 per cent to base budgets, which I think is the word that we used, took account of the fact that some elements of budgets—if we take my own group, Corporate—cannot be adjusted in the short term. For example, insurance premiums paid to Comcover are really not discretionary, so that figure in the budget for that premium is excluded before we apply 10.7 per cent. There are numerous examples across the department. So those are excluded before we process that calculation.

Senator O'BRIEN—What percentage reduction in budget have the executive and the internal audit unit undertaken to deliver in this financial year?

Mr Matthews—The executive took a 10.7 per cent reduction, as the rest of the department did.

Ms Briggs—We will need to check those figures. My recollection is that we put additional funds into the internal audit area. We recognised that, in imposing the sorts of targets that were being imposed, there may well have been an increased risk, so we invested more resources in that area.

Mr Yuile—That is correct.

Mr Matthews—What I have said to the minister on a couple of occasions is that an organisation which is going through an intensive process of change needs to be managed in a way which focuses attention on risk, and the audit committee is one part of that.

Senator O'BRIEN—I think at the last estimates, Mr Matthews, you were saying that you were going to have a shot at seeing how many senior managers were still in the same job as they were two years earlier. This was in the context of whilst you have moved SES officers around you have tried to do that in a phased way. I am just wondering what this change structure is doing to your practice of moving officers around to give them experience and test their abilities in various types of operations of the department. Has there been any change to your approach there? Has that been accelerated because of this policy, or is it on hold whilst other things are put in place?

Mr Matthews—What I have said most recently is that there has been a considerable degree of movement at SES level and that it is now time to take a breath. There are several reasons for that: one is that it is good management to give reasonable stability, that does not mean stick-in-the-mud; the second is that, although we are careful at the executive level to try to give SES officers, and indeed non-SES officers, different work experiences we felt that for the time being we had done that sufficiently and that there were not many left who needed to be moved. We do not contemplate any radical change for the time being, but, as always, I have to reserve the right—it is almost a responsibility—to move people when that is necessary. But part of the work up bit of work out is that greater sense of stability in senior staffing. That is something that we are aiming for this year.

Senator O'BRIEN—Has the rate of staff turnover changed since November?

Mr Yuile—My guess is that in that period it would have been fairly constant, particularly being a holiday period.

Mr Chandler—We have figures here but Mr Yuile's response is correct—it appears fairly constant on quick analysis.

Senator O'BRIEN—I see that the bulk of the staff reduction occurred prior to November. It went from 938 to 845.

Mr Yuile—Yes, I think that is right.

Senator O'BRIEN—Mr Matthews, do you follow a practice of randomly talking to staff to determine what the morale is in the department?

Mr Matthews—I try to—and some staff have a practice of randomly talking to me. To be serious about it, I think that is a very important way of getting feedback, and I try to take the opportunity to do that. I find it a very helpful private way of getting feedback. People throughout the department also know that I can be emailed at any time—and they do that, sometimes with some complaints or suggestions and occasionally with something more positive. It is a very important thing, as well as the more formal things, such as the surveys that we mentioned before.

Senator O'BRIEN—I take it that staff members from time to time give you some negative feedback about their experience with what has been taking place?

Mr Matthews—Yes. I would like to say that it was all positive, but people do tell me things that they would like to see improved. Indeed, some of your questions are the sorts of messages that I have received. For example, people would like to be clearer about where the work-up strategy is going this year—and we are trying on that; and people are concerned about their career prospects in an environment where the number of jobs has reduced—so we are focusing on that as well this year. They are two examples of frank and fearless feedback that I have received.

Senator O'BRIEN—Does that mean that there is an element of loss of morale in the department?

Mr Matthews—Look, I cannot pretend that morale is as high as it has been. I know that it is not, and I am not going to gild the lily. I can say that commitment to the department is very strong and has survived through a pretty challenging time. People identify with DOTARS. People like working at DOTARS because it has a positive people culture and it is doing worthwhile things in regional Australia and important things in transport. People identify with the place and the work and they like the culture of the place, but it is true that morale is not as high as it has been. But we should not be surprised by that, because it has gone through, by any measure, a pretty challenging financial period—though, as I have been saying to you, and I have said to staff, we are making very good progress on getting out of the financial challenges that we have had and we are now starting to look at some different things about working up organisational performance.

We try to summarise what we do on the management front not just as a whole unrelated collection of initiatives but also to contribute to two simple objectives in a single sentence: we try to be a high-performing organisation and a great place to work in. 'High performing' is about doing what the taxpayer pays us for and 'a great place to work in' is the sort of organisation, the sort of workplace, that people would like to join and stay in.

Senator O'BRIEN—Would you say that you have as much interaction with the lower classification levels—2, 3 and 4—as you would with the higher classification levels about the issues of morale and where the department is going?

Mr Matthews—No, I do not, but nor does any chief executive. I would dearly like to be able to spend more time with more junior people. I try to. I try to not only engage junior people in the sort of informal feedback that you were asking about before but also welcome them into meetings in my office as learning experiences and, in many cases, key contributors to those meetings. That is good staff development and it also, I hope, sends a message about

accessibility, readiness to consider the views of staff members, whatever their level, and valuing staff members. I cannot claim to see as much of staff at all levels as I would like to, but no chief executive can.

Senator O'BRIEN—What impact has the work up/work out approach had on applications for vacancies, or expressions of interest in vacancies?

Mr Chandler—Through the last period I think that, because of the constrained financial position, there have not been as many opportunities offered externally. That is reflected in the last period. Since the beginning of the year to the end of January, we have had about eight staff recruited into the department on an ongoing basis. The numbers through that period have necessarily been constrained. But I do not think that, in those circumstances where we have advertised positions, there has been a notable reduction in the number of people applying.

Ms Holub—Can I just clarify that? That figure is actually 14 since the beginning of the financial year.

Senator O'BRIEN—Given this environment, what percentage of staff are on stress leave as of now?

Mr Chandler—We do not have those figures with us.

Senator O'BRIEN—I wonder if you could get them, and a comparable figure for 1 May last year.

Mr Chandler—We will endeavour to respond.

Mr Matthews—Is it possible to identify stress?

Mr Chandler—The tenor of my response was that we will endeavour to provide figures, but I am not sure. Mr Matthews and Mr Yuile are questioning whether we can identify stress. Sometimes—frequently perhaps—the advice we receive by way of medical certificates does not disclose the actual cause.

Senator O'BRIEN—Has the average number of hours worked per week changed—from the budget last year to now?

Mr Yuile—I would not have thought so, but we will see if we can check that for you. I am not sure how we would check it.

Ms Holub—I do not think there is a way of capturing that information across the board. There are some officers in the department who would access flexible leave arrangements and in that situation they would have to record time. But we would have to get all of those and add them up. That would not cover everybody in the department anyway. We do not have other systems to count when people come in and leave.

Senator O'BRIEN—Has the unit that deals with questions on notice been substantially affected by this change?

Mr Matthews—That unit is in Ms Holub's branch.

Ms Holub—No, that unit has not been affected by this change.

Senator O'BRIEN—My colleagues inform me that the rate of response has dropped off appreciably since the budget. What would you put that down to? Perhaps it is not you but the minister. I am not sure if it is your unit.

Ms Holub—I am not sure what the question is.

Senator O'BRIEN—The question is about how quickly questions are responded to and how long it takes to get an answer.

Ms Holub—The answers are prepared in the respective line areas. The area in my branch essentially coordinates those responses, provides them to the minister's office and does any follow-up. I am not sure that, in that part of the function, there would be any implications from work out/work up.

Mr Yuile—Are you only talking about the November estimates, in terms of rate of responses?

Senator O'BRIEN—It is the performance over the nine months since May. At the last estimates, we discussed the operating loss incurred by the department last year. It is correct to say, isn't it, that in 2001-02 the department recorded an operating profit of \$9 million? It was you who gave us this information, Mr Chandler.

Mr Chandler—That is my recollection. I do not have that figure with me at the moment.

Senator O'BRIEN—This operating profit included \$6.4 million appropriated to the department for functions that were not conducted in that year but were rolled over into 2002-03.

Mr Chandler—That is correct.

Senator O'BRIEN—So the real profit was more like \$2.6 million?

Mr Chandler—On that simple adjustment, that is right.

Senator O'BRIEN—Is it correct to say you reported an operating loss of \$4.5 million in 2002-03?

Mr Chandler—That is correct.

Senator O'BRIEN—But you had rolled over \$6.4 million from 2001-02 without the appropriation that had been counted the year before. How did that \$6.4 million interact with the loss of \$4.5 million?

Mr Chandler—It was one of the components. There are a number of factors which impact each year on the operating result. There were a number of factors that contributed to the \$4.5 million final result, of which \$6.4 million was one.

Senator O'BRIEN—But you invoked another rollover that year. A further \$10 million was appropriated for 2002-03 functions that were not conducted in that year.

Mr Chandler—That is correct.

Senator O'BRIEN—So, in simple terms, the loss for the year could be considered to be \$8.1 million.

Mr Chandler—Again, those are two of the adjustments that impact on the result, but there are a number of other adjustments within the year which impact. I think it is incorrect to draw an assessment based on just two of the factors.

Senator O'BRIEN—In the secretary's post-budget report to staff, Mr Matthews indicated that the department had drawn down \$13 million of reserves. In which financial year were these reserves drawn down?

Mr Chandler—That related to a drawing on reserves across the period since the commencement of accrual budgeting on 1 July 1999.

Senator O'BRIEN—That is an indefinite period.

Mr Chandler—Cash reserves are managed each year and there would have been some drawing on reserves in each of those years. I do not have the precise figures for each year with me, but the measure that we are talking about was the net effect across that period since 1 July 1999.

Senator O'BRIEN—Since 1 July in what year?

Mr Chandler—1999, the commencement of accrual budgeting.

Mr Matthews—I should add that drawing down the reserves in the way that we did is entirely legitimate and proper, and ours is not the only organisation that does it. At the same time it is something that cannot be done forever, and the work out/work up strategy is about rebuilding our reserves and making sure that our financial sustainability can be secured.

Senator O'BRIEN—I understand that reserves are finite—you cannot keep drawing on them indefinitely—but is this \$13 million reflected in the operating profit and loss figures that we have just discussed?

Mr Chandler—No. The \$13 million relates to funds which were held as retained revenues to meet assets and liabilities over time. We had in a managed way drawn on those for various capital investments, so they do not have an impact on the operating result as such.

Senator O'BRIEN—Where would I find reference to the draw-down of reserves in the annual report?

Mr Chandler—You would not, and it is not part of the financial reporting that is required through financial statements. It is not an aspect that requires, in an accounting or financial reporting sense, particular disclosure. I think the point that we are making here is that, because this was a managed draw-down of these reserves, we were conscious of the need to replenish them over time. As a matter of responsible prudential financial management, we were recognising that as an additional aspect to our financial operations that we needed to address.

Senator O'BRIEN—How much is left in the reserves bin of the department—or was left as at June 2003?

Mr Chandler—The total cash and receivables, as at 30 June 2003, was \$108 million, in round figures. Those figures appear in the financial statements at page 166 of our last annual report. Those funds cover funds received for asset replacement, for capital works and to meet liabilities. It is a very large figure because it does include funding received by the department

for the immigration reception processing centre, Christmas Island, and the space centre—funds received but not spent at that time.

Senator O'BRIEN—What has happened to those funds for those projects since?

Mr Chandler—I would need to suggest that you take that up under programs group in relation to the status of those projects. The funding remains with the department.

Mr Matthews—The department has had a certain set of tasks to do in relation to the immigration reception and processing centre, and the department has discharged all those responsibilities on time.

Senator O'BRIEN—Was any of the \$10 million which Mr Chandler identified in November as being carried over from 2001-02 to 2002-03 carried over to 2003-04?

Mr Chandler—The \$10 million carryover is part of the cash and receivables balance I referred to a few minutes ago. That is still held by the department at this point in time.

Senator O'BRIEN—Mr Matthews, in November you said:

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 ...

Can you identify any other departments that are in a similar financial position?

Mr Matthews—At that time, the minister intervened and made the point that we were answering questions about this portfolio and that it would be inappropriate for me to answer questions about other portfolios—and I think that is still the situation, if you do not mind.

Senator O'BRIEN—Mr Matthews, when you left the Department of Agriculture, Fisheries and Forestry was it in a similar position as was the Department of Transport and Regional Services late last year?

Mr Matthews—I think my previous answer still applies. Notwithstanding the fact that I worked there, I really should not be talking about their situation. In any case, it is a bit difficult to recall so many years back.

Senator O'BRIEN—How many formal redundancies have there been as a result of the work-up strategy?

Mr Matthews—There have been three since 30 June. Of the three, one was an SES officer.

Senator O'BRIEN—Were there any in the previous financial year?

Mr Yuile—We might take it on notice to check that for you. I do not recall one.

Senator O'BRIEN—How many people have separated from the department and how many people have joined the department since the budget in May 2003?

Ms Holub—We have had 93 ongoing staff separate from the department since the beginning of the financial year and 11 non-ongoing staff—so 104.

Senator O'BRIEN—That means that 25 left between the May budget figure and 1 July last year—on the numbers that Mr Matthews gave us. He said there were 129 people.

Mr Matthews—That was from May 2003 to the end of January this year.

Ms Holub—There were 23 in June.

Senator O'BRIEN—That brings us up to 127. There are a couple not accounted for in those numbers.

Ms Holub—I think that sometimes we have been talking about 'since May' and sometimes we have talked about 'since June'.

Senator O'BRIEN—'Financial year' and 'May'?

Ms Holub—Yes. I think there is a little bit of adjustment between when we are talking about the beginning of work out/work up or the financial year figure.

Senator O'BRIEN—What has been a total saving to the department for 2003-04 as a result of this reduction in staff when you take into account any redundancy costs?

Mr Chandler—The staff reduction is simply a part of the factors which have impacted on achievement of budgets. There has been, as I have indicated, increases in staff numbers as well. It is not as though these numbers have been directed to achieving a particular target.

Ms Briggs—To give you a rough picture, the department has an indicative, average, cost of salary per person. Mr Chandler can probably help me with what that figure is, but you could do a straight multiplication, just to get a broad order of magnitude. Is it in the order of \$100,000, Jeremy?

Mr Chandler—The figure, taking account of administrative costs, is about \$102,000 per FTE.

Ms Briggs—The point that Mr Chandler makes is quite correct; there is a whole series of other things coming into play.

Senator O'BRIEN—It depends what time of year the person left as to how much of that saving you made for that year.

Mr Chandler—And the level.

Senator O'BRIEN—Yes. It seems that most of the staff that left did so before November, from the figures that we have already seen.

Ms Briggs—There is no doubt that that is the case. But you would expect that people were particularly focussing on these issues and staff were well aware of the situation. As Mr Yuile has pointed out, over the Christmas period things do tend to settle down a bit.

Senator O'BRIEN—Is it fair to say that staff salary costs are the biggest area of savings?

Mr Yuile—I think it is fair to say that the staff costs are the biggest proportion of our budget, so to the extent that we have to make savings they are going to be an important part.

Senator O'BRIEN—Is it possible to tell us what the savings in staff costs are for each of the five groups?

Mr Matthews—It would be possible, but it would be very resource consuming to track each departing staff member by level and by the date they left. It becomes a pretty complicated piece of arithmetic.

Senator O'BRIEN—How do you track the budgetary position of each group—or just the biggest expense of each group? Surely it is being tracked.

Mr Chandler—Each group has an operating budget set for the year, and that is broken down into components of employee expenses, suppliers and depreciation. They make adjustments between the elements of that budget over time, within the year, depending on the strategies that they are adopting to achieve their overall budget and depending on their progress with those strategies. So they are also finetuned over the year. We certainly have a picture of how employee expenses budgets for individual groups are adjusted over time, but the exercise that you are proposing would, as Mr Matthews said, be terribly complex. I am not sure whether it could be done with a great deal of accuracy.

Senator O'BRIEN—When the budget for each of the groups was set out, was a comparison made to each group's salary costs for the previous period? In other words, were you looking at X minus something, as it were, for salary costs? You could not have possibly struck a random number.

Mr Chandler—The budgets were in essence worked through—walked through—from the budgets for the previous divisions. They were then subject to the 10.7 per cent adjustment, which we mentioned before, and there would have been other adjustments to individual budgets for measures in the last budget. There may have been some other minor adjustments, but I do not recall.

Mr Matthews—The composition of the group budgets varies according to the type of work that the groups do. For example, the ATSB budget has a proportionately higher amount for travel, for obvious reasons—because they have to get to accident and incident scenes very quickly. Similarly, the regulatory group need to be up there with the industry, and that would be different from, say—to pick a random example—the BTRE, which is mainly based in Canberra and does not have such a high proportion of other costs. That is why we try to manage budgets at the group level and that is why we leave it to group managers to take decisions about whether it is possible for them, in their special circumstances, with their type of work, to make reductions in travel, staff or whatever to distribute the 10.7 per cent.

Senator O'BRIEN—Is it expected that the work up/work out plan will continue beyond 30 June 2004?

Mr Matthews—Yes. I have announced to staff that work up/work out will continue. I have said that I hope that the character of work up/work out will change, and I mentioned that before. I shorthand it by saying that we are going to focus more on the work up bit. But whenever I say that, I also say to staff that we are not entirely out of our financial challenges yet. I would love to say that we have fixed it, but we have still got a bit more work to do on the financial side as well. That is eminently achievable. What we are doing now is focusing on performance enhancement as well, which is the work up bit. As I mentioned before, we are trying to summarise that as a high-performing organisation and a good place to work in.

Senator O'BRIEN—Do you still expect that the department will be cash positive in this financial year?

Mr Matthews—Yes, I do.

Senator O'BRIEN—Can you put a number on it?

Mr Chandler—By ‘cash positive’, my assumption is that you are talking about retained cash and reserves. I do not have a figure available with me at the moment but certainly we would be cash positive. On page 63 of the PAES document the cash figure is \$3.5 million and the receivables, which is primarily appropriation revenue receivable, is \$104 million, so that suggests about \$107 million, but the number moves from day to day, in effect.

Senator O’BRIEN—Will that include the \$10 million brought forward in 2003-04?

Mr Chandler—I am not sure at this stage whether it will be paid out or not. It is currently in those estimates.

Senator O’BRIEN—So can you put a number on the reserves position as at 1 July now?

Mr Chandler—As at 1 July next?

Senator O’BRIEN—Yes.

Mr Chandler—It would be the figures that I have just quoted you; that is, the 30 June position best estimate point of time.

Senator O’BRIEN—You did say, Mr Chandler, that the outcome for 2003-04 will be impacted by the outcome of the additional estimates processes. How would you categorise the outcome of the additional estimates processes on the financial position of this portfolio?

Mr Chandler—Simply that we have received money for a number of measures, as reflected in the PAES. They address the resource needs of those particular measures.

Senator O’BRIEN—So I guess it will depend on how much is spent and how much can be rolled forward.

Mr Chandler—The funding in those measures is taken into account in our projections for the year and, therefore, in the financial statement projections in this document.

Senator O’BRIEN—What is happening with the transfer of ownership of houses between this department and the department of immigration?

Mr Chandler—A detailed response to that would need to be sought from the programs group. But in terms of the impact on the financial statements, which is what I think you are driving at, there was a transfer of a number of houses, which I referred to in the last hearings. I think in the order of 120 houses were transferred from this department’s portfolio responsibility to the immigration portfolio. The assets have been transferred, and that reflects on the financial result. There has also been a transfer within year, and it is reflected in this document, for repairs and maintenance costs which were initially appropriated to this department. That issue has no practical bearing on the financial performance of this department, although it does impact on the presentation of the numbers.

Proceedings suspended from 10.31 a.m. to 10.46 a.m.

CHAIR—We will recommence the hearing and return to Senator O’Brien.

Mr Chandler—Could I just correct an earlier answer, please? Before the break I responded to Senator O’Brien’s question in relation to the \$10 million undercarry through of that money, and I said to you that the assumption was that that \$10 million would still be held at the end of June and, therefore, was reflected in the financial statements at page 63 of the

PAES document. That was incorrect. We checked in the break, and in fact the assumption in the figures at the moment is that that money will be spent this fiscal year.

CHAIR—Thanks very much for that.

Senator O'BRIEN—You would do well on the interest out of it if you do not spend it. In November, Mr Fisher indicated that Workplace Research Associates helped to develop aspects of the performance management system. What are the indicators that are included in the department's performance management system, or are there no indicators?

Ms Holub—The work was done in relation to our individual performance management rather than at a departmental level, and there is quite a substantial set of documentation that goes with that.

Senator O'BRIEN—What are the indicators showing?

Mr Yuile—It is designed to assist staff members and their supervisors in working through their performance exchange with one another. It links work level standards for different levels within the organisation to those capabilities that you are looking to have exhibited and the behaviours that you would be expecting from staff at various levels. That then gets built into a plan on a page—that is the term we use—between the supervisor and the staff member about what the expectations are for that staff member in terms of the work for the coming year, what we are looking for them to achieve, and the kinds of capabilities and behaviours that we would be expecting them to exhibit. Then that forms the basis for the discussion between supervisor and staff member. There is a separate element which goes to the development of the staff member—what kind of development they would be looking for in terms of building their capability within their existing job and, of course, their aspirations for the future. So 'indicator' is not the word I would use. It is about trying to be as clear as possible and as consistent across the department as we can be in helping staff and supervisors to engage in that conversation around a shared understanding of the expectations and the work that we would be looking for from them. It is not like performance indicators in the same way as you might be thinking about with the PBS.

Senator O'BRIEN—Thank you for that. Question on notice CORP 6 from November estimates indicates that Prentice Parbery Barilla provided services costing less than \$10,000. How much did the department pay that firm in 2002-03?

Mr Chandler—I would need to provide that figure on notice. I do not have the exact figure with me.

Senator O'BRIEN—Can you tell us what services they provided for that payment?

Mr Chandler—Yes.

Senator O'BRIEN—In November, I think Ms Briggs indicated that there are no budgets below the group level. Does the department maintain actual financial and resources information below the group level—that is, branch or divisional?

Mr Chandler—The basis on which we bring revenue and expenses to account is at cost centre level, and the best way I can describe that is as a section or a team.

Senator O'BRIEN—How does that work for a section or a team?

Mr Chandler—The executive allocates budgets at group level. We then cascade down through the organisational hierarchy through branches to sections or teams. Each team typically has a cost centre—a code which identifies it within the ledger—and the expenses that it incurs and any revenues it receives are recorded against that cost centre. So the actuals are recorded at that low level across the department.

Mr Yuile—I am not sure what you are getting at, Senator, but I guess it depends a little on different groups and is consistent with the sort of modular approach which I think the secretary, Mr Matthews, outlined to you last time. It means that in some groups budgets are managed at that group level. Of course, as Mr Chandler has been saying, the attributions obviously reflect cost centres in different parts of the group. It depends a bit on whether you are talking about the management of the budget or the various allocations within a group.

Senator O'BRIEN—Would you be able to give me, perhaps not today but on notice, the total expenditure for various groups and divisions within the department?

Ms Briggs—We would certainly have expenditure to 31 December for each of the groups.

Senator O'BRIEN—Could you get me that information for the Economic Research and Portfolio Policy Division?

Mr Yuile—This would be by groups—so it would be the Policy and Research Group. Those divisional labels or structures no longer exist.

Senator O'BRIEN—Is there still an Aviation Markets Branch?

Mr Yuile—It has another name, but there is another area that deals with international aviation and industry issues.

Senator O'BRIEN—You cannot break down regional policy costs?

Mr Yuile—Within the Policy and Research Group there would be an element, and we could. Again I think as Mr Chandler said, the cost centres would show the particular areas of the group where expenditure was taking place.

Senator O'BRIEN—Can you give me a costing on transport programs?

Mr Yuile—We can certainly identify that.

Senator O'BRIEN—Regional programs?

Mr Yuile—Yes.

Senator O'BRIEN—Are territories and local government separate or together?

Mr Yuile—They are within the Programs Group and there are two branches. Again, we could check the group budgets.

Senator O'BRIEN—What do you know call what was previously known as the Transport and Infrastructure Policy Division?

Ms Briggs—That is part of the Policy and Research Group. Over time, what you will find is that it will be increasingly difficult for us to divide up according to the old divisional structure, because part of the approach around the groups is very much that staff should move within groups and sometimes across groups to meet particular priorities as they emerge. So,

while we might be able to get you those figures this time, I would not bank on a historical record of that as we go forward.

Senator O'BRIEN—Who knows what structures might be in the future.

Ms Briggs—That is right; exactly.

Senator O'BRIEN—I would appreciate it if you could give me the figures for the Transport Regulation Division, Aviation Operations Branch, Transport Security Division and Aviation Security Policy Branch as distinct cost centres, however they are described.

Mr Yuile—Yes; that is part of what was announced as the new Office of Transport Security within the Regulatory Group, and it embraces the former Aviation Security Policy Branch and the new work on maritime.

Senator O'BRIEN—And the expenditure for each of the groups as they stand?

Mr Yuile—Yes.

Senator O'BRIEN—I think this question has been answered, but just to be sure: has there been any reprioritisation or reallocation of funds across the budgets of the groups during this financial year—in other words, after the initial budgeting process?

Ms Briggs—As we have received additional funds for various functions such as the security ones we have mentioned, yes, we have provided additional resourcing associated with that. But to my knowledge there have not been any substantive changes. There have been a couple at the margin, but they are very marginal.

Senator O'BRIEN—Should I presume there was a mid-year review and, other than those matters which are set out in the additional estimates, there has been no change?

Ms Briggs—That is pretty much the case. There were some adjustments here and there as resources moved around and so on, but you would not describe them as substantial changes.

Senator O'BRIEN—Could you detail those for us, on notice?

Ms Briggs—Yes, I am sure we can do that.

Senator O'BRIEN—Ms Briggs, in November you said there was a separate allocation within the department for IT resources. How much has been budgeted for IT in this separate budget item?

Ms Briggs—Are you asking for IT in the aggregate, Senator?

Senator O'BRIEN—Yes. It is within the Corporate Group, is it?

Ms Briggs—Yes, it is. We will take that on notice. There are a number of elements of this, including money for new capital and so on. We would be happy to provide that to you.

Senator O'BRIEN—Okay. Is there any money for IT services within the other four group budgets?

Ms Briggs—Minimal. It is true to say, though, that we did receive some money in and around security functions, for example, with IT measures, and they have been allocated to those processes—if you get the drift.

Senator O'BRIEN—In answer to question on notice CORP 7, it was indicated that a range of services and functions are not in the scope of the current market-testing process. Which of the following services and functions were previously included in the last IT managed services contract? Telephones and PABX?

Mr Banham—That is correct. It was current in our contract with TES. It will not be in the future.

Senator O'BRIEN—Internet gateway and secure hosting?

Mr Banham—We took that from Advantra, a third party, a few years ago. We will continue those arrangements for the next two years with that third party.

Senator O'BRIEN—Security services?

Mr Banham—We are taking responsibility for that in-house.

Senator O'BRIEN—Projects and project management?

Mr Banham—We currently do them in-house and we will continue to do them in-house.

Senator O'BRIEN—Software development?

Mr Banham—We would probably do about 20 per cent in-house with our own staff. The rest would be contracted out on an as-needed basis.

Senator O'BRIEN—Database and systems administration?

Mr Banham—It is a very similar ratio. The systems administration and database administration tends to be at a higher level during system development, and it goes right down for the future life cycle of the system. We tend to do the end process in-house.

Senator O'BRIEN—Wide area network carriage?

Mr Banham—That is a separate contract.

Senator O'BRIEN—Training?

Mr Banham—On an as-needed basis. We are currently engaging an external company to do training for the refresh schedule for later this year.

Senator O'BRIEN—Capacity planning?

Mr Banham—In-house.

Senator O'BRIEN—Technical planning?

Mr Banham—In-house.

Senator O'BRIEN—Strategic planning and corporate and line-of-business systems?

Mr Banham—There is a bit of a mixture, but it is largely in-house.

Senator O'BRIEN—Where is the department up to with its IT strategy?

Mr Banham—With the outsourcing initiative for the replacement contracts?

Senator O'BRIEN—Yes, I guess that is part of the strategy.

Mr Banham—We signed a contract on 17 December for a four-year contract which takes effect as of 1 July, although we are in a transition process at the moment.

Senator O'BRIEN—How much has the department spent on IT infrastructure in the first six months of the financial year?

Mr Banham—Of this financial year?

Senator O'BRIEN—Yes.

Mr Banham—I would have to say negligible. With the work out and with the transition process coming up, we basically put a freeze on all infrastructure.

Senator O'BRIEN—So there has been a freeze on infrastructure spending as part of the cost-saving process?

Ms Briggs—We thought it was sensible, Senator, in view of the fact that we were going to a new provider and adopting different arrangements. We thought it would be efficient and effective if we did not invest in the old system when we were going to a new system within 12 months. It was, if you like, a strategic decision about how we managed our resources to get best effect.

Senator O'BRIEN—I want to ask a question about a specific IT program within one of the groups. Can I deal with it here? It is a question about the online application process for the Regional Partnerships program.

Mr Banham—We will attempt to answer any of the questions from a technical side of things.

Senator O'BRIEN—I want to know what company provides the software for the operation of the program.

Mr Banham—The company is Infoterra. It is a Canadian based company.

Senator O'BRIEN—Does it have a base for operations here?

Mr Banham—We tend to deal with Infoterra directly. Their agent—I would use the word loosely—is Acumen Alliance.

Senator O'BRIEN—When was it decided to purchase this software?

Ms Briggs—This goes back a couple of budgets. We can get that information on notice for you.

Senator O'BRIEN—How was the decision arrived at? Was it a divisional head decision?

Ms Briggs—There was a budget decision and that allocated some funds and then there were discussions between the then division manager and the then IT manager about how to progress this.

Senator O'BRIEN—So it was a decision between the then divisional manager and the then IT manager, was it?

Ms Briggs—Yes.

Senator O'BRIEN—How much did the software cost?

Mr Banham—The original contract was for a value of approximately \$600,000. The software component, as I recall, was about \$150,000. That is for the base license for their core product. The contract also includes a significant amount of development work to customise it

to our particular grant programs. We have since invested additional funds with Infoterra as we have added additional grant programs to the system.

Senator O'BRIEN—I am told that there have been a number of problems with this program, to the point where many area consultative committees are recommending to project proponents that they not use it. Is that the department's understanding?

Mr Banham—I will defer a response to that to the Programs Group. All I would say is that there were the usual teething problems of system implementation, with performance issues related to the software.

Senator O'BRIEN—The usual problems?

Mr Banham—The usual problems. Any new system takes a bit of time to bed itself down.

Senator O'BRIEN—My experience has been that some systems never bed themselves down.

Mr Banham—I would not disagree.

Mr Yuile—We will ask Programs Group to be ready to discuss that with you.

Senator O'BRIEN—Have any officers of the department been required to travel overseas in relation to this problem?

Mr Banham—I am only aware of two. One was an officer of the department from Programs Group, representing the business area, and the other was the project manager. The project manager was from my area but was not a public servant.

Senator O'BRIEN—So the person from Acumen here and—

Mr Banham—No, that consultant is from Spherion.

Senator O'BRIEN—So a consultant plus a departmental officer from the Programs Group travelled overseas?

Mr Banham—Yes.

Senator O'BRIEN—Who would have made the decision about the need to travel?

Mr Banham—All overseas travel approval is made at the deputy secretary level.

Senator O'BRIEN—So which deputy secretary would have made this decision?

Ms Briggs—It may well have been me. Certainly this was discussed at our strategic IT committee as well.

Senator O'BRIEN—I need to take up some other matters when we come to that particular area. I am ready to move to output 2.

ACTING CHAIR (Senator Colbeck)—I thank the officers from this output.

[11.12 a.m.]

ACTING CHAIR—We will now consider output 2, Policy Research Group; 2.1, Bureau of Transport and Regional Economics, regional and cross-portfolio issues. I welcome the officers to the table.

Senator O'BRIEN—We have recently been provided with a copy of the BTRE research program for 2003-04. Thank you for that. In the category 'Regional impacts of policies and events' it indicates that you have prepared a study of biofuels in Australia in conjunction with CSIRO and ABARE. I want to ask some questions about that. The report is dated December 2003. On what date was the report presented to the minister?

Ms Briggs—I will confirm with my colleagues that this is a report that went to the industry minister.

Senator O'BRIEN—When did it find its way to the Minister for Transport and Regional Services?

Ms Briggs—On 19 December it was submitted. A copy was given to our minister on that day as well.

Senator O'BRIEN—That is 2003. Was there a media statement issued by Minister Anderson with the release of this report?

Ms Briggs—It was released only a couple of weeks ago, in early February. There was no media statement, and the report was released by Minister Macfarlane.

Senator O'BRIEN—I understand you have a mailing list for distribution of departmental reports. Is there a reason why this report was not circulated to people on that list?

Dr Winternitz—Ms Briggs has asked me to answer this question. This was not considered to be a BTRE report. It was a combined report. The BTRE was a relatively junior partner in the compilation of this report. The senior leading partner was CSIRO, the second partner was ABARE and we did some work towards it. It was not considered to be a mainstream BTRE report; therefore, the main running on it was taken by the minister in charge of the industry portfolio. It is on their web site. We have a link on our web site to the report, which is on their web site.

Senator O'BRIEN—In the preface to the report, the government's decision to apply final excise rates for ethanol and biodiesel was mentioned. The preface said:

The conclusions reached in this analysis regarding the economic viability of ethanol and biodiesel production were based on the phasing out of effective excise relief, and hence the conclusions should be interpreted in the light of this.

Given that the government decided not to phase out effective excise relief, what impact will the government decision have on the conclusions reached in the report?

Dr Winternitz—The report was constructed without knowledge of the government decision. It was done before the government took its decision. We had actually done a final report and we found out about the government decision at that stage. I think in the preface to the report there is a reference to the fact that it was done before the government took its decision. The industry minister decided to release the report as it stood. He did not ask for us to revise the report or add into the report any commentary on the impacts of the government decision. As I understand it, ABARE might be doing some subsidiary work to work that out now—after the event, if you like.

Senator O'BRIEN—The report indicates that a target of 350 million litres of ethanol and biodiesel production would require substantial and ongoing assistance. It makes the

assumption that, of the additional 205 million litres of ethanol required to reach the target, 60 million litres would come from C molasses and 145 million litres would come from cereal grains. How is that assumption arrived at?

Mr Potterton—Essentially, in this study we looked at the most cost-effective options. Obviously it is not possible to estimate exactly how that amount of production might be met, but we estimated that, in terms of the relative costs, after you look at ethanol from whey starch, what is next most economic would be ethanol from C molasses and ethanol from cereal grains. Similarly, we estimated that biodiesel production would increase—to some extent limited by the amount of waste oil supply that might be available, as the most economic supply source for biodiesel.

Senator O'BRIEN—What proportion of sugar cane production would be required to generate 60 million litres of C molasses?

Mr Potterton—I do not know. It is a fairly small proportion.

Senator O'BRIEN—How much ethanol is produced from—

Mr Potterton—C molasses?

Senator O'BRIEN—Yes.

Mr Potterton—The estimate at the moment is that it is around five to 10 million litres—so it is quite small.

Senator O'BRIEN—Isn't there basically only one plant doing it commercially?

Mr Potterton—C molasses ethanol production?

Senator O'BRIEN—Yes.

Mr Potterton—Yes, I think that is right.

Senator O'BRIEN—They are producing between five and 10 million litres?

Mr Potterton—Yes, it is of that order.

Senator O'BRIEN—Most of which is not used for fuel?

Mr Potterton—Yes, I think that is right.

Senator O'BRIEN—I understand the report found that the cost to government in 2010 to lower greenhouse gas emissions by about 0.3 per cent of transport emissions would be between \$113 and \$163 per tonne of CO₂ as compared with an upper cost of around \$10 a tonne under round 1 of the Greenhouse Gas Abatement Program. Can you confirm that the saving in health costs of meeting the biofuel target would be \$3.3 million in 2010?

Mr Potterton—That was our estimate.

Senator O'BRIEN—Of this \$3.3 million, \$1.8 million was going to come from increased ethanol use and \$1.5 million from the increased use of biodiesel but, at the same time, the cost of assisting the biofuel industry to meet the 350 million litre target is somewhere between \$71 million and \$74 million.

Mr Potterton—There are a lot of figures in the report, but between \$71 million and \$74 million is the estimate of the impact on the GDP of the assistance needed to meet the 350 million litre target.

Senator O'BRIEN—So the cost to GDP per job—

Mr Potterton—No, that is just the total aggregate cost in the economy.

Senator O'BRIEN—There was an estimate of the cost of each direct job created at between \$492,000 and \$516,000.

Dr Winternitz—That estimate would be based on a whole complex of factors—not simply the direct costs in terms of forgone revenue but also the economic cost to the economy as a whole.

Senator O'BRIEN—With a cost of in excess of \$500,000 per job, that would probably be the most expensive regional funding initiative, wouldn't it?

Dr Winternitz—I would not be able to comment on that.

Senator O'BRIEN—Do you know of any others that are any more expensive?

Ms Briggs—We are not in a position to comment on that.

Senator O'BRIEN—The report concludes that ethanol produced from waste starch and biodiesel produced from waste cooking oil both appear to be economically viable but that production from molasses and cereal grains and biodiesel produced from tallow or oilseed require substantial and ongoing government assistance to be viable. Has that changed as a result of the government's decision on excise relief?

Mr Potterton—No. The conclusions stand. We were asked to estimate the economic viability of these different fuel sources.

Senator O'BRIEN—What does that mean for the production of fuels from cereal and C molasses? Are you suggesting that that cannot be economically viable?

Mr Potterton—The conclusion of the report is that ongoing assistance would be required for it to be viable.

Senator O'BRIEN—In terms of the assistance, is that figure quantified?

Mr Potterton—No, that was outside our scope.

Senator O'BRIEN—But the economic cost of each job is somewhere around half a million dollars?

Ms Winternitz—For each direct job, yes. It is a lower figure for direct and indirect jobs.

Senator O'BRIEN—What figure is that?

Ms Winternitz—That is on page 17 as well. It is \$164,000 to \$171,000 for direct and indirect jobs. That means flow-through jobs from the direct jobs. But, if you are take just direct jobs, you get the higher figure that you were talking about.

Senator O'BRIEN—At the last estimates we were advised that BTRE has been commissioned to oversee work on a more rigorous cost-benefit analysis of the national

airspace system, following the discrediting of the Willoughby report by agencies such as Airservices. What is happening with that process?

Mr Potterton—The study is under way at the present time. The terms of reference for the study have been determined and approved by the minister. We are currently finalising a scoping report on the study, which will set out how we will approach it and how we will undertake the research. It is all proceeding to plan.

Senator O'BRIEN—So it has all been done within BTRE?

Mr Potterton—That is correct. It is a BTRE study which will be independently peer reviewed.

Senator O'BRIEN—When concluded, where will the report go?

Mr Potterton—We will be reporting to the aviation reform group and, through the group, to the minister.

Senator O'BRIEN—To the aviation reform group or the national airspace implementation group?

Mr Potterton—To the aviation reform group.

Senator O'BRIEN—Has any analysis been done to date on the savings that might have been made by the implementation of the system, or is that yet to be done?

Mr Potterton—That is yet to be done. That will be part of our scope.

Senator O'BRIEN—Has this division been involved in the COAG Indigenous initiative? I believe that the department is closely involved in the trial in the East Kimberley area. That is right, isn't it?

Ms Briggs—Yes, that is correct.

Senator O'BRIEN—What involvement has the department had in the trial in the Murdi Paaki region of New South Wales?

Mr Owen—The department's involvement has mainly been a monitoring role and assisting at the local level through our regional office in Orange. We are not the lead agency on that trial.

Senator O'BRIEN—Has the department been approached by the lead agency about any possible initiatives for the region?

Mr Owen—Not that I am aware of, as yet, beyond our ongoing engagement in the information steering group.

Senator O'BRIEN—What involvement has the department had in the trial in Shepparton in Victoria?

Mr Owen—Again, our regional office has a watching brief there, but I do not think they are as involved as they are in the Murdi Paaki trial or the East Kimberley trial.

Senator O'BRIEN—What about the Cape York trial?

Mr Owen—We have a monitoring role, again, through our regional office in Townsville.

Senator O'BRIEN—And that is all?

Mr Owen—We do attend some meetings of the broader group contributing to the trial but, again, that is pretty much to keep a watching brief and see where our abilities might fit.

Senator O'BRIEN—In relation to that trial, has the department been approached by the lead agency about any possible initiatives for the region?

Mr Owen—We have, and we have considered some initiatives under our Regional Partnerships program to date.

Senator O'BRIEN—What sorts of initiatives?

Mr Owen—I would have to take on notice the detail of it.

Senator O'BRIEN—Which program were you looking at?

Mr Owen—It is in our regional programs—the Regional Partnerships.

Senator O'BRIEN—In relation to the Anangu Pitjantjatjara lands in South Australia, what involvement has the department had in that trial?

Mr Owen—We have been engaged in that trial in the context of our previous program, which was the Rural Transaction Centres Program, where there was an identified need to provide the sort of capacity that the RTCs provide in that area. There has been ongoing discussion about the possibility of establishing RTCs in the area. That program is now part of our Regional Partnerships program.

Senator O'BRIEN—That is the initiative that the department is working on there?

Mr Owen—Yes.

Mr Yuile—Again, in that case it is under the leadership of the Department of Health and Ageing, which has the lead responsibility in the lands area that the Pitjantjatjara lands are—

Senator O'BRIEN—Can you supply us with some more detail about the type of cost, the type of projects and the specific projects involved?

Mr Owen—Yes, I will.

Senator O'BRIEN—Can you give me the same information in relation to Wadeye in the Northern Territory?

Mr Owen—Yes.

Senator O'BRIEN—What is your involvement there? Is it just a watching brief?

Mr Owen—Again, it is through our regional office in Darwin.

Mr Yuile—In the case of Wadeye, it was a rural transaction centre that was established there, and that is an element of the whole-of-government effort in that particular trial area.

Senator O'BRIEN—So that is the only initiative that this department is involved in there?

Mr Yuile—In that particular community? From memory, yes, but we could double-check that to be sure.

Senator O'BRIEN—Please do so.

Mr Yuile—The Department of Family and Community Services has the leadership role for that trial. They have an SES officer in Darwin as part of the organisation as a department, and

I think she chairs the whole-of-government group within Darwin. Of course, the Secretary of the Department of Family and Community Services has the leadership role. We were certainly working on and funded the RTC, but we will check whether there are any other initiatives linked to that trial program.

Senator O'BRIEN—In July, the Minister for Transport and Regional Services heralded the receipt of the action plan on regional business development. Is the department still preparing a response?

Ms Varova—Yes. The department is presently working on a report for the minister's consideration.

Senator O'BRIEN—Are you working on developing a small business financing program?

Ms Varova—Essentially we are working on the government response at this stage for consideration by the minister.

Senator O'BRIEN—So there are no programs; there is just a response to the report.

Ms Varova—That is correct.

Senator O'BRIEN—Is the next meeting of the Regional Development Council going to generate information for regions about benchmarking?

Ms Varova—We do not have that on the agenda at this stage.

Senator O'BRIEN—Is the department pursuing a single regional governance structure for regional program delivery?

Ms Varova—No, not that I am aware of. We are certainly not working on that.

Senator O'BRIEN—Has the department undertaken work as a result of the action plan in relation to the Zonal Tax Rebate Scheme?

Ms Varova—In the context of preparing a draft government response for consideration by the minister, we are certainly looking at that issue.

Senator O'BRIEN—What issues are being looked at there?

Ms Varova—We are still in the process of working that through. We are consulting with other departments.

Senator O'BRIEN—Has the department undertaken detailed research into the potential benefits of providing regionally based incentive programs over and above the First Home Owners Scheme?

Ms Varova—No, we have not conducted any such research.

Senator O'BRIEN—Is the department pursuing the establishment of an independent national infrastructure advisory group?

Ms Varova—All of that is under consideration.

Senator O'BRIEN—What do you mean by 'under consideration'?

Ms Varova—As I have said, within the context of our work on developing a draft government response, we are liaising with other agencies and collecting their views. We are in

the process of that at the moment. So we have not finalised a consolidated draft for consideration by the minister as yet.

Senator O'BRIEN—Is the department pursuing the development of a regional infrastructure bond market?

Ms Varova—Again, I make the same response. We are looking at all of those recommendations in the context of that response, but we have not initiated action and would not be doing so until obviously the minister has considered it. Then, when and where necessary, the government would consider any resulting action.

Senator O'BRIEN—Has the regional policy division considered the CSIRO-ABARE-BTRE report about biofuels and ethanol that we were talking about earlier?

Ms Varova—No, not specifically. Essentially, the BTRE is working on that, and we have not seen the need to do further work on that.

Senator O'BRIEN—So there is no work being done in terms of the regional implications of that report for the minister.

Ms Varova—No, not at this stage.

Senator O'BRIEN—I take it that no work is being done to determine which regions produce waste starch and molasses and how they might be affected.

Ms Varova—No, not by the regional policy group.

[11.39 a.m.]

Senator O'BRIEN—I want to go to output 2.2; thank you.

ACTING CHAIR—I welcome officers for output 2.2, Transport policy functions.

Senator O'BRIEN—I want to ask questions about the agreement announced on 6 December between the federal government and the New South Wales minister Michael Costa. What are the key terms of the deal?

Mr Mrdak—The deal brings to a conclusion negotiations which have been taking place over some time between New South Wales and the ARTC, the Australian Rail Track Corporation. The essential components of the deal are that the ARTC will lease the main line New South Wales track for a period of up to 60 years; New South Wales will retain ownership of the track; New South Wales and the ARTC will enter into a series of agreements in relation to the provision of maintenance and train control staff for a period; performance benchmarks will be set; New South Wales will set the safety and regulatory standards to apply on the track; and the parties must consider a forward investment program for the first five years of the lease. They are the essential components, as agreed by the ministers. The ARTC is now in negotiations with the New South Wales government in relation to concluding the lease. There is a series of agreements in relation to that and also in relation to the ARTC managing on behalf of the New South Wales government the maintenance and operation of some branch lines which will not form part of the ARTC lease but which the New South Wales government wishes to have the ARTC manage on their behalf.

Senator O'BRIEN—Where do I find the information which will identify those branch lines?

Mr Mrdak—We can provide you with a copy of the information pack that was provided at the time of the announcement. That provides some basic details. We can also take on notice to give you the actual details of branch lines. In relation to the branch lines, that is something that is still subject to negotiation with the ARTC. Which branch lines would be included and the extent of the ARTC involvement are still far from being settled.

Senator O'BRIEN—With respect to the proposed \$870 million investment that will flow from this agreement, I understand the Commonwealth has contributed \$143 million. Is that correct?

Mr Mrdak—The Commonwealth will make an equity injection into the ARTC of that amount, yes.

Senator O'BRIEN—And that amount is largely the money that has not been spent from the Commonwealth commitment in 1998 of \$250 million over four years. There was \$111 million left pending the finalisation of these track negotiations.

Mr Mrdak—That is a component of it, yes.

Senator O'BRIEN—So \$111 million was shifted to ARTC from the Commonwealth's mainland interstate track fund two financial years ago or thereabouts. Where did the remaining \$32 million come from?

Mr Wolfe—That figure is in the additional estimates. On page 31 of the additional estimates for 2003-04 is an amount of \$32.375 million. When that is added to the \$111 million that Mr Mrdak has mentioned, that takes the total to \$143.4 million.

Senator O'BRIEN—The media statement issued at the time says the New South Wales government has only contributed \$62 million. Why is that such a low contribution compared with the Commonwealth contribution, given it is still New South Wales owned track?

Ms Briggs—That is really a matter for the New South Wales government.

Senator O'BRIEN—When the National Rail Corporation was sold to Chris Corrigan a couple of years ago for \$200 million, didn't that deal include \$50 million for this deal from Mr Corrigan?

Ms Briggs—Yes.

Senator O'BRIEN—I do not see that \$50 million mentioned in the minister's media statement. Is that \$50 million still on the table from Mr Corrigan?

Mr Wolfe—The final amount of the contribution is still to be finalised but, yes, I think there have actually been press reports that Mr Corrigan still believes that the \$50 million is there.

Senator O'BRIEN—He 'still believes that the \$50 million is there'. I am not sure what that means in the context of the question.

Ms Briggs—I think his intent is clear.

Senator O'BRIEN—Has there been any correspondence between Mr Corrigan and either the minister or the department on this \$50 million?

Ms Briggs—I believe there has been.

Senator O'BRIEN—Does that form a commitment to expend the \$50 million?

Ms Briggs—I will need to check the nature of that correspondence.

Senator O'BRIEN—So the long and the short of it is that the department is certain that the \$50 million Mr Corrigan promised is available for this project?

Ms Briggs—Yes. Mr Corrigan has been quite good with his word in this area and I see no reason to doubt that he will not be as we move forward.

Senator O'BRIEN—He certainly has not said that he will not be paying it?

Ms Briggs—Certainly not, no.

Senator O'BRIEN—I take it that it is the federal government's view that he remains committed and will pay the money?

Ms Briggs—Yes.

Senator O'BRIEN—That, I guess, means that the vast majority of the \$870 million to fund this work is going to be borrowings by ARTC.

Mr Wolfe—It is not necessarily borrowings. The ARTC board will decide how it underwrites the investment. It could, obviously, use its own revenue pool and its reserves as well.

Senator O'BRIEN—Is the Commonwealth contribution going to appear in the budget papers?

Mr Wolfe—It is in the estimates papers. The \$111 million and \$32.375 million are there, yes.

Senator O'BRIEN—Does the Commonwealth have any role in influencing or controlling the type of financial decision made by the ARTC on whether it borrows or how it funds this project?

Ms Briggs—The ARTC has a board which manages its financial activities.

Senator O'BRIEN—Yes. So what influence does the Commonwealth have over that process, if any?

Ms Briggs—The board takes those decisions.

Senator O'BRIEN—Are you saying thereby that it has no influence?

Ms Briggs—I am not saying that there are not discussions from time to time between the ministers and the board but it is the board's decision-making power and they use it and are very responsible in the way they do so.

Senator O'BRIEN—Does the Commonwealth underwrite the borrowings of the ARTC?

Ms Briggs—As part of this approach there is a guarantee to some loan borrowings.

Senator O'BRIEN—So in that context does the Commonwealth need to give a commitment for a particular borrowing decision, or is that a general commitment irrespective of when the decision is made, whether it is made with or without consultation?

Ms Briggs—It took a decision for this particular issue.

Senator O'BRIEN—The Commonwealth took a decision for this issue?

Ms Briggs—Yes.

Senator O'BRIEN—What was that decision?

Ms Briggs—It was as part of its consideration of the lease proposal that would be put to New South Wales before that was done.

Senator O'BRIEN—So to what extent is the Commonwealth prepared to underwrite borrowing?

Mr Wolfe—Can I take that on notice? That was a joint decision taken with the minister for finance so I would like to get a complete answer for you on that one.

Senator O'BRIEN—Okay. I would appreciate a complete answer. Does the New South Wales government have any role in underwriting those borrowings?

Ms Briggs—No.

Senator O'BRIEN—When it comes to the payment of interest on those borrowings, I assume that the first call will be on ARTC and the second on the Commonwealth?

Ms Briggs—We are expecting that the ARTC will manage that.

Senator O'BRIEN—Will the underwriting appear in the budget papers as a potential liability?

Mr Wolfe—I think we will check that with our colleagues in the department of finance.

Ms Briggs—I am advised, however, that we expect that it will eventually appear in the statement of liabilities once the lease has been formally signed.

Senator O'BRIEN—So the ultimate bearer of the risk in any such borrowings will be the Commonwealth?

Ms Briggs—In the case of the proportion we have guaranteed, yes.

Senator O'BRIEN—Can you tell me what proportion of borrowings have been guaranteed or is that a decision not made yet?

Ms Briggs—At this stage we have guaranteed a level up to a particular amount. As Mr Wolfe said, he needs to discuss that through the finance portfolio and their minister. It could well be that the ARTC is able to achieve a higher level of borrowing than that amount and therefore we would be guaranteeing a lower amount. So it really is a matter for their negotiations with the financial market as to the final outcome.

Senator O'BRIEN—Are you saying, Mr Wolfe, you need to check it before you tell us or you need to check it to see if you can tell us?

Mr Wolfe—Hopefully the latter. I should clarify that the final decision on the composition—whether it is reserves or revenue or borrowing—is still yet to be made by the ARTC board. I do not want to put the cart before the horse, so to speak.

Senator O'BRIEN—How will the ARTC determine how much it charges operators? For example, will access and pricing arrangements be monitored by the ACCC?

Ms Briggs—They are already.

Senator O'BRIEN—Are they required to operate commercially: that is, to make charges based on cost of operation?

Mr Wolfe—The ARTC operates on a commercial basis, yes.

Senator O'BRIEN—Under the agreement, while the ARTC—or I might call that the Commonwealth—is the operator and maintainer of the track, the New South Wales government remains the track owner and the employer of staff. How will this work?

Mr Wolfe—The final details of the labour arrangements are currently being negotiated between the ARTC and New South Wales. No doubt in due course ARTC will announce those arrangements.

Senator O'BRIEN—Do you know whether staff will be employed by a New South Wales government department or an authority?

Mr Wolfe—That is still being finalised.

Senator O'BRIEN—Is there an expected time when the matter will be concluded?

Mr Wolfe—I certainly hope that it will be before the lease is signed. The negotiations are still ongoing.

Senator O'BRIEN—The agreements include a commitment to licence the ARTC to construct the southern Sydney freight line within the rail corridor. Where will this run from and to?

Mr Wolfe—I think if we give you a copy of the kit that would help. The final decision, of course, would be subject to the appropriate environmental impact studies and other processes, so I do not want to say that it will categorically be in a certain spot until that decision has actually been made, but there is certainly a plan as to where it should go.

Senator O'BRIEN—Is the costing of that construction included in the \$870 million?

Mr Wolfe—Yes, it is.

Senator O'BRIEN—How much of the \$870 million is set aside for that?

Mr Wolfe—Let me just check that for you.

Senator O'BRIEN—Does the agreement include that New South Wales will remain the employer also extend to the construction of the line—that is, will New South Wales's own Rail Infrastructure Corporation build the track?

Mr Wolfe—That is still part of the negotiation.

Senator BUCKLAND—When you were talking about where the southern line will go, were you saying that you cannot tell us where the start and finish points of that would be, or was it actually where the corners will be—

Mr Wolfe—No. We can certainly do that for you.

Senator O'BRIEN—It has got to start somewhere and end somewhere—usually where there is already rail track.

Mr Wolfe—It basically covers an area from Macarthur to Chullora.

Senator O'BRIEN—The media release says that there is agreement that safety standards across relevant infrastructure will be set by the New South Wales Independent Transport Safety and Reliability Regulator. Does this refer to track safety and reliability, or to employee safety standards?

Mr Wolfe—Can I take that on notice? I will check that with the ARTC.

Senator O'BRIEN—Do you know who funds the New South Wales Independent Transport Safety and Reliability Regulator?

Ms Briggs—The New South Wales government.

Senator O'BRIEN—And it reports to that government?

Ms Briggs—Yes, it does.

Senator O'BRIEN—Do you know what its compliance and enforcement role will be in relation to ARTC-managed track?

Mr Wolfe—My understanding is that the ARTC have indicated that they would comply with the appropriate requirements of the New South Wales regulator. The New South Wales regulator is virtually a new body; it has been created recently. Certainly my understanding of the arrangements between ARTC and New South Wales would be that they would comply with the New South Wales requirements.

Senator O'BRIEN—In relation to incidents and accidents on the leased track, does the agreement specify that ATSB would investigate these, as permitted in the new Transport Safety Investigation Act 2003?

Mr Wolfe—That is a question that might be best asked of my colleague Mr Bills. My understanding is that the ATSB legislation, as it currently stands, can cover those incidents; however, it is still a matter for Mr Bills, I think, to determine when he undertakes investigations.

Senator O'BRIEN—It is not prohibited, then, by matters—

Mr Wolfe—No, the agreement does not prohibit that.

Senator O'BRIEN—The agreement also provides for the joint creation of a transport and logistics centre of excellence to support career paths for rail workers and to ensure that key skills are maintained in the industry. Does that mean that a centre will be established somewhere?

Mr Wolfe—That is something that is a matter of ongoing negotiations between us and New South Wales. The possibility of some sort of centre is one option, yes.

Senator O'BRIEN—Are there funds in the \$870 million to pay for such a centre?

Ms Briggs—No. We would need to look at how we manage that, and we are doing that now.

Senator O'BRIEN—So at this stage if there is a centre, and that is not decided, it is not known whether the Commonwealth government, the New South Wales government or ARTC will fund that.

Ms Briggs—I think it is important to say that our minister has made an announcement that we will contribute towards such a centre, so that is the policy we are working under. I think what Mr Wolfe is saying is that we are working through with New South Wales the arrangements associated with that centre and I was indicating that we are looking at how we might fund that at the moment.

Senator O'BRIEN—Do I take it there is no decision as to who will administer the centre?

Ms Briggs—Not at this stage, no.

Senator O'BRIEN—Is there a clear understanding of its purpose?

Mr Wolfe—We have certainly exchanged with New South Wales the ideas behind the centre of excellence. I should add that the New South Wales government has already a body of this kind established. What we are obviously exploring is the possibility of extending that on a national basis.

Senator O'BRIEN—It is based on an existing centre run by the New South Wales government?

Mr Wolfe—Yes. That is one particular way in which it could be developed.

Senator O'BRIEN—The media release associated with the agreement says the lease will be signed early next year and will take effect from April 2004 and that legislation will be introduced into the New South Wales parliament in February 2004. Is the lease ready for signing yet?

Mr Wolfe—It is still a matter for ongoing negotiation, and the first requirement is the New South Wales legislation, which I understand has not yet been introduced.

Senator O'BRIEN—Is there a formal agreement that has actually been signed?

Mr Wolfe—No. There are a number of documents that need to be signed as part of the overall agreement and you actually mentioned one of them before, which is the labour services agreement. There are still quite a number of formal documents that need to be agreed to before the final lease can be signed by the ministers.

Senator O'BRIEN—In a parliamentary sense what status will the lease have? Is it some sort of instrument that has to be tabled?

Mr Wolfe—Not as such. I think the key lease document will be in a formal agreement between the ARTC and the New South Wales government, but there may be some associated documentation which is attached to it.

Senator O'BRIEN—If there is a formal agreement, will that be tabled in parliament?

Mr Wolfe—I would not think that the lease has to be tabled in parliament because it will basically be a commercial document between the ARTC and the New South Wales government. There has certainly been a desire for both the ministers to make an announcement about the formalisation of it. At this stage I do not think it will require a document to be tabled in parliament.

Senator O'BRIEN—With regard to the New South Wales legislation, has the government been involved in the drafting of any bill?

Mr Wolfe—No.

Senator O'BRIEN—Does the Commonwealth have to sign off on the text of the bill?

Mr Wolfe—No. But New South Wales has consulted with the ARTC.

Senator O'BRIEN—If the legislation is delayed, what effect will that have on the agreement and its timetable?

Mr Wolfe—Any delays could certainly have an effect on it. We are hoping that is not the case.

Senator O'BRIEN—An effect being a delay?

Mr Wolfe—Depending on how long it takes New South Wales to get the legislation in.

Senator O'BRIEN—Will Commonwealth legislation be required?

Mr Wolfe—No.

Senator O'BRIEN—I take it there was no requirement for any approval, regulatory or legislative, for the Commonwealth to effectively incur the debt as indemnifying ARTC for any borrowings?

Mr Wolfe—Not that I am aware of, but again I will consult with my finance colleagues to confirm that.

Mr Mrdak—That would come by the normal suite of financial management legislation—the statutory provisions that cover the Commonwealth.

Senator O'BRIEN—What will be the role of the National Transport Commission in this whole deal?

Ms Briggs—The National Transport Commission, as you know, Senator, has picked up responsibility for issues relating to rail and intermodal transport. As part of picking up those responsibilities, it has developed a work program, which includes a number of aspects to do with rail.

Senator O'BRIEN—The ARTC will be required to work with the NTC on the progress of rail regulatory reform. Is that how I should understand it?

Ms Briggs—I think 'requirement' is the wrong word. What is happening at the moment is that all the jurisdictions with an interest in rail, together with members of the rail industry, are working cooperatively with the National Transport Commission on rail regulatory issues. That includes the ARTC.

Senator O'BRIEN—There have been media reports earlier this year, in particular in the *Australian* on 7 February, that Mr Corrigan is prepared to invest \$500 million in infrastructure upgrades to our national track. Has anyone spoken to Mr Corrigan to explore this offer, if indeed it can be categorised as an offer?

Ms Briggs—I would need to take that on notice, but certainly I noted that article myself and had intended to take it up personally, if not with Mr Corrigan, with other members of his organisation. One needs of course to clarify that that is in fact what he said.

Senator O'BRIEN—To see if he has been correctly reported, you mean?

Ms Briggs—That is right.

Senator O'BRIEN—He is quoted as saying:

We can do a public-private partnership. Whatever.

Is it government policy to explore such options?

Ms Briggs—The government does not have a specific policy about exploring such options with Pacific National. The government is always interested in opportunities that it might engage with the private sector, and indeed the AusLink program, as it develops, is particularly designed to facilitate those engagements.

Senator O'BRIEN—Is Mr Corrigan suggesting, as quoted, that the \$870-million investment is probably \$500 million short of what is needed in the near future?

Ms Briggs—I would need to ask Mr Corrigan for an answer to that.

Senator O'BRIEN—In terms of rail operation, what market share does the Patrick Corporation have of the tracks that are included in this agreement?

Ms Briggs—I am not sure that we would currently have that data. One of the things that we, together with the National Transport Commission and the states, are talking to the rail industry about is issues about performance, market share and so on. That is not yet resolved, but we will be collecting performance information with the cooperation of the rail industry to provide to the Australian Transport Ministers Council for a meeting later this year.

Senator O'BRIEN—Where would I find information that would tell me how much the Commonwealth has spent on the rail sector in each of the last 10 years?

Ms Briggs—You would ask us that, and we will have a look to see if we can get that for you.

Senator O'BRIEN—Can it be broken down by corridor?

Ms Briggs—That might be a brave request. I think we would have it broken down by program. We will have to go through quite a few files to have something that goes back 10 years, but we will do our best to meet your request.

Mr Wolfe—Hopefully, with the ARTC starting to branch out into the total interstate track, we will be able to obtain better information on corridors than previously existed.

Senator O'BRIEN—The agreement proposes that ARTC will manage the remaining non-interstate, non-Hunter country branch rail networks on behalf of New South Wales under an alliance management agreement between New South Wales and ARTC. New South Wales will retain funding responsibility for these lines. I take it that means that the New South Wales government will employ the staff and fund the track?

Ms Briggs—It means that the New South Wales government will pay the ARTC for the management of those lines.

Senator O'BRIEN—I am told that the Hunter Valley coal tracks are in poor shape; is that accurate?

Mr Wolfe—Without wishing to comment on the state of the New South Wales rail system, there have been representations made by the industry regarding concerns about the Hunter Valley track, yes.

Senator O'BRIEN—I will take that as a yes. Mr Tucker, the Executive Director of the NSW Minerals Council, says, 'The New South Wales coal industry is one of the most efficient in the world,' but the weak link is the rail link between the Upper Hunter Valley and Port Waratah. Have you seen those reports?

Mr Wolfe—Yes, I have.

Senator O'BRIEN—I am told it results in a situation where up to 40 vessels are visible, anchored off the Newcastle coast waiting to enter port to load. The same report says:

The current Hunter Valley rail bottleneck is causing a demurrage cost of \$100 million per annum to the coal industry, inhibiting its growth and suppressing jobs growth in the Hunter Valley.

Does this mean that this problem will now become the problem of the Commonwealth through the ARTC?

Mr Wolfe—The ARTC has clearly indicated that it sees work on the Hunter as a priority of this investment program.

Senator O'BRIEN—I understand that there is an immediate requirement of \$25 million to be spent and that the private sector, namely BHP Billiton and others, have offered to pay for the work; is that right?

Mr Wolfe—I am not aware of that offer but the ARTC may well be. I suspect the initial offer would have been made to the New South Wales government.

Senator O'BRIEN—Is there any reason why the ARTC could not accept money from the private sector to prioritise that work?

Mr Wolfe—That is an interesting proposition that the ARTC would have to grapple with. May I just express a little caution in relation to any works on the track. They have to be subject to the appropriate processes. So while there is clearly an agreed understanding that there does need to be some major investment in the track, it has to be done in the appropriate manner, including the appropriate approval and planning processes in New South Wales.

Senator O'BRIEN—But other than that, what issues surround an offer to fund a particular work program or part of the work program?

Ms Briggs—There might well be some competition issues that might concern people. That has been an issue that has been raised in the past. At the moment the ARTC has an approved access undertaking with the ACCC. What we see at the moment is that the ARTC is increasingly taking over the management of the interstate track, if not the ownership. You could imagine that some above rail providers might have issues if another above rail provider invested in the track. These things have to be managed fairly carefully.

Senator O'BRIEN—Can you tell me if the agreement with the New South Wales government for the ARTC to manage non-mainland tracks and branch lines includes the track from Goulburn to Canberra?

Mr Wolfe—Can we check that for you, Senator? There was an issue, as I understand it, between the ACT and New South Wales governments clarifying division on the Canberra track. We will check that for you.

Senator O'BRIEN—It is an area where the infrastructure is seriously inhibiting the efficiency of the service, isn't it?

Ms Briggs—That is something that I have heard said, yes.

Senator O'BRIEN—Can you check whether under the agreement that section of track is covered and whether the New South Wales government will remain responsible for funding upgrades?

Ms Briggs—In any event, whether it was under the agreement or not, because it is not part of the interstate track the New South Wales government would be responsible for it.

Senator O'BRIEN—Why was the decision made not to include that section of track in the mainland interstate track?

Ms Briggs—This goes back before my historical knowledge. These decisions were taken, as I understand, in 1997. I will see if we can find that out.

Senator O'BRIEN—Who would have made that decision?

Ms Briggs—It would have been a decision of the then heads of government, at the time when Mr Keating was Prime Minister, from recollection. No, I beg your pardon; it was taken in 1996 and came into effect in 1997.

Senator O'BRIEN—At the last estimates we were advised that the department would prepare a response for the minister on the Morris-Sharp review. Has that advice been prepared for the minister?

Mr Wolfe—I am not exactly sure that is what we said at the last estimates, but I shall check that for you. I think our minister at the table indicated that it was for us to decide what we were going to do with the report. The situation that I can report upon is that the minister is scheduled to speak at a shipping conference on Thursday and he will be making statements in relation to shipping policy. I think I can leave it at that.

Senator O'BRIEN—Is the department doing any work on any of the recommendations in the report?

Ms Briggs—As we indicated last time around, we are looking into those recommendations. We have been doing some work on them. I would like to come back to your question about the Canberra to Sydney line. My recollection—and I will send a letter to the committee if this is incorrect—is that the interstate track route was largely settled on the basis of main freight movements, and the Canberra to Sydney route is not typically a major freight track. That is what I understand to be the reason for its exclusion from the interstate network.

Senator O'BRIEN—There was an extensive review of the Navigation Act conducted in the reign of the current minister, which commenced in 1999. The report was due to the minister in 2000. Can you advise what happened to that report?

Ms Briggs—Might we handle that when the regulatory staff are here under item 3.1, if that is okay with you?

Senator O'BRIEN—We will see what we can do. The Prime Minister announced last year Australia's participation in the APEC Transportation Working Group. Can you provide us with the terms of reference for that working group?

Mr Yuile—Yes, we can get you the terms of reference. That has been a longstanding group. It was one of the early working groups established after APEC was established. It is not a recently established working group.

Senator O'BRIEN—What is the nature and cost of Australia's contribution to that body?

Mr Yuile—I will check the details.

Senator O'BRIEN—Can you let us know whether there are any recommendations or interim recommendations from that body?

Mr Yuile—It is a working group that has a range of areas within its purview. Maritime issues, aviation and land transport security have been recent focuses of attention. It also focuses particularly on capacity building within the developing member economies of the group. That is the nature of the group. Obviously it reports back to ministers on a periodic basis when the ministers get together. We contribute, I think through the Department of Foreign Affairs and Trade, to the APEC secretariat, but I will need to double-check the details about that. Other costs are usually related to travel where necessary for particular meetings, although a lot of things are done by email nowadays. We also sponsor projects from the APEC funds—again, particularly to assist developing economies. We have a range of projects which over the years we have managed on behalf of the working group.

Senator O'BRIEN—I want to ask about the infrastructure investment system, the Infrastructure Borrowings Tax Offset Scheme. As I understand it, the infrastructure investments area is tasked with revising and implementing the Infrastructure Borrowings Tax Offset Scheme; that information comes from the web site. Can you provide an update of the current status of the revision of that scheme and tell us when it will be finalised?

Mr Elliott—We have not approved any new projects under the IBTOS. There has not really been any substantive activity under that scheme, apart from projects that are already approved under it, so there is no real action to revise the scheme under way, as far as I am aware.

Senator O'BRIEN—So nothing has happened?

Mr Elliott—Basically, nothing.

Senator O'BRIEN—What do I make of the statement on the web site—which was taken off it on 16 February—which says:

The Infrastructure Investment Branch are responsible for developing policy and approaches to infrastructure funding and options for pooling investment programs and identify investment priorities across modes. Revise and implement the Infrastructure Borrowing Tax Offset Scheme and develop specific Public Private Partnership (PPP) proposals across any mode.

Mr Elliott—The major vehicle that we have effectively used to promote that sort of activity is AusLink, of course. As you would be aware, we have put out a green paper on that and are in the process of developing a white paper, which we hope to see released in May this year or, in any case, around the time of the budget. As far as the IBTOS scheme is concerned, what I said previously related to that. While it still operates, there has been no new activity under it. The issues that might arise in relation to cross-modal activity we would also hope to take forward under the banner of AusLink.

Senator O'BRIEN—So the work that has been done in that area is contained in the AusLink white paper.

Mr Elliott—Essentially, yes.

Senator O'BRIEN—When was that concluded?

Mr Elliott—We have not concluded the AusLink work. The white paper will be published around May, we hope.

Senator O'BRIEN—Are there any specific public-private partnership matters under consideration in terms of any funding proposals?

Mr Elliott—No, I am not aware of any.

Senator O'BRIEN—As to the IBTOS scheme, on page 60 of the annual report it states that the department continued to maintain agreements under the scheme. Where can I find a complete list of projects that maintain agreements under the scheme?

Mr Elliott—Probably it would be best if I obtain a list for you on notice.

Senator O'BRIEN—Thank you. With that, can you provide the level of offset approved for each project?

Mr Elliott—Certainly.

Senator O'BRIEN—And the year in which the agreements were entered into?

Mr Elliott—Yes.

Senator O'BRIEN—Is it possible to say when each agreement will conclude?

Mr Elliott—Not necessarily, because they will have a period of life that is a little bit elastic in terms of when it actually is finished.

Senator O'BRIEN—Can you tell me the level of forgone revenue for each project?

Mr Elliott—Yes, we should be able to. I will make the response as complete as we can in that respect.

Senator O'BRIEN—Can you tell me what commitments to this scheme the Commonwealth has in the current and next three financial years?

Mr Elliott—That may be something we would need to estimate, and we would probably need to talk to the Australian Taxation Office to make an estimate. So it may take a little bit of time and we would need to judge how good an estimate we can make. But again I will investigate that for you.

Senator O'BRIEN—Is there a specific appropriation for the scheme in this year and the coming three financial years?

Mr Elliott—No. There is no appropriation as such because it is a tax offset scheme.

Senator O'BRIEN—Will the AusLink scheme replace the IBTOS scheme?

Mr Elliott—No, not in effect. As you know, IBTOS is a scheme that allows for certain tax offsets to be taken into account for the development of certain major infrastructure projects. AusLink is a scheme that has, in a sense, a broader infrastructure mandate. It will enable the federal government, hopefully, to lead and develop the infrastructure in this country. I do not see IBTOS effectively being replaced, as such, under that arrangement; but the IBTOS arrangements may gradually, for want of a better phrase, 'fade away'.

Senator O'BRIEN—So there is no plan that you are aware of for entering into any new agreements under the IBTOS scheme?

Mr Elliott—Not currently.

Senator STEPHENS—I have some general questions on road safety.

Ms Briggs—It may be that they are questions for the Australian Transport Safety Bureau, which normally handles issues of road safety. That is under item 4. If you could just give us an indication of the nature of your questions, I will be able to confirm whether or not that is so.

Senator STEPHENS—They are in terms of proposed road safety measures and the reduction of the road toll.

Ms Briggs—Yes, they would come under item 4.

Mr Potterton—Briefly returning to program 2.1, Senator O'Brien asked when the minister received the biofuels report. We indicated that we provided the final report on 19 December. What I needed to add was that, in taking its decision in December 2003 to provide a discount on the proposed energy content based excise rates for alternative fuels, the government considered advice from the Energy Task Force. That advice included the draft executive summary of the report into the appropriateness of a 350 million litre biofuels target. That advice was provided to Minister Anderson and other government ministers in the context of the decisions that were announced in December. The final executive summary of that report did not differ significantly from the draft considered by the government.

CHAIR—Thank you very much for that. We will now move to output 3.1, Surface Transport Regulation.

[12.34 p.m.]

Senator STEPHENS—I want to start with vehicle safety standards and look at the issue of road safety and four-wheel drives. In ATSB monograph 11 entitled 'Fatal four-wheel drive crashes' published in September 2002, the data states that over the nine-year period to 1998 there was a 85 per cent increase in the number of fatal road accidents involving four-wheel drives. Can you confirm that figure?

Mr Robertson—If that is what the ATSB data said, that would be right.

Senator STEPHENS—Can you advise whether there are any more current figures than for that period to 1998?

Mr Robertson—That would be a question for the ATSB. There probably would be. It takes a while for the figures to filter through the system. They are extracted from coroners' reports and they take their time to get to us.

Senator STEPHENS—To be clear about that, are these deaths related to passengers of the four-wheel drives only or to the passengers of the four-wheel drives and of other vehicles involved in the accidents?

Senator Ian Campbell—That is an ATSB question as well.

Senator STEPHENS—Okay. I will move on from those questions. Last December, 15 auto makers from four nations agreed to make some design changes to what the Americans call SUVs. Is that right?

Mr Robertson—I understand that to be correct.

Senator STEPHENS—And also to pick-ups, which are sold in the United States. Those are the equivalent of Australia's four-wheel drives and utes—is that right?

Mr Robertson—They call them SUVs, sports utility vehicles. They are roughly equivalent, yes.

Senator STEPHENS—I understand that these industry changes will make these vehicles less dangerous to both the occupants of the SUVs and the occupants of other passenger vehicles. We have some information from the *New York Times* from December—and there were other similar articles—which suggests the design changes are to:

...reduce the likelihood that the [SUVs] would skip over the front bumpers of cars in collisions.

Have you seen that article?

Mr Robertson—I am not familiar with the article, but what you are referring to is a general issue known as vehicle compatibility. It refers to the problem of high-mass and low-mass vehicles sharing the same car park. It is a significant issue in the United States, where those different masses are heavily polarised. It is an emerging issue in Australia because the off-road and heavy four-wheel drive sector is one of the fastest growing segments of the passenger car market.

Senator STEPHENS—Are you saying it is an emerging issue in Australia, rather than a current issue?

Mr Robertson—It is an issue, but it is not quite as severe as it is in the United States. In our own research work we have identified vehicle compatibility as being one of our key priorities—specifically, researching the effects of crashes between high-mass and low-mass vehicles with a view to improving regulation and vehicle design.

Senator BUCKLAND—Does that include aftermarket modifications made to the SUVs, utilities and four-wheel drives?

Mr Robertson—Not specifically. Our interest is in regulation of new vehicles. You do start to run into those issues where you have, say, a bullbar fitted to a vehicle, which is an aftermarket modification. That complicates the crash equation.

Senator BUCKLAND—I have noticed a lot of modifications to the suspension and the chassis of these vehicles that appear to almost make them something other than what the manufacturer intended.

Mr Robertson—Are you referring to lowering the vehicle or raising it?

Senator BUCKLAND—Lowering, raising or altering the suspension. I suppose it is to get better performance, as you might do to a sedan car. But it greatly alters the dynamics, and I just wonder whether that is caught up here as well.

Mr Robertson—Not in our research. But, yes, you do alter the dynamics of a vehicle, particularly if you raise it. The issue is not just one of mass but also one of geometry. When you have a car that is quite high hitting a car that is quite low, the impact points can be quite damaging.

Senator BUCKLAND—Is this a regulated part of the market?

Mr Robertson—That part of the market is regulated by the states.

Senator BUCKLAND—By the states?

Mr Robertson—Yes. If you wish to modify a vehicle that is in service, the states have various regulatory regimes requiring inspection and sign-off by engineers.

Senator BUCKLAND—In the case of accidents and statistics, is that identified?

Mr Robertson—Whether the vehicle has been modified?

Senator BUCKLAND—Yes. I am not suggesting that it is illegal or there is anything wrong.

Mr Robertson—I am not sure. We can take that on notice. We will pass that to the ATSB.

Senator STEPHENS—I am sure you are aware of the fatal accident at Tarcutta in January of this year, where four members of the Allen family were killed when their four-wheel drive rolled. Putting aside that particular tragic incident, are you aware of the media speculation following the accident about the design rules associated with four-wheel drives?

Mr Robertson—Yes, very much so.

Senator STEPHENS—Considering the weight of that media speculation, do you think that public opinion and media coverage should influence the design rules associated with such vehicles?

Mr Robertson—It is a very difficult area. It sounds very attractive to say that there should be a design rule to deal with rollover, but rollover is a very complex set of interactions. It is very difficult to design a test for rollover. It is very difficult to set criteria, and it is very difficult to make a test repeatable. The real issue is not just the strength of the vehicle as it rolls over; it is what happens inside, and that can be very random and haphazard.

The Americans have been looking at this issue for some years. It has had quite a high profile, even to the extent of a congressional inquiry. Since 2000, when there were a number of issues with Firestone tyres on Ford Explorer vehicles causing rollovers, it has been looked at pretty intensively. They are much better resourced than we are to do that sort of thing, so

we watch with interest as to how they work it. But the best they have really been able to come up with are initiatives that focus on consumer awareness.

If you go to the National Highway Traffic Safety Administration web site, you will see that the government authority has conducted its own set of tests. They are not perfect tests. They involve a calculation to determine a stability factor for the vehicle. They also do what they call a fishhook test, which involves a rapid change of direction, and they have sensors to determine where the vehicle is lifting. They use that as a sort of a star-rating system so that the consumer can be aware.

The real issue, though, comes down to the basic physics of the vehicle. Whenever you have a vehicle that has a high centre of gravity relative to its track width, you are going to have a vehicle that is more prone to rollover than a vehicle that has a low centre of gravity relative to its track width. So, really, the best return on the investment is in education of the consumer and of the driver on how they must drive their vehicle.

Senator STEPHENS—So, while the US are not moving to enforce a mandatory code, we would not consider some kind of mandatory design code in Australia?

Mr Robertson—It would be very difficult to know how to develop a mandatory design code. The vehicles by their nature have high ground clearance—that is what they are designed for—so they cannot be driven in the same way as a sports car.

Senator Ian Campbell—Or a normal sedan.

Senator STEPHENS—If we cannot go to any kind of a mandatory code, would you recommend our moving towards enforcing new safety measures around four-wheel drives—on the basis of the evidence about the accidents that have occurred and the descriptions you have given us this morning about the instability of some of those designs?

Mr Robertson—As I have said, the best return on investment comes from educating people in how to drive the vehicles. There the minister has taken an initiative to meet with the vehicle manufacturers to see what can be done to improve the level of consumer awareness.

Senator Ian Campbell—We are actually doing two things. One is that we have been working very hard to get up a national driver training scheme, which has met resistance from the state governments. But I am beginning to overcome that and have had a couple of positive responses recently—I think due to some of the publicity you have referred to. I am driving that as hard as I can. We have had an indication from the vehicle industry in Australia that they would be prepared to make a significant contribution to a driver education program, and I am attracted to having a four-wheel drive element of that developed down the track—no pun intended.

Secondly, I have called together a meeting of four-wheel drive manufacturers and importers to look at this very issue of consumer education. As Peter has said, there is no doubt that driving a four-wheel drive is very different from driving a sedan or sports car. They have higher centres of gravity and different characteristics. But, in my experience, when you walk off the street into a showroom and buy a four-wheel drive, you are not given any particular information. I think you will find that the handbooks do actually cover that. Some four-wheel drives have warning stickers on their dashboards and so forth to avoid rollover type situations.

But my view is that I think we can lift the game. I have been very heartened by industry's response to my call and we are meeting with them on 10 March, which is less than a month away, to discuss that very issue—that is, consumer education. Also, as I have said, I am looking at a driver training initiative. But it does rely on the cooperation of the states and I have called on the states to cooperate, particularly on this driver training initiative.

Senator STEPHENS—Is there any support for specific licensing for four-wheel drives?

Senator Ian Campbell—Some people have mentioned that. I think it is potentially fraught. I am not going to close it off as an option, but I think it has problems, and clearly it is something that is entirely within the purview of the states to implement. It is not something that the Commonwealth would have much of a say in.

Senator O'BRIEN—But there is a licence endorsement for driving a manual. People now get a specific endorsement on their licence that says they can drive a manual vehicle as against an automatic.

Senator Ian Campbell—They do, yes. I have a heavy-vehicle driver's licence, and some people have manual licences and some have automatic licences. But they are things that the states deal with. I am trying to think—although it is not a Commonwealth issue—where you would draw the line on a four-wheel drive vehicle. Practically speaking, the thing about four-wheel drives is that in certain circumstances, and certainly in rollovers, they do have some higher accident and fatality statistics—and the ATSB are the best people to talk about this—but in double-vehicle accidents the statistics show that you are actually safer in a four-wheel drive.

People who drive around the metropolitan area in a four-wheel drive I think do get a sense of safety, and I am sure that is one of the reasons that people buy four-wheel drives. They are higher up off the road, they get better visibility and they are bigger; therefore in a two-car accident they are likely to come off better. The social consequence of that is that, if you are in a smaller car, you are likely to come off worse. These are the very issues that Mr Robertson has been talking about. This vehicle compatibility issue is a serious one because we have more and more four-wheel drives on our suburban streets, and I think a lot of people driving smaller cars feel vulnerable as a result. So there is a whole range of social issues involved.

I think issuing special licence categories for people who drive four-wheel drives is probably not the answer, but that is something the states will have to look at. I am looking at things that I can do and what things the federal government can do. One of them is a national driver training initiative, which we are putting our full force behind; another is talking to the four-wheel drive manufacturers and importers about better consumer information—at the time of purchase, in particular.

Senator STEPHENS—Thank you for that. Moving on to CSL, the Navigation Act 1912 specifies that recipients of single and continuing voyage permits must not receive subsidies from any state while they are engaged in the Australian coastal trade. Is that right?

Mr Ellis—Yes.

Senator STEPHENS—I have an extract from the act. Can you tell us what the penalty is for breaching that provision of the act?

Mr Ellis—The penalty, according to my notes, is \$5,500 for an individual and \$27,500 for a corporation.

Senator STEPHENS—That section of the act is designed to do what?

Mr Ellis—To have a level playing field for licensed vessels.

Senator STEPHENS—What action has the department taken to ensure that provision is not breached at the time that SVPs and CVPs are issued?

Mr Ellis—That provision does not apply to vessels given permits—SVPs and CVPs—because they are deemed not to be part of the coasting trade. That provision applies to licensed vessels.

Senator STEPHENS—Has the department or the minister received representations from the Australian Institute of Marine and Power Engineers alleging that the shipping line CSL is in breach of that provision?

Mr Ellis—I am not aware of any representations but when we saw some press coverage of that particular comment the department sought advice from CSL Australia about the circumstances that might have prevailed.

Senator STEPHENS—It was reported in *Lloyd's List* on 5 February this year:

In Canada it was disclosed that the CSL Group received C\$161m (A\$159m)—
from the Canadian government—
from January 1993 to October 2002.

You say you are aware of this issue?

Mr Ellis—Yes, and in response to a question put by the department we have been advised by CSL that the amounts referred to in that media coverage were not subsidies as such and, in any case, were paid in 1993 and in 1993-94, over eight years before the CSL vessel *Stadacona* applied for a coasting trade license.

Senator STEPHENS—You are satisfied with that explanation?

Mr Ellis—The department is satisfied with that, yes.

Senator STEPHENS—Has the department ever conducted any investigation into potential breaches of that section of the Navigation Act?

Mr Ellis—Not in the last few years, to my knowledge, and not in the memory of my colleagues in the room with longer corporate knowledge. The onus is placed clearly on the owner seeking the license to provide such information.

Senator STEPHENS—The department does not regularly investigate?

Mr Ellis—No, investigate is not the word we would use.

Senator STEPHENS—If there is not a general regime of inspection or investigation, is there any capacity or requirement that the SVP or the CVP can be revoked?

Mr Ellis—Yes, there is a provision that a continuing voyage permit may be revoked on six months notice by the minister.

Senator STEPHENS—On what basis can that be revoked?

Mr Ellis—Without going into the finer points, it would be if it is in the public interest that the particular vessel should not be provided with a permit under the permit regime—if the public interest was breached, for example. It could be done in the case of, say, polluting the environment or some other activity that brought the attention of the government to the particular permit.

Senator STEPHENS—Have any permits been revoked under those kinds of circumstances?

Mr Ellis—A similar answer to the previous question: not to my knowledge and neither can my colleagues recall any permits being revoked.

Senator STEPHENS—I would like to move on to search and rescue.

Mr Ellis—Search and rescue would be AMSA.

Senator STEPHENS—I know that that is AMSA, but I just wanted to check something that is on the department's web site regarding the transport regulation section.

Mr Ellis—Yes, please ask.

Senator STEPHENS—It advises:

...the Department contributes to search and rescue policy and administers community service obligation payments to AMSA to support the search and rescue co-ordination function.

Can you advise whether or not there is any work under way on the policy development front on search and rescue functions?

Mr Ellis—I am not aware of any particular policy development work under way within the department at this point in time.

Senator STEPHENS—The web site also refers to a review of civil and defence search and rescue being undertaken by AMSA. Can you advise if the department is actually involved in the review?

Mr Ellis—It is not, to our collective knowledge.

Senator STEPHENS—Is that your general approach considering the fact that you are managing both policy and service obligations but you are not actually involved in this policy review? Is that usual?

Mr Ellis—The short answer is that it would depend on circumstances. I am not particularly familiar with the text that you have quoted from the web site. I will have a look at it. In the particular instances that you have quoted, we will review what is written there.

Senator STEPHENS—You will review the review? Okay. You might be able to advise us of why the review is under way. Was it commissioned by the department or the minister, or was it initiated by AMSA? Are you able to advise us on that point?

Mr Ellis—I will have to take that one on notice.

Senator STEPHENS—If you could do that, thank you.

ACTING CHAIR—Are we finished with that section?

Senator STEPHENS—No, we are not finished.

ACTING CHAIR—We will remove the bails, call it lunch and resume in about an hour.

Proceedings suspended from 1.00 p.m. to 2.03 p.m.

CHAIR—We will resume proceedings.

Senator O'BRIEN—The International Maritime Organisation has taken a number of decisions in recent years on the matter of phasing out single-hulled or skinned vessels. This section of the department attends those IMO meetings, as I understand it. Is that right?

Mr Ellis—No, Senator, we do not. In the contribution from AMSA, who are about to follow us, there might be a capacity to answer your questions.

Ms Briggs—The IMO meetings we do attend are normally attended by the person who was in Mr Wolfe's position. I am sorry for the confusion back and forth.

Senator O'BRIEN—We will put those questions on notice.

Ms Briggs—Thank you, Senator.

Senator O'BRIEN—In which case I am ready to go to AMSA.

CHAIR—Thank you very much, ladies and gentlemen.

[2.06 p.m.]

Australian Maritime Safety Authority

Senator O'BRIEN—Mr Davidson, can you provide the committee with an update on the implementation of rules regarding single-hulled vessels operating on our coastline?

Mr Davidson—I do not have the specific details of the phase-out regime at my fingertips at the moment, but IMO has been considering that now for a number of years, post the *Erika* and the *Prestige* incidents. They have put in place a regime that is looking at phase-outs. I will need to come back on the detail of it. That is a matter that is considered through the Maritime Safety Committee of the IMO and then ratified by the higher bodies. Policy input into that is given by the department, and we develop an Australian position to take forward.

Senator O'BRIEN—Has there been any additional auditing of those vessels on our coast?

Mr Davidson—Yes. Under our own regime we have introduced a 100 per cent inspection regime for all single-hulled tankers under our port state control regime. That has been in place now for nearly a year. We have previously had a regime where aged tankers and so on over 15 years were all being inspected, but we have extended that to all single-hulled tankers.

Senator O'BRIEN—How many of these types of vessels are operating on our coast? Is it a large number?

Mr Davidson—No, Senator. We are not talking large numbers. We can get you details of the actual numbers in the last year. I do not have those numbers with me.

Senator O'BRIEN—So every one that has operated on the coast in the last year has been the subject of an inspection?

Mr Davidson—Including ones that visit Australia, rather than operate on the coast. I make a distinction between vessels operating on the coast and those that are visiting Australia with loads. All tankers that visit are inspected on each visit, and those that are on the coast, as a

normal course of operation, would be inspected on their normal cycle, which I think is six-monthly.

Senator O'BRIEN—Will you be able to give us details of the vessels that have been inspected in the last 12 months—name the vessels and when they were inspected?

Mr Davidson—We will see if we can give you that data. I am not sure at this stage.

Senator O'BRIEN—There was one operating to, I think, Norfolk Island that hit the press in relation to environmental risks in recent weeks. Are you familiar with that?

Mr Davidson—I am aware of that particular vessel. It is not a tanker; it is a cargo vessel. It is an intrastate voyage under the jurisdiction of the waterways in New South Wales.

Senator O'BRIEN—So that is not under AMSA's jurisdiction?

Mr Davidson—Correct.

Senator O'BRIEN—At the last estimates hearing I inquired as to the extent of AMSA's involvement in the implementation of the Maritime Transport Security Act. At that stage the department had not approached AMSA to seek assistance with the assessment of ship and port security plans. Has any approach since been made?

Mr Davidson—Yes. We provided an officer to assist the department's security division with the development of the ship security plans.

Senator O'BRIEN—When was that made?

Mr Davidson—Before Christmas. The officer in question I think has joined them in the last month or so.

Senator O'BRIEN—There is an issue with the lack of seagoing experience in the department. Many in the industry are wondering how this will impact on the department's ability to assess the plans, and many in the industry are wondering why the minister does not make more use of AMSA's skills base in that regard. Are there any governance or technical reasons why this could not occur?

Mr Davidson—In terms of cooperation between AMSA and the department, there is a continuous dialogue—I would say daily—and exchange of information. Discussion about issues takes place on a regular basis. There is no impediment. It happens. To be honest, in terms of the concerns you are alluding to, it has certainly never been raised to me by the industry. If it was, I would suggest to them that the relationship that we have with the department is such that there should be no concerns. There certainly are not any governance issues involved.

Senator O'BRIEN—So is the staff sharing that has occurred that you have referred to specifically in relation to port and ship security changes?

Mr Davidson—Yes, it is.

Senator O'BRIEN—And it is one officer?

Mr Davidson—That is correct, Senator.

Senator O'BRIEN—Is it secondment or sharing?

Mr Davidson—It is a secondment.

Senator O'BRIEN—And what is that officer's qualification?

Mr Davidson—Pretty extensive, Senator. He is a qualified ship master who has sailed on many types of vessels but importantly on tankers and so on. He is experienced as a surveyor, has worked for us in port state control and has also been involved in policy development in more recent years. He is head of the policy development section on shipping policy matters within AMSA—in a small 'p' policy sense—and he has attended the IMO and has experience at the international forum.

Senator O'BRIEN—Thank you for that. The transport regulation section of the department's web site advises that AMSA is currently undertaking a review of civil and Defence search and rescue functions. Has that review concluded?

Mr Davidson—I am unaware of the web site reference you are alluding to, Senator. I think that was a question that came up before lunch. We have not been able to find it on the web site. The short answer, Senator, is that there is no review that I am aware of.

Senator O'BRIEN—I have a copy of the page here. It is printed off as of 16 February, which I think is pretty recent. You are not aware of any review?

Mr Davidson—No.

Ms Briggs—I will undertake to follow that up.

Senator O'BRIEN—I guess there is no point in asking you any questions about it if you do not know anything about it.

Mr Davidson—No.

Senator O'BRIEN—I may have missed something. Is there any work under way on the policy development front on search and rescue functions?

Mr Davidson—Senator, I would not say that we have policy development functions within AMSA. That is the province that the department would handle. As we gain experience, or as the environment changes in relation to search and rescue, we will have dialogue with the department about the changing circumstances and looking forward. Part of our ISO14000 accreditation requires us to have continuous improvement and therefore we have processes in place to look at what we do, look for improvement opportunities. As I said before, we have a continuous dialogue with the department. In that sense we are looking at improvements.

Senator O'BRIEN—Thanks for that. Ms Briggs, you have a copy of the web site page now?

Ms Briggs—Yes, thank you. I have just given it to Mr Ellis to have a look.

Senator O'BRIEN—It is very clear. The last sentence on the page says—
AMSA is currently undertaking a review of civil and defence search and rescue arrangements.
It is very clear. Are you about to tell them about the review they are going to undertake?

Ms Briggs—I am not in a position to do so, Senator. When you asked that question I was not aware of such a review. When in doubt you can sometimes assume there may have been a

mistake. We do not often like to see mistakes, but we are going to follow it up anyway and see what has happened.

Senator O'BRIEN—Is that helpful to you at all, Mr Davidson?

Mr Davidson—I can see the printed date and so on. I can say that the contact officer, Tony Francombe, left the department, to the best of my knowledge, some time ago. So I think it is probably an outdated reference and we will look into what that means.

Senator Ian Campbell—A bit like some of the policies of Mr Latham's web site. They get a bit outdated. They have just started cleansing them recently.

Senator O'BRIEN—Is that right? How often is the department's web site updated?

Ms Briggs—Different bits of the web site are updated at different times, Senator. It is pretty much an ongoing process, but I think your point is clear: there is an issue here. We seek to have accurate material on the web site.

Senator O'BRIEN—I want to go to item 3.2.

Mr Matthews—Perhaps I should add just one point about your various questions and the questions immediately before lunch about policy development relating to AMSA activities within the department. It is true that there are policy development responsibilities and it is also true that there have been some recent policy development activities in that area. However, they may be considered in the coming budget context, so we really cannot give more detail about them at this stage. But I just wanted to get on the record that it is not that nothing has been happening. In other words, if there were to be an announcement in the future, you might have been surprised that apparently policy development activity had been happening, and I am just confirming that there has been some policy development activity.

Senator O'BRIEN—I am ready to go to 3.2.

CHAIR—Thank you very much. We will move on to Transport Security Regulation.

Senator O'BRIEN—The minister has made another aviation transport security announcement since we were last here on 4 December. I want to ask about the funding arrangements for the announcement. The media release announces an additional \$93 million to fund that announcement. Can it be confirmed that that is extra money added to the department's budget?

Mr Tongue—Yes, that is additional money.

Senator O'BRIEN—How much of the \$93 million comes from the Ansett ticket levy surplus?

Mr Tongue—Senator, the government's commitment on the Ansett ticket levy was that money collected would be dedicated to security functions and some other activities. All of the funds, if you like, equate to broadly money collected out of the ticket levy.

Senator O'BRIEN—Do you know how much of the surplus remains after this commitment?

Mr Tongue—It is not my area, Senator. I would have to refer to one of my colleagues.

Mr Yuile—Sorry, Senator, your question was about—

Senator O'BRIEN—The Ansett ticket levy surplus. The \$93 million for the announcement we have just been talking about comes from that surplus. I am asking how much money is left in the surplus after that \$93 million.

Ms Briggs—That is an area for Ms Addison, I think, and she will be here once we get to aviation regulation. I beg your pardon—

Mr Yuile—Senator, we might have to get that figure for you because it was the program.

Senator O'BRIEN—Thank you. How will this \$93 million be expended? How much on each measure? When will it be spent?

Mr Tongue—Senator, it is broken up amongst a number of Commonwealth agencies. Some of the money goes to the Australian Customs Service to do a trial of new Australian technology that is looking at freight screening for cargo going into aircraft, some of it goes to ASIO for additional positions at major airports, some of it goes to the Australian Federal Police for senior staff to be located at airports around the coordination of the counterterrorism first response function and a large part of it comes to the department both for our running costs—for more staff—and for two programs, one dealing with hardened cockpit doors on smaller passenger aircraft and the other being a grant program for regional airports.

Senator O'BRIEN—We will come to the regional airports one. Which measures will require additional funding beyond that allocated from the Ansett ticket levy surplus, if any?

Mr Tongue—The regional airports one in particular. The government is committed to pay up to half the costs of security upgrades at regional airports as a result of the implementation of the regulation framework.

Senator O'BRIEN—In relation to that expenditure, how many applications have been received?

Mr Tongue—Senator, we are currently in the process of developing the grant program. At the moment we are in consultation with state governments. A number of state governments provide support to small regional airports, so we are currently in the process of talking both to the industry and to state governments in the design of that program.

Senator O'BRIEN—So no applications received—

Mr Yuile—There are two steps in this. The first step is for those regional airports to do their risk assessment—sort of looking at the profile of their own circumstances and working through. This is what we are doing with industry as well as with our state colleagues, using an assessment tool so that they will then be able to determine their security program and flowing from that what measures, if any, they might need to take to enhance the security. That is where the grants program will kick in. So it is not as if applications are being made for grants at this stage. The first step is to do the risk assessment work and determine their own requirements.

Senator O'BRIEN—When do you expect these applications will start coming in, given that process?

Mr Yuile—We are working as quickly as we can with the industry and with our local government association because they are all related to the ownership of those airports. To do that risk assessment work, we are running workshops around the states next month, and as a

result of those workshops working with the industry and the airport owners to do that risk assessment I would expect the last quarter of this financial year would be when that would start to flow.

Senator O'BRIEN—Sorry?

Mr Yuile—The last quarter of this financial year was when I would expect those applications would be coming in and we would need to respond.

Senator O'BRIEN—The announcement included specific measures for general aviation but first related to aircraft theft measures. It is a little confusing. The policy does not specify what aircraft owners and operators are required to do but that investigators will be auditing compliance and undertaking random compliance checking. It says that operators should develop their own measures that may include a range of things like fitting auxiliary locks, securing aircraft and hangars or fitting door locks. Is there no more specificity than this?

Mr Tongue—Senator, one of the things we are concerned about, particularly with older general aviation aircraft, is that some types do not even have keys; they are just push button start type aircraft. We have been monitoring what has been happening in our overseas counterpart countries, and in general we are all moving to try to tighten up the general aviation sector. What the announcement basically does is give the sector a bit of a heads-up to say, 'We are looking at this issue and we really think you need to start looking at this,' particularly if people are planning to put aircraft in for maintenance or whatever. We are trying to give them a bit of a guide. My expectation is that we will have to consult the industry a little further and also work with CASA because some of the security measures that might be attached to aircraft will need a sign-off from CASA for safety reasons. I would expect ultimately we will end up with almost a menu of appropriate security measures subject to the age of the aircraft and the type of the aircraft.

Senator O'BRIEN—So there is no intent on enforcement until some way down the track?

Mr Tongue—Yes, that is right. A significant part of the resourcing that the department has received is for additional staff in our regional offices who will be the compliance managers of the new expanded regime, and they will both deal with the new regional airports coming in and regional airlines as well as the general aviation sector.

Senator O'BRIEN—You talked about overseas information being the basis for this policy initiative. Is there any local information that—

Mr Yuile—Senator, just to be clear, I do not think Mr Tongue was saying it was the basis. I think he was saying that clearly various countries are talking with each other about the kinds of measures being contemplated or introduced and how they are being done. We are trying to share good practice and share experience. I just wanted to clarify that. It is a measure that the government came to after consideration of a report from the Secretaries Committee on National Security and clearly it was informed by those discussions, but I did not want you to get the wrong impression that we were simply picking up something that someone else had done.

Senator O'BRIEN—Are there measures that have been put in place in other countries that we are seeking to emulate in some way?

Mr Tongue—Certainly in the United States and Canada our counterpart administrations are looking at the issue of general aviation. Mostly they have come to the same conclusion, largely on the basis of the same intelligence that we have had access to, that we need to take action in the sector. We have all come to the conclusion that there is a modest range of measures that are appropriate, and the package reflects that. It is around securing aircraft and having knowledge of the backgrounds of individuals.

Senator O'BRIEN—Is there information on aircraft theft that you have relied upon in the policy setting?

Mr Tongue—Senator, the package, as Mr Yuile has talked about, was the result of a consideration by the Secretaries Committee on National Security. They had access to threat assessments from ASIO that went to issues of larger international aviation—I will call it—and regional aviation, and that intelligence information was the basis for the design of the package.

Senator O'BRIEN—Is there any information on the cost of implementation of the policy for small aircraft owners?

Mr Tongue—Not at this stage, Senator, but as part of the consultation process we will be developing the package with the industry. We do not expect that it will be onerous because some of the basic treatments are really fitting locks to aircraft. We are not looking at big, high-end, high-tech style solutions.

Senator O'BRIEN—So what do you expect fitting a lock to an aircraft will cost?

Mr Tongue—I would not want to speculate, Senator, but I am happy to take it on notice.

Senator O'BRIEN—And that will be at the cost of the aircraft owner?

Mr Tongue—Yes, it will.

Senator O'BRIEN—Have you any idea how many aircraft fall into the category of requiring some sort of securing work, retrofitting or whatever?

Mr Tongue—I have not got my number with me but I am happy to provide it on notice.

Mr Yuile—By retrofitting, Senator, you mean this question of appropriate locking or securing?

Senator O'BRIEN—Yes, whatever it is.

Mr Yuile—Okay.

Senator O'BRIEN—Could we get any guide with regard to engine immobilisers? Would that not be the sort of thing you would be looking at?

Mr Tongue—Certainly it is the sort of thing that might be on that sort of menu of possible things that people could look at. Engine immobilisers is one of those areas where we start to dip over into the safety side. So I would be cautious about making a firm commitment yet until we have gone into more detail with CASA.

Senator O'BRIEN—How long will the expected implementation of the requirements take?

Mr Tongue—I expect in the GA sector we will need to give them some time, Senator, to work through the fleet. We are clearly talking a large number of aircraft. At this stage we have not set a firm date for final implementation for every aircraft in the country and, again, we will have to work through a sensible implementation time frame with the industry.

Senator O'BRIEN—Has the department taken any advice from designers, manufacturers, suppliers of equipment, on the range of things that might be needed to be done and the options?

Mr Tongue—Senator, we are starting that process now. We are working through all of those implementation issues at the moment.

Senator O'BRIEN—So when would we expect compliance and enforcement orders of general aviation on this matter to commence?

Mr Tongue—I guess there are two issues: when is it sensible to expect that the sector will comply and the other issue is our deployment of people out on the ground to start the compliance work. We envisage in our budgeting that we will not have the full compliance work force until the end of this calendar year simply for recruitments and training and so on. As I say, we will be working with the sector to come up with a sensible time horizon on implementation.

Senator O'BRIEN—The other measure to apply to general aviation pilots relates to licence and background checks. This program will commence on 1 July 2004. What type of background check will be conducted on pilots?

Mr Tongue—What we are looking at is the same format of background checking that is happening elsewhere in the existing regulated part of the aviation sector, and that is three checks—a check by the department of immigration, a check by the Australian Federal Police and a check by ASIO. All three feed into, if you like, a full background evaluation.

Senator O'BRIEN—How long do you expect the process would take for someone applying for a licence?

Mr Tongue—We are currently going through the process of reissuing about 70,000 aviation security identity cards in the existing regulated sector. At this stage, we are tracking in the order of days for a turnaround from AFP and Immigration, and about a week from ASIO for most people. We are hoping that we can design an administrative system that will not drag on for months and months.

Senator O'BRIEN—I take it a negative report from any of the agencies means that the background check has failed and the pilot is not issued with a licence?

Mr Tongue—In the background checking process, if for example one of the agencies throws something up, it depends a little bit on what concern the agency has. For example, if it is an immigration matter, that is a matter for the immigration department to take action on. If it is a criminal matter, that depends on the sorts of thresholds that the policy sets. For example, a spent conviction is not the sort of thing necessarily that we are going to jump up and down about. In the case of politically motivated violence, which is ASIO's business, there are appeal mechanisms that people are entitled to go through if a negative comes back. Subject to those appeal mechanisms, if there is a real concern they will not get a licence.

Senator O'BRIEN—Why a two-year renewal period?

Mr Tongue—We have moved to two years in the existing regulated part of the sector. The reason for that is that we want to ensure that we minimise the opportunities for fraudulent activity. We want to ensure that we have got a regular process of checking who is in and around aircraft and at airports, and that is on the basis of intelligence received.

Senator O'BRIEN—What is the ramification of someone flying without a licence?

Mr Tongue—In an instance under the regime we are talking about, for security reasons there would be a range of penalties. We are currently coordinating our approach with CASA, so some of its regulatory regime, if you like, will cut in. We are currently in negotiation with CASA about how we harmonise all of that. But there will be serious consequences.

Senator O'BRIEN—What is the rationale and basis for the \$200 cost?

Mr Tongue—Some of the security agencies provide this background checking service on a cost recovery basis. We have used the existing costs for that to arrive at the figure of approximately \$200.

Senator O'BRIEN—So how do you break up the \$200?

Mr Tongue—I would be happy to provide it on notice, just to give you the accurate numbers, but I—

Senator O'BRIEN—How many pilot licences are in existence in the GA sector in Australia?

Mr Tongue—It depends how you define the scale of the sector. From memory, in talking to CASA, I think it has in excess of 100,000 people on its database. However, many of those pilots are inactive and thus may not be caught by the measure. Our working number at the moment is in the order of 30,000 to 35,000.

Senator O'BRIEN—This policy does not apply to sports aviation licences?

Mr Tongue—No, not at the moment. We are focused for this package on the GA sector, but we will be having a look at the sport aviation sector once we have implemented, if you like, this next set of aviation security enhancements, should there be assessments that suggest that is necessary.

Senator O'BRIEN—So why are they being exempted now?

Mr Tongue—What we try and do in all of our transport security measures is implement policy or provide advice to the government about policy on the basis of the intelligence that we receive. In this instance, the intelligence was pointing to the need to look at the GA sector as a priority.

Senator O'BRIEN—Which countries has Australia modelled this policy on?

Mr Tongue—I think 'modelled' is too strong. We have certainly looked at what is happening in like countries overseas that are, if you like, part of the intelligence community that is looking at and assessing the same intelligence that we are looking at and assessing. Typically we look to North America, Canada and the UK in some instances to see the sorts of policies that those countries are looking at and implementing.

Senator O'BRIEN—And how will the arrangements apply to pilots visiting Australia?

Mr Tongue—That is one of the areas of implementation design that is going to be challenging for us, because pilots that come in go through the border control process. In many respects, they have had, if you like, I will call it, a form of background check. However, pilots come in on a range of, if you like, terms and conditions. Some are very short term and it would seem that, unless they are coming from countries that we deem to have a high security threat, it would not be sensible for us to impose an excessive background checking regime. But, if they are coming in for longer periods—they are going to work in Australia for a while, for example—we would need to capture them. That is one of our policy design questions, if you like.

Senator O'BRIEN—So what about a pilot in PNG who flies into York Island? Will they require a licence?

Mr Tongue—PNG is an issue that we are looking at at the moment for a range of reasons to do with both aviation and maritime security. I expect that we may have some special arrangements that we put in place around PNG.

Senator O'BRIEN—People come from PNG into the Torres Strait in very small boats let alone an aircraft.

Mr Tongue—That is true—*island hopping* and so on. I am not pretending that we can have universal coverage of all of this, but we are looking to cover the major risks.

Senator O'BRIEN—What consultation and implementation plan is proposed for this policy?

Mr Tongue—For the whole package?

Senator O'BRIEN—Yes.

Mr Tongue—There are a couple of elements. Under the Australian government counterterrorism policy committee that is chaired by PM&C we have created a new coordination arrangement, which is the Australian government transport security policy committee, which has all of the relevant agencies represented around the table. That is our key, if you like, governance mechanism for implementing the package. For DOTARS's part, we have commenced, as Mr Yuile said, dialogue, particularly with regional airports and the regional airlines. We will be doing—

Mr Yuile—And local government.

Mr Tongue—And we will be conducting a series of workshops effectively from about mid-March through to mid-April, which will basically provide the opportunity for affected players in the policy to engage with us—provide their views, hear about the sorts of things we are talking about—leading to the production of guidance material to allow people to conduct risk assessments and develop security plans. For the GA sector, early on we have principally focused on negotiations with CASA because of the overlaps between their policy arrangements and ours. Then we will move on to engaging the sector, once we have sorted portfolio arrangements. Some of our counterpart agencies have already started recruiting for the various positions at airports. So we are trying to move ahead on a broad front reasonably quickly.

Mr Yuile—Just on that, the general aviation sector and other organisations were part of the briefing that followed the enhancement package announcement last December and discussions with the industry as well as the regulator. I just thought that I would mention that as well.

Senator O'BRIEN—This would be the only transport mode where licensees will receive this level of scrutiny, won't it?

Mr Tongue—When we come on to maritime, one of the policy issues that we are currently looking at in the maritime sector is the background checking regime that may be implemented there and, subject to advice that we may receive from ASIO, the background checking regime may be extended to other areas of the transport sector.

Senator O'BRIEN—Where licences are currently required, or are we talking about a whole new regime of licences?

Mr Tongue—I am talking generally about the background checking of people working in the sector who may be licensed for various activities.

Senator O'BRIEN—The effect of the announcement for freight, as I understand it, is to extend the regulated agents scheme to domestic air freight.

Mr Tongue—That is correct, yes.

Senator O'BRIEN—How many freight operators and agents will be picked up by this change?

Mr Tongue—Our initial estimate was in the order that we would approximately double the number of entities captured. So, for example, in international air freight, that is approximately 900 regulated agents operating from approximately 3,000 sites. We expect roughly to double that, but part of that depends, if you like, on the policy setting of how small we are prepared to go to capture people.

Senator O'BRIEN—Is there any size limit on the operators picked up?

Mr Tongue—At the moment, we have got a tonnage related size limit, but one of the things that we are looking at as part of the implementation of a package is that tonnage limit and the question of whether we should reduce it.

Senator O'BRIEN—Are we looking at a scheme ultimately where every piece of freight entering an aircraft in this country will be put on board by a freight operator covered by the regulated agents scheme?

Mr Tongue—Yes.

Senator O'BRIEN—When do you think we will get to that?

Mr Tongue—I would hope to have the basics of the domestic scheme built by the middle of the year and then implemented progressively. It will, I anticipate, require some changes in operations. Effectively, the regulated agents scheme is a known shipper program. I would be pushing to get people signed up and into the scheme as quickly as we could possibly manage it.

Senator O'BRIEN—I understand not all aircraft have met the 1 November deadline for installation of strengthened cockpit doors. I think that you have told us that you were in discussions about granting exemptions to particular airlines. What has happened?

Mr Tongue—We have been in constant contact with airlines. At this stage, we expect all airlines to meet the deadline. We are in dialogue with the industry and it may be that, where a carrier can demonstrate exceptional circumstances, we may provide a very limited time extension. But exceptional circumstances would not be for commercial reasons. It might be, for example, that one aircraft type has reached the end of its life and within a month of the deadline a new aircraft will come on board with a hardened cockpit door—that style of thing. But at this stage, we think that we will have captured everybody by the extended deadline.

Senator O'BRIEN—What is the extended deadline again?

Mr Tongue—March.

Senator O'BRIEN—There are not many days to run until then. So if they are not there now—

Mr Yuile—Some airlines have indicated some of those circumstances and have written to the minister with mitigations if they do not believe that they can meet that deadline, and they are being considered.

Senator O'BRIEN—They are being considered?

Mr Yuile—Yes.

Senator O'BRIEN—When will decisions be made on those?

Mr Yuile—They need to be made—I think one has been made—now so that we can formalise the arrangement for those airlines, should the minister agree.

Senator O'BRIEN—Can you provide us with details of the sorts of exemptions that are granted?

Mr Yuile—I am certainly happy to. In the detail do you mean the sorts of mitigations that might be considered if a hardened cockpit door is not available?

Senator O'BRIEN—Yes, and I would think that I would like to know the number of aircraft to which that applies.

Mr Yuile—Yes.

Senator Ian Campbell—I have been trying not to intervene, but I just think that, in these areas where we are touching on issues that are intimately associated with security, if you get into too much detail, sometimes you are, in fact, giving fantastic guides to people who may have bad intentions as to where they might go. I think that there reaches a stage where some information may be better provided by way of a briefing in confidence and some of that information, I think, relating to that last question may fall into that category.

Senator O'BRIEN—I was trying to be non-specific with the question.

Senator Ian Campbell—I know. I think that everyone is being very careful.

Mr Yuile—I was trying to be non-specific in my answer, too.

Senator Ian Campbell—I think the answer to that question may well fall into that category and, if it does, we might offer it by way of a private briefing.

Senator O'BRIEN—I think that we would be concerned if there are particular aircraft types that have been around for a long time and people are saying, 'It is about to be phased out.' Some of those aircraft have been about to be phased out for some time and probably will be for some time.

Senator Ian Campbell—Yes.

Mr Yuile—I should say that an example in my mind is of one particular airline and we know that there is a changeover imminent in terms of the aircraft type—in terms of their leasing schedule. So we know that. They have confirmed that. They have also put in suggestions as to how they will handle that short interim period. I think, as the minister said, if you would like us to give you some briefing around those issues privately, we are obviously more than happy to do that subject to the minister's view.

Senator O'BRIEN—We will look at following that up. What has happened to the aviation transport security bill? The opposition assisted it to be passed in the House of Representatives last year, but it is not listed in the Senate for debate. What is the hold-up?

Mr Tongue—It certainly went through the House of Representatives just prior to Christmas. Our understanding is that it is listed for debate in the beginning of March. We have certainly been working to address one of the concerns that was raised in the House of Representatives concerning people in custody. We have been working between the department of immigration and the airline industry and we believe that we have got a solution that is satisfactory to both the immigration department and to the airline industry. We were getting ready to brief all the relevant players over the next couple of weeks.

Senator O'BRIEN—I guess we will pursue that privately in the context of the program for listing. What about the Maritime Transport Security Act? What progress has been made on its implementation?

Mr Tongue—We have got three tranches of legislation. The first set of regulations has been made. The second set is shortly to be out for consultation with industry. We have set a deadline of 1 March to receive security plans from Australian ports, port facilities and ships for assessment. We have recruited all of the necessary staff, including master mariners, and we are basically getting set to start looking at plans to meet the 1 July deadline for the IMO.

Senator O'BRIEN—So we are confident that deadline can be met?

Mr Tongue—Yes.

Senator O'BRIEN—Have you required the assistance of staff from other sections of the department?

Mr Tongue—We have a master mariner on secondment from AMSA. We also have a master mariner on secondment from the Australian Maritime College. We have been through an internal recruitment process to put together our assessment team, and staff have come from a number of locations in the department, and that assessment team is currently going through its training program.

Senator O'BRIEN—At the beginning of the year the minister said:

We are literally involved in a race against time, and Australia faced an enormous task to meet the 1 July deadline.

We are making good progress with aviation security, but the maritime industry and the states are going to have to work with the Commonwealth to leave no stone unturned to meet the July 1 deadline on maritime security.

But you are confident we are going to meet the deadline?

Mr Yuile—All of that is absolutely true. I think it is a real credit to Mr Tongue and John Kilner and the team that they have been as effective in getting as far as we have to this point. We will be in a better position to answer that question once we have the draft security plans in from the port facilities and the ships. But at this stage I think all are taking it extremely seriously and have given every indication that they have put their shoulders to the wheel to get to that deadline.

Senator O'BRIEN—When do the plans start coming in or have they started?

Mr Tongue—1 March.

Mr Yuile—We are on a tight deadline and we have been working, I think, very closely with industry doing as much as is possible, including preparing various software and tools to help people with their risk assessments. It has been a lot of learning on both sides. I think it has been a very model process in terms of trying to do it effectively, constructively and quickly. We are working to that deadline because we know that it is being applied internationally seriously and it has direct implications for our industry.

Senator O'BRIEN—Is it intended to reconsider industry requests to second expertise to the department to assist?

Mr Tongue—With secondees, the master mariners that we have seconded in and the training program that we have put together, which relies on industry cooperation, I think we will be able to get the appropriate number of people appropriately trained, but we are certainly relying on industry support in exposing people to the nature of the industry, the nature of the security task, and we are drawing quite heavily on the industry in that regard.

Mr Yuile—Can I just go back? Senator, did you say whether we had seconded industry—

Senator O'BRIEN—Was there an intention to consider the industry's proposal? I just want to be absolutely clear that the concerns the minister expressed, you do not see as inconsistent with the statement that we are on track to meet the 1 July deadline?

Mr Tongue—The minister is dead right; it is a huge task.

Senator O'BRIEN—A race against time?

Mr Tongue—And certainly the industry has come back to us about the 1 March deadline—I suppose muttering darkly under their breaths about public servants and deadlines. However, we are conscious that—under the Maritime Transport Security Bill it would be illegal for a port or a port facility or a ship to trade without a valid security plan. So we have to be in a position to approve them if they are presented. That is the position that we are putting ourselves in. So circumstances where somebody chooses not to submit a plan—you know,

that certainly would be an issue for us—and the minister is definitely on our hammer about delivering on the government's policy.

Senator O'BRIEN—Can you confirm that the department is currently advertising for a range of positions in the Office of Transport Security to assist with the implementation of the ISPS code?

Senator O'BRIEN—We have done an initial internal recruitment, which is for the assessment team. We have recently advertised further jobs and we are anticipating the partly enhanced aviation security package where we get a quite significant injection of resources. However, we intend to cross-train people so that we can offer staff opportunities to work in both the maritime and the aviation sectors and, if you like, build Australia's capability in transport security. So we have our initial team together for the assessment process. We are conscious that we have the enhanced aviation security package coming at us. Our work force needs, in part, change. Once all of the maritime plans are assessed, we then go into compliance mode. So we are looking at this in stages, if you like.

Senator O'BRIEN—It would be very interesting to see whether your confidence about meeting the 1 July deadline in the context of the minister's statement can be borne out.

Mr Yuile—That is the deadline we are working to. People are moving heaven and earth to do it. But we recognise it is a huge change. Yes, it is a race against time, and we are treating it as such.

Senator O'BRIEN—Thanks for that. I want to go to 3.3 now.

CHAIR—Thank you very much, ladies and gentlemen.

[3.03 p.m.]

CHAIR—We now move to Aviation and Airports Regulation.

Senator O'BRIEN—Mr Matthews, the ATSB found cause for a review of the National Airspace System by the two key aviation safety regulatory and service organisations. How did the Airspace Reform Group that you chair get it so wrong?

Mr Matthews—I do not accept that the aviation report group, which I chair, did get anything wrong.

Senator O'BRIEN—So ATSB is wrong, is it?

Mr Matthews—No, Senator. What the ATSB recommended was that there needed to be a review, and that has been commissioned by the minister. The minister has asked the various agencies that are involved in the airspace reform process to report to him within 30 days. That period elapses on Thursday of this week. Those reports are not yet delivered.

Senator O'BRIEN—That is reviewing a system that has just been implemented.

Mr Matthews—Yes, Senator.

Senator O'BRIEN—Almost at its inception.

Mr Matthews—But that does not imply that there is a particular problem. We should keep under review all airspace arrangements—in fact, all aviation safety arrangements.

Senator O'BRIEN—Are you serious that it does not imply a serious problem when the basis for the request is an incident which was quite serious? It involved the potential for a collision between an RPT aircraft, which would carry upwards of 130 passengers, and a private plane in airspace near Launceston airport.

Mr Matthews—All incidents and investigations need to be taken seriously, but what it does not necessarily imply is that there is a fundamental flaw with the NAS or with phase 2b.

Senator O'BRIEN—Why would they suggest you review it?

Mr Matthews—Because if there are opportunities to improve, the minister has always said that those opportunities should be taken. That is responsible conduct by the minister.

Senator O'BRIEN—Well, there are always opportunities to improve. This is a report by ATSB in relation to a serious incident—a serious incident in airspace that has been reclassified under this new National Airspace System. Airspace that was previously controlled is now not. You cannot state it any more clearly than that. They are the circumstances, are they not?

Mr Matthews—Your first point is my main point, that there were opportunities to improve. If the ATSB sees that they should be explored, the government is more than happy to explore them—in fact, very keen to explore them—and to take any action that is necessary. The minister has been very plain about that. I would add that what the ATSB was referring to was not the whole of the NAS, nor even the whole of stage 2b, but some aspects of stage 2b. That implies to me that what it is looking for is not a fundamental, wholesale change but sensible improvements to be considered by the agencies and implemented if they make sense.

Senator O'BRIEN—I consider that dressing the matter up, Mr Matthews. Let me tell you that a gentleman rang me in my office in Launceston when this matter was discussed earlier this year on the radio to advise me that he was not on the plane—I was not on the plane; this is the Virgin flight heading into Launceston—but his son was, and his son reported that he could see inside of the cockpit of the small plane and that the Virgin Blue aircraft took evasive action to avoid the potential for a collision. That is how close they passed: he could see inside the cockpit of the small plane. If that is not an indication that there is a serious problem with this system, I do not know what is.

Mr Matthews—I am not underestimating the potential seriousness of the situation, but there are incidents—indeed, on occasions there are accidents—in aviation all around the world, and they all need to be treated seriously. Investigations need to be conducted, and if there are lessons that can be learned they should be implemented. That is the position that the minister has taken.

Senator O'BRIEN—This airspace would have previously required the pilot in the small plane to have obtained authorisation to be in that airspace, would it not?

Mr Matthews—That is correct.

Senator O'BRIEN—He did not even have to tell anyone he was in the airspace under the current system?

Mr Matthews—He did not have to, that is true—I might ask Mike Smith to comment—but that does not mean that he was discouraged from calling for it.

Senator O'BRIEN—That is a bit silly, isn't it? He was not discouraged but no-one required him to. He can have a chat with anyone he likes. That is a bit silly, is it not?

Mr Matthews—I do not think it serves anyone's purposes to go through the ins and outs of the incident. The ATSB report is the most thorough going-over that could be done. I think to reinvent that today does not help anyone.

Senator O'BRIEN—I started by asking you how the Airspace Reform Group could get it so wrong and you said that they did not get it wrong.

Mr Matthews—That is correct.

Senator O'BRIEN—It is, I suggest, clear evidence of a serious problem in this airspace system where a change in particular airspace has very quickly been followed with a very serious incident in that airspace.

Mr Matthews—I do not accept that the ARG got it wrong. Nor does the ATSB say that the ARG got it wrong or that NAS or that stage 2b is wrong in any sense. What they have suggested is that there needed to be a review of some aspects, and that is happening.

Senator O'BRIEN—Can you confirm that cabinet endorsed the changes introduced on 27 November?

Mr Dolan—The government approved the general principle of implementation of US airspace—the NAS system. There was no reference to the government of the specific details of phase 2b.

Senator O'BRIEN—Did the Department of Transport prepare a cabinet brief?

Mr Dolan—A brief on what, Senator?

Senator O'BRIEN—The National Airspace System.

Mr Dolan—At the point when the government made its original decision on that, yes, it did.

Senator Ian Campbell—Is the senator asking about stage 2b or the NAS in total?

Senator O'BRIEN—I think I have been talking about stage 2b, to be frank.

Senator Ian Campbell—Well, the answer is no.

Senator O'BRIEN—On the NAS generally?

Mr Dolan—No, on stage 2b, Senator. On the NAS there was a paper prepared for the consideration of the government.

Senator Ian Campbell—The NAS is a 49-step process which will be spread over a number of years, I think it is fair to say. This is one of 49 stages for which all of the key agencies have to sign off on the safety case prior to implementation.

Senator O'BRIEN—Can you describe for me the Department of Transport role in recommending NAS, or the government's decision to proceed to implement it?

Mr Matthews—I think we would need some clarification of what that question means, Senator.

Senator Ian Campbell—I think I have just answered that. Each stage gets implemented only after the safety case has been agreed to by the relevant agencies.

Senator O'BRIEN—Mr Matthews, as the chair of the Airspace Reform Group, were you the chair in your capacity as secretary to the department or in some other capacity?

Mr Matthews—I was appointed as secretary to the department.

Senator O'BRIEN—Were you, in effect, the minister's eyes and ears in the group?

Mr Matthews—No, I would not describe my role in that sense, no.

Senator O'BRIEN—Were you reporting to the minister about the business of that group?

Mr Matthews—I reported regularly to him on the decisions and the discussions that had happened in the ARG meetings, yes.

Senator O'BRIEN—Is that group still meeting?

Mr Matthews—ARG is still meeting. The membership and terms of reference of the aviation reform group have changed.

Senator O'BRIEN—When did that change?

Mr Matthews—In the last fortnight.

Senator O'BRIEN—So who is on the group now?

Mr Matthews—I continue to chair that group, which comprises Air Marshal Houston of Defence, Mr Dick Smith, and the chief executives of Airservices and CASA.

Senator O'BRIEN—Is it the role of the Airspace Reform Group to issue statements about the National Airspace System?

Mr Matthews—The role of the ARG has changed, in both its previous formation and its current formation. That may be a legitimate role.

Senator O'BRIEN—Is there a reason it has not issued any statements recently?

Mr Matthews—The ARG has not issued any statements in its own right, but there have been statements that have been issued, which I have been signing on to—or I have signed on to as chair of the aviation reform group.

Senator O'BRIEN—Has the department issued any media statements on the National Airspace System?

Mr Matthews—Not to our recollection.

Senator O'BRIEN—I thought that there might have been one on 21 November.

Mr Matthews—I stand to be corrected. If you have a copy, please tell me, but I could not bring one to mind.

Senator O'BRIEN—If I do—

Senator Ian Campbell—Check the web site, Senator.

Mr Matthews—For the record, I have been now passed a statement that was issued by the Department of Transport and Regional Services, Airservices Australia and the Civil Aviation Safety Authority on 21 November. This is the statement that I had in mind when I said that I

have signed on to—participated in—public statements by the agencies which are involved in the reform of airspace.

Senator O'BRIEN—You are the secretary of the ARG and the secretary to the department that oversees Airservices, CASA and the ATSB. You are now also the direct reporting point between CASA, the ATSB and the minister. Apart from that joint release, was it inappropriate for you to make any statement on any other matter since that time?

Mr Matthews—I am not sure if I would describe my relationships with CASA, Airservices and, for that matter, the ATSB in that way. The ATSB, for example, has operational independence from direction from me, although I do have responsibility for resourcing and staffing matters. But it is quite explicit and expressed in writing that the ATSB relationship with the secretary is not the relationship of a subordinate supervisor in an operational sense. You described my relationship with CASA and Airservices as being an oversight relationship. I would not describe it in that way. The way I would describe it is that the minister has within his portfolio a number of entities. The principal entity is the department, which I am secretary of, but it has other entities as well who each have their own statutory responsibilities and I certainly would make no effort in attempting to influence them exercising their statutory responsibilities.

Senator O'BRIEN—The joint release says—

The changes to airspace management had been subjected to rigorous safety analysis of all issues raised and have been approved by both CASA and Airservices Australia.

Do you stand by that comment?

Mr Matthews—That was certainly a true and accurate statement at the time. What you may be alluding to is that there has been more recent legal advice received by Airservices about the process that needs to be followed. But it is true and a very important point for the record that safety assessments were made, including by CASA, and there were no objections raised to the safety of the NAS or stage 2b.

Senator O'BRIEN—The ATSB recommended that reviews be conducted by Airservices Australia and CASA in consultation with the National Airspace Implementation Group and each other. What is your role in this?

Mr Matthews—The reviews are to be conducted by the agencies. My consistent position in my chairing role has not been to direct the agencies in any way according to their operational or certainly their legal responsibilities. So the review that the minister has asked for each of those agencies to undertake is a review that those agencies will have to do on their own terms. My own role as secretary to the department will be to draw together advice for the minister when those responses come in. The NAS implementation group, represented here by Mr Mike Smith, will be consolidating the input and assisting me in that, but I will not be and never did intend to be influencing the agencies in their responses.

Senator O'BRIEN—Nevertheless, given the ATSB recommended reviews, does that not indicate that there are major problems with the analysis originally provided to the minister?

Mr Matthews—No. I think that I have answered that question earlier.

Senator O'BRIEN—At the very least, you made a point about some potential legal problem raised by Airservices.

Mr Matthews—That is separate from the ATSB's issues. There are two streams of issues that people are dealing with at the moment. The safety issues need to be kept quite separate from the legal process issues. The safety issues are pre-eminent and all agencies have been giving safety first priority in the work that they have been doing. The legal issues are separate from that and the legal issues do not affect safety, but it is important—we have always said that it is important and I have certainly said that it is important within ARG meetings—that we follow proper process.

Senator O'BRIEN—The rigorous safety analysis has been examined by practice and the ATSB are clearly of the view that the system needs to be reviewed. That tells us that there are flaws in the assessment of the safety of the new system, does it not?

Mr Matthews—I think that we have gone over this ground.

Mr Dolan—Perhaps I can clarify. The ATSB recommended a review of certain elements of the implementation of phase 2b of the NAS, particularly issues relating to the education and training of pilots and the handling of frequency boundaries or frequency material on charts and their indication. Those are both elements of the implementation of an agreed approach.

The report did not address issues of overall safety of 2b because there was nothing in the incident that would have led to that conclusion. So the core things that the agencies have been asked to investigate are those things relating to the potential for further or different training and education and some issues relating to how frequency boundaries and similar frequency material is shown on charts.

Senator O'BRIEN—I think we had a conversation about frequencies on charts previously so I will not go into that for the moment. Mr Matthews, since the abolition of the CASA board and the restructuring of ATSB reporting lines, is it fair to say that you are the direct reporting point between CASA and the minister and ATSB and the minister?

Senator Ian Campbell—He has already answered that.

Mr Matthews—The answer is very definitely no.

Senator Ian Campbell—The secretary has already said that they are independent agencies with an independent charter.

Senator O'BRIEN—So they report directly to the minister, is that what you said?

Mr Matthews—When I was talking about the operational independence of ATSB—that is, independence for them to reach their own conclusions following their own investigations and to publish at the decision of the executive director—there is not, in that sense, a direct line to the minister. Since the change in CASA governance arrangements it reports directly to the minister through the Chief Executive, Mr Bruce Byron. He does not report through me; CASA does not report through me. We have not been contemplating any such arrangement.

Senator O'BRIEN—Thank you for that clarification. I am sorry I did not pick it up earlier. Does the departure of Mr Toller from CASA have any relationship with the national airspace changes?

Mr Matthews—No, the minister was very complimentary about Mr Toller's performance. Mr Toller explicitly did not resign or retire for that reason.

Senator O'BRIEN—Have you been concerned that the aviation industry has not wholeheartedly endorsed the views of the Airspace Reform Group? Are you concerned at the dismissive approach by organisations such as the GAPAN, RAAA, Civil Air and AIPA?

Mr Matthews—I always take careful note of the views of the industry. There are groups within the industry that are very strongly in favour of the airspace reform and the direction of the NAS and, indeed, stage 2b. But, yes, it is important that we listen, and we do. Mike Smith, in particular, has done an excellent job in liaison with both supporters and opponents who are making suggestions about improvements to the NAS throughout the industry. We need to continue to do that. I would not like to leave the impression that industry is unwilling to accept these reforms. In fact, there are large areas in the industry which are very keen.

Senator O'BRIEN—In travelling regional Australia I have not met a pilot who supports them. I have flown with a number and spoken with a number. On the ground or in air, as it were, in general aviation I struggle to find a pilot who supports these changes. That is not to say there are not any, but I have not struck them.

Mr Matthews—I accept that that has been your experience, but that has not been my experience.

Senator Ian Campbell—It has not been my experience either. I have spent a lot of time in regional aeroplanes. There was a story in the *Australian* this morning about 300,000 Sports Aviation Confederation members who have warned that they will take legal action if Airservices attempted to wind back the reforms.

Senator O'BRIEN—They have not been effectively regulated for some time. I am not surprised they take a deregulatory approach. But the pilots who I have struck who fly passengers in regional Australia into airspace that is now deregulated have concerns which they have expressed to me.

Senator Ian Campbell—I think calling it deregulated is not accurate either. I have met many regional pilots around Australia in the past few months since I have been in this portfolio and I get a very different picture to the one you are picking up. Sometimes you hear what you want to hear, I suspect, in this business. But there are many pilots who support these reforms.

Senator O'BRIEN—Not in the places I have been, I must say. Northern Tasmania is one of the areas which is deregulated—you describe it as not deregulation but the airspace is effectively deregulated—where there is serious concern. The north of Western Australia is another area where I struck that similar reaction.

Senator Ian Campbell—I have come across concerns in northern Western Australia for the next stage of the NAS but not particularly for this stage. The stage that the people in Broome are worried about is actually the next stage and that is what they are lobbying about at the moment. There is a fundamental misunderstanding of the NAS implementation by some members of the opposition for their own political purposes, I suspect.

Senator O'BRIEN—I think you might find that that is an exaggeration.

Senator Ian Campbell—I think a lot of what the opposition has said about this is an exaggeration.

CHAIR—I do not say that because I used to have a pilot's licence.

Senator O'BRIEN—That is right, and you were on one of the aircraft, Mr Chairman, where pilots expressed the view that I am talking about.

Senator Ian Campbell—One of the opposition spokesmen on Sunday morning blamed the minister and NAS stage 2b for the incident at Brisbane airport. That shows how absolutely out of touch with reality they are and what the opposition is prepared to beat up on air safety issues for their cheap political purposes. If you really cared about this you would call Mr Swan in and give him a lecture about this. But it just shows how out of touch the Labor Party is on air safety matters if they relate the incident at Brisbane airport with a plane load of politicians with stages 2b of NAS.

Senator O'BRIEN—The party that has had Wilson Tuckey going around the country for years cannot lecture anyone about calling people in and lecturing them about what they say.

Senator Ian Campbell—It is time you gave Mr Swan a lecture.

CHAIR—Let us get back to business. Altogether it is a long camp is what they used to tell the dogs.

Senator O'BRIEN—Mr Dolan, did you attend a meeting at CASA on the evening of Sunday, 19 October last year where you gave certain commitments on the national airspace system implementation?

Mr Dolan—Yes, Senator.

Senator O'BRIEN—Who was in attendance at that meeting?

Mr Dolan—To my recollection there was me, Mr Mike Smith and several CASA officers who were responsible for the assessment of the implementation safety case of stage 2b of the NAS.

Senator O'BRIEN—So the purpose of the meeting was to discuss the implementation safety case?

Mr Dolan—It was to review the proposed training and education material for that stage of the NAS against what was in the implementation safety case.

Senator O'BRIEN—How long did the meeting last?

Mr Dolan—I was in the room—and I am relying on memory here—for about an hour.

Senator O'BRIEN—I understand that you gave a commitment to ensure that the missions stated in the national stage 2b implementation case letter from CASA to the National Airspace Implementation Group and Airservices dated 20 October would be satisfied before the national airspace group distributed the pilot training and education material. Is that right?

Mr Dolan—That is correct.

Senator O'BRIEN—And confirmation of the commitment reached at that meeting had to be given to CASA; is that correct?

Mr Dolan—That is also correct, yes.

Senator O'BRIEN—I understand that you were also asked to confirm an agreement at that meeting on 19 October that failure to meet the conditions will result in an unsafe condition arising whereby the stage 2b implementation is halted after Airservices has distributed the charts implementing the new airspace arrangements. That is a pretty significant agreement, isn't it, Mr Dolan?

Mr Dolan—Yes.

Senator O'BRIEN—Did you provide those assurances sought by CASA on behalf of anyone, Mr Dolan?

Mr Dolan—I provided those assurances and I ensured that the conditions that CASA had effectively applied were carried out before the material was released.

Senator O'BRIEN—How did you provide that confirmation?

Mr Dolan—I checked the material against the requirements of CASA. I then provided a certificate for Mr Matthews, having assured him that that was the case, that could be provided to the Airservices board who wished an assurance that the necessary conditions had been met before they would approve the release of the material.

Senator O'BRIEN—You were asked to—and did indeed—sign an endorsement of a letter from Mr Rothwell of CASA seeking the assurance. I have a copy of that letter. I notice that you signed this signature block giving your endorsement.

Senator Ian Campbell—I am having trouble hearing, Senator.

Senator O'BRIEN—Mr Dolan, you signed the signature block giving your endorsement. It is interesting that your title or authority is not included in the signature block; it is just 'Martin Dolan, DoTaRS'. Did you sign this on behalf of the whole department?

Mr Dolan—I did, Senator. The letter itself was addressed to me in my role as first assistant secretary and it is incorrect. Aviation Airports Policy is now Aviation and Airports Regulation in the department. I was exercising my role as a first assistant secretary in the department and the signature reflects that.

Senator O'BRIEN—Did you seek approval to sign this assurance?

Mr Dolan—I consulted with Mr Matthews before I gave the assurance.

Senator O'BRIEN—Would it have been more appropriate for Mr Matthews to have signed off the assurance?

Mr Dolan—In absolute certainty I am sure it would have been preferable, but given the availability of people and the fact that this was a time critical moment, I undertook to sign it myself after that consultation with Mr Matthews. I was in the room and available to sign the piece of paper.

Senator O'BRIEN—So no consideration was given to having Mr Matthews sign it?

Mr Dolan—I gave consideration to it, but in the interests of the time available and following consultation with Mr Matthews I signed it myself in my role as the first assistant secretary of the department, representing the department.

Senator O'BRIEN—With the approval of Mr Matthews?

Mr Dolan—Yes.

Senator O'BRIEN—Mr Matthews, did you think it not more appropriate that you sign it?

Mr Matthews—No. If I had thought it more appropriate I would have signed it, or had it been practical. I think the point about this is that it was a facilitation service being provided by Mr Dolan to ensure that the process was completed and in that sense there was no direction or incentive applied other than to complete the necessary arrangements to allow things to proceed. It was facilitation.

Senator O'BRIEN—Mr Dolan, can you advise if there are any other written commitments or assurances that you have had to provide on the National Airspace System?

Mr Dolan—Not to my recollection.

Senator O'BRIEN—I am a bit curious about this and we will go into more detail with CASA, but the CASA response to the design safety case raised more issues than it covered off in this letter. This letter relates only to implementation matters. That is true, isn't it?

Mr Dolan—I am sorry, the letter that we have been discussing was related to the implementation safety case, not to the design safety case.

Senator O'BRIEN—Yes. I have some questions for CASA if they are here.

Mr Yuile—Does that conclude this section, Senator?

Senator O'BRIEN—There may be an overlap so I would like officers not to be sent away.

[3.43 p.m.]

CHAIR—We now move to the Civil Aviation Safety Authority.

Senator O'BRIEN—The first matter I want to raise is the CASA response to the safety case. In response to my requests during the last estimates round in November I received a copy of CASA's response to the design safety case. I want to know why all the attachments were not provided with the answer and had to be pursued by the opposition.

The committee cover sheet said that the answer, a copy of the Civil Aviation Safety Authority's response to the design safety case and implementation safety codes for the National Airspace System were attached for the information of the committee, yet the only document attached to that answer was a CASA response to the design safety case—that is, a CASA letter dated 12 September about the national airspace group stage 2b design safety case with an attachment document with more detail on each characteristic. But there was no document containing CASA's response to the implementation safety case. Was this an oversight, Mr Byron?

Mr Byron—Senator, could you just explain exactly for my benefit, since I have come on board two months ago on this issue—I would just like to know exactly what was the precise nature of that question?

Senator Ian Campbell—The questions were asked at the last estimates, were they?

Senator O'BRIEN—Yes.

Senator Ian Campbell—And the answers were lodged when?

Senator O'BRIEN—I can look that up for you. I think it was very—

Senator Ian Campbell—Because ultimately I would have been responsible for lodging them.

Senator O'BRIEN—I think it was very recently. I will check that and give it to you.

Mr Byron—In my reviewing of the situation, my understanding was that the requested documents from CASA were forwarded through to the department. I have tried to get myself up to speed on this particular issue in the context of reviewing our way forward in the way we handle NAS. My understanding is that we have provided the required documentation that was requested.

Mr Dolan—Certainly the documentation—including the CASA response to the NAS implementation and safety case and the letter we were just discussing from me, which was a relevant part of the implementation safety case considerations—was attached in a reply to be provided to the committee and appears not to have been delivered to the committee. I cannot comment on how that came about. I understand that as soon as we became aware of this deficiency we provided the necessary attachments to the committee.

Senator O'BRIEN—I am told we received the CASA response to the design implementation case by email today along with the document that you signed—that is, today we received it.

Senator Ian Campbell—I apologise for that delay.

Senator O'BRIEN—Would you say that there was some glitch in the department? Is that the explanation, Mr Dolan?

Mr Dolan—Since we have only just become aware and moved very quickly to rectify the problem, I have not yet been able to establish how the attachment was not made available to the committee.

Senator O'BRIEN—Yet some material came through but not other material.

Mr Dolan—Indeed, and that is what we do not understand.

Senator O'BRIEN—But certainly that places us at some disadvantage in dealing with this matter today.

Mr Matthews—Senator, as secretary I should give you an assurance that the loss of those papers was not deliberate. Certainly, if there is an implication in what you have been saying in that we would have deliberately in some way tried to disadvantage you in preparing for the estimates hearings, that is not so. We would not do that and, to the extent that I am responsible, I regret that.

Senator O'BRIEN—I accept your statement, Mr Matthews, that you would not seek to deliberately disadvantage us. The reality is that there is a disadvantage. If on reflection we believe there are matters which we have been denied proper opportunity to pursue in these estimates, I would expect the opportunity to examine the matter on another day. An apology for not supplying it is one thing, but addressing the disadvantage is clearly the only way this can be overcome.

Mr Matthews—Is there a question in there?

Senator O'BRIEN—I am suggesting that if the opposition has questions that arise from a proper examination of the material that arrived today we should have the opportunity and we should not have to wait till June. This is a matter of significance to the—

Senator Ian Campbell—It is not a matter for the department though, Senator. It is a matter for the Senate. If you want to ask the department to appear before a Senate committee, then you just ask.

Senator O'BRIEN—We can go down that route or the—

Senator Ian Campbell—I think you should just examine the documents. Why should we go down the path of hypotheticals? The department has been very forthcoming. We have explained the situation. Once again you seem to be wanting to make politics out of it. You should simply examine the documents and do your work and then come back to us. If there are some questions you want to ask, then ask them.

Senator O'BRIEN—I will certainly want to ask some questions.

Senator Ian Campbell—Good. Let us get on with the questions.

Senator O'BRIEN—What I am saying is that if on examination of—

Senator Ian Campbell—We heard what you said. You have said it twice now. We understand that.

Senator O'BRIEN—On the basis of the documents we received today, if the opposition believes it needs further opportunity to ask questions, having been given adequate time to consider them, then it is my view that this committee ought to reconvene to allow that. We can go through the process of taking the matter to the Senate, but it would be a simpler matter—

Senator Ian Campbell—It is a matter for your committee; it is not a matter for the department. Mr Matthews said, 'What is the question?' There is no question. You have made a statement. I am suggesting that you read the documents that you have been provided with and in the meantime get on with another question. We have just wasted five minutes having a soliloquy.

Senator O'BRIEN—If you are inviting us to raise the matter with this committee or the Senate, we will do that.

Senator Ian Campbell—I am inviting you to read the documents we provided you. If you have questions about them, then ask them.

Senator O'BRIEN—I am hardly in a position to read the documents, assimilate the information, do the necessary research and at the same time ask questions and listen to answers.

Senator Ian Campbell—I am not saying when you have to do it. I am just saying do it.

Senator O'BRIEN—The design safety case was prepared by the National Airspace System Implementation Group, as I understand it. Is that right, Mr Matthews?

Mr Dolan—The design safety case was prepared by the NASIG in collaboration with Airservices Australia.

Senator O'BRIEN—Mr Byron, the letter we have been supplied with dated 12 September from Mr Rothwell, the General Manager of Aviation Infrastructure and Support, Aviation, CASA, to Mr Adams and Mr Smith summarises CASA's response to the design safety case, does it not?

Mr Byron—Yes. I have been provided with a copy of that and that is my understanding of the course of events.

Senator O'BRIEN—To go through each point systematically: the first point confirms that 10 characteristics to be changed in stage 2b—that is, the 27 November changes, which are quite contentious—were assessed as being not compliant with the US FAA NAS model and therefore needed to be subject to a design safety case. So this appears to be saying that, in the view of CASA, the national airspace model is clearly not aligned with the US model.

Mr Byron—In my review of the documentation, I have come to the view that the full NAS is a multi-staged program and that the documentation that I have reviewed and that you have there relates to one particular phase of it—phase 2b. In going through the implementation phase, it was agreed that CASA would provide a review of the design safety case, which it did in the best time frame that it could. It was also agreed, as I understand, that if there were areas within 2b where it was assessed there were differences from the American model, they would be individually addressed. I believe that the documentation that I have reviewed—and I think you have before you—indicates that that was the process that was followed.

Senator O'BRIEN—But this does not mean what it says on its face. Is that what you are saying, Mr Byron?

Mr Byron—No, I think it is correct; it relates purely to elements of 2b, not the full NAS.

Senator O'BRIEN—So it suggests it should have been the subject of a design safety case requirement.

Mr Byron—I believe it was. Where there were differences in the design, my understanding is that they were individually assessed.

Mr Matthews—Perhaps I can help, Senator. The document that you are looking at is about CASA's response, having received and reviewed the design safety case. The design safety case was based on a precept that the US system would be adopted in Australia with a minimum of changes that were necessary for Australia's unique circumstances. The 10 so-called characteristics there relating to stage 2b were adjustments to take account of the fact that Australian circumstances differ in some degree from the US circumstances. But the basic model in Australia is the model that has been adopted in the US.

Senator O'BRIEN—The second point says the stage 2b implementation will bring about an increase in risk beyond that which exists in Australia today. That is CASA's view, is it?

Mr Byron—That terminology is fairly consistent with the work that certainly I am used to in the industry in assessing any operational change. Where there is something new happening, a change, with any system there are normally attendant risks that need to be dealt with individually. My reading of that is that it states, like anything that we do, anything that we

change, there will be the potential for risks. These have been identified and the mitigation actions required will be put in place. My understanding is that the subsequent work that was done appropriately addressed those considered risks at that stage, bearing in mind that this was an implementation of one stage towards the full model.

Senator O'BRIEN—Why did CASA agree to stage 2b at that stage if you believed the change would increase risk?

Mr Byron—I do not believe it actually says that. It says there are risks associated with it.

Senator O'BRIEN—It says 'will bring about an increase in risk'. That is what it says. They are the words.

Mr Byron—In my investigation of this area, where there were identified risks—and, as I made the point earlier, any change will bring with it various risks—you need to identify the mitigations, and the mitigating factors were identified and subsequently put in place.

Mr Matthews—Senator, I would add from memory the sixth paragraph draws attention to the mitigation measures. The mitigation measures have been applied to the risks that have been identified in the normal way—the responsible and proper way—and to that extent CASA was saying in this letter that there had been a normal process of looking at the associated risks and they had required that mitigation measures be put in place, and that happened.

Senator O'BRIEN—So in your words, Mr Byron—I do not want to misquote you—there were subsequent things that occurred that dealt with these concerns.

Mr Byron—That is my understanding

Senator O'BRIEN—What were they?

Mr Byron—The detail of that I am not aware of right here in front of me.

Mr Gemmell—What you proceed to do in the final look at the design is the implementation arrangements, where you identify the hazards and put in place mitigation factors against those hazards. This was looking at the design features and commenting on those. From there, there was a quite extensive hazard identification process and mitigation production process. That is all then presented to CASA in an implementation safety case, which we then again assess.

Senator O'BRIEN—Is there a document which sets these matters out historically—a copy of a letter or something like that?

Mr Gemmell—Well, there is an implementation safety case. A great thick document is presented to us and that is assessed and you have in that package, apparently a little late, our response or our assessment of that document.

Mr Dolan—Senator, could I perhaps clarify the sequence of events here? Jointly, Airservices Australia and the NAS implementation group developed a design safety case for phase 2b of the NAS, which was presented to CASA for its consideration. The letter from Mr Rothwell, on which we have been offering comments, is an assessment of the safety of that design and concludes that there are some risks that will need to be mitigated if it is to be acceptable.

An implementation safety case specifying how those risks were to be mitigated was then submitted to CASA and, subject to those two conditions which we were discussing earlier, I gave the undertaking that those were acceptable mitigations of the risk. So the process was, as normally happens with the safety management system: the potential risks from a change were identified, procedures were put in place to deal with the risk and subject to those being put in place were considered to be acceptable.

Senator Ian Campbell—My summary, Chair, is that you have an existing system and you want to move to a new system. In point 3, CASA makes it quite clear that the new system is a safer system. The NAS system is safer but it recognises a risk going from one to the other. So you have to manage the risk of going from one to the other. Point 2, from my point of view, says that that is what they are talking about—the increase in risk in the implementation. The challenge to policy makers then becomes: do you move to a safer system and accept there is risk from moving from one to the other and then manage that risk to make it safer or do you refuse to move to a safer system? That is the policy challenge.

Senator O'BRIEN—I guess depending on your view on the first premise you might arrive at different conclusions. However, if we must proceed to the new system, a procedure which makes for less safe circumstances than previously exists is not desirable.

Senator Ian Campbell—That is not what the letter says, though.

Senator O'BRIEN—I think it does.

Mr Byron—I think the words 'safety' and 'risk' sometimes get a bit mixed up. This is my field and I have dealt with this—

Senator O'BRIEN—It is used in the same paragraph in the letter by your officers.

Mr Byron—I see that, Senator. I have made a commitment that in future stages of NAS development within CASA—this is just CASA's activities—we need to look at everything purely from a risk based point of view, and that is the way ideally I want to look at other activities in the industry. In my view, the process that was followed by CASA in reviewing the safety cases followed that set industry concept of whenever there is change, whenever you move from one thing to another, when you introduce a new aeroplane, a new airspace system, whatever it is, you need to assess the attendant risks that may present themselves.

From what I have seen, that was done. The risks were identified and, most importantly, the identified mitigators to those were put in place. It is always possible that after implementation, after you put an aeroplane into service, after you implement a new system, you may want to review it and in the light of experience make some finetuning. There is always the opportunity to do that. But at the time, from what I have seen, that process was followed and that is a sound process.

Senator O'BRIEN—Can you give me an explanation of how CASA made the assessment that the US FAA NAS system was safer than the existing airspace system and what that was based on?

Mr Gemmell—It is really summarised in appendix 1 to that document that you have where we actually go through—

Senator O'BRIEN—We did receive it quite late. So having a look at it, it is not an easily understood set of explanations, if I can put it that way.

Mr Gemmell—I would have to sympathise and agree. It is not easy to go through, but it is there. It is under the heading 'Safety Regulations, Existing Australian Practice in the US FAA NAS'.

Senator O'BRIEN—Is it based on accident and incident numbers?

Mr Gemmell—Essentially, it is looking at collision risks compared to traffic densities and saying, 'What results are you getting in one system versus what results are you getting in another system?'—what you would expect to get.

Proceedings suspended from 4.06 p.m. to 4.25 p.m.

CHAIR—We will resume proceedings.

Senator O'BRIEN—Thanks for that. Just looking at appendix 1 that we were talking about earlier, the conclusion is that the US FAA NAS system is different to Australia. It says—

Apparent more en-route risk and less terminal risk.

What does 'terminal risk' mean?

Mr Byron—'Terminal' refers to that airspace surrounding an airport. It is not specifically defined as a standard figure for every airport, but it is where the traffic congregates close to the airport on departure and arrival.

Senator O'BRIEN—So we have a greater risk under the proposed system en route?

Mr Byron—My understanding of the whole concept—and I have operated in the United States—is that there is a large allocation of resources to where there is the concentration of traffic, which is in the terminal area, because statistically that is where the risk is greatest. So the mitigator is to deal with it slightly differently from the way one does on the en-route areas where there is less concentration of traffic and the mitigators are different. So there are differences in the two types of airspace. As a practising pilot operating various types of aircraft for the last 40 years and certainly in Australian airspace at different parts of the country in the last 15 years, I think that is a practical position that I would agree with.

Senator O'BRIEN—The en-route collision rate in the US is five times Australia's, if I can just extrapolate the figures here. That is as a proportion of collision rates.

Mr Gemmell—You can read the figures and they are what they are, but the problem that you actually have is that what you are comparing is the circumstance in Australia with the circumstance in the US. The US has 20 times the traffic that Australia has. In fact, statistically, we are almost too small to be confident that you can reasonably and accurately count that. You are very confident when you are counting the statistics in the United States.

The essence of the proposition is that overall the US system produces a better safety rate through more concentration in terminal areas and less concentration in en-route areas in comparison to Australia. So, by implication, overall we would do better if we took some resources out of en route, implicitly meaning increasing the risk, and putting those resources into terminal areas where the risk is higher. That is the basic proposition that lies below that. It

does make intuitive sense as well. But the figures on collision risk are very small and, in Australia, spectacularly small.

Senator O'BRIEN—It is just that the figures appear to be the basis of the safety ranking.

Mr Gemmell—The figures are the basis of our assessment of the overall safety of the US system compared to Australia.

Senator O'BRIEN—If you are making a comparison between the two, it is nearly 60 per cent in the US in the terminal area, and 83 per cent in Australia. It does not say anywhere that there is any significant difference, for example, in radar coverage in Australia in here.

Mr Byron—No, it does not. My understanding is that what you have got here is an evaluation of the end state, on the assumption that we introduce the US NAS with what has existed in Australia previously. On that basis, the end state would provide a better situation. I mentioned earlier the issues of managing risk and I really think that that is something, certainly from my point of view, moving forward with this issue, we really need to be focusing on. Any new thing that we do, any changes—any subtle changes to the system, and certainly any large changes to the system—are going to bring new things for us to think about. We need to be looking at what are those risks, and they are going to be different at every stage. But at the end of the day, we need to identify the risks appropriately and provide the correct mitigators. They may well be procedural issues; they may be training issues. There has been a tendency—and I say this with a quasi-independent viewpoint having come into it at this point—to focus on the structure of it. The structure is one thing, but the other thing which contributes to overall risk mitigation is how you manage it, how you operate it—the procedures that we have got in place. The two things have to go hand in hand. You cannot just say, 'That is the structure of the airspace. Is it less risky or more risky?' You have got to add to that the procedures that we are going to put in place.

The procedures that we adopt in this country might be slightly different because of local circumstances. That is the challenge for us: to make sure that everyone concerned with this—that is the authorities concerned, the operators—and I have spoken with a number of people in the airline industry who have said, 'Okay, if we are going to make changes, we need to identify the procedural issues that we are going to do to mitigate the risks.' There is general understanding, because that is an industry concept of the way any significant change is handled. I think that if we do that properly and, therefore, not simply focus on the structure and the statistics that exist in the end state in the United States, we are better placed to manage our airspace system forward.

Senator O'BRIEN—Is there any assumption in the safety ranking about radar coverage?

Mr Byron—Sorry, can you repeat that question?

Senator O'BRIEN—Is there any assumption in CASA's safety ranking with radar coverage?

Mr Byron—CASA's safety reckoning?

Senator O'BRIEN—Ranking. At appendix 1 you have got a safety ranking, existing Australian practice and the US FAA NAS.

Mr Gemmell—No. That is looking at the existing Australian system, with the radar where we have it, and comparing it with the US system, with the radar where they have it. But you have to have regard to the fact that they have significantly more traffic. I think in rough terms, for the density of traffic that we have in Australia, we have actually more radar than they have in the United States. In other words, we put, as you would expect—as they do in the United States—the radar where the traffic is.

Senator O'BRIEN—No, they have got 85 per cent coverage and we have got 15.

Mr Gemmell—They have physically more of the country covered, but they have significantly more traffic in that country than we do.

Senator O'BRIEN—What about in so-called terminal airspace? How does it compare there?

Mr Gemmell—They have significantly more radar coverage of the United States than applies in Australia.

Senator Ian Campbell—I presume around the terminals there will be similar radar coverage; it is just that there are more terminals in the US and that would cover more of the geography. Is that what you were getting at?

Senator O'BRIEN—No, there is some terminal airspace here that does not have it.

Mr Gemmell—That is correct, and there is terminal airspace in the United States that does not have it.

Senator O'BRIEN—But there is much more here that does not have it than America.

Mr Gemmell—In physical numbers, yes, but if you actually start to make those comparisons in terms of traffic you get a different picture.

Senator O'BRIEN—In terms of traffic is one picture, but we are talking about effectively deregulating the airspace around that terminal airspace zone, aren't we—with 2b, for example?

Mr Gemmell—No.

Mr Byron—The airspace is reclassified and the level of service is different.

Senator O'BRIEN—It is a lesser standard, isn't it? There is a lesser requirement on pilots using this space?

Mr Byron—I will go back to what I said earlier. It is very difficult to just simply compare the structure of the airspace with a different structure and make an assessment that it is less risky or more risky. You have, I believe, to put together the two elements—the structure and the operating procedures—that people in that airspace use to come to that final determination. Procedures that are put in place for a different type of airspace—E and C—correctly designed and appropriately implemented will address the risks as long as they are appropriately applied. We have not finished our work in response to the ATSB recommendation, but it may well be that we make some suggestions on improvements to some of those procedures to mitigate any possible risks.

Senator O'BRIEN—Did CASA hold a view at 12 September 2003 that each airspace design and each procedure is safe? Point 4 says that the DSC states that each airspace design and each procedure is safe. For clarity, did CASA hold the view at 12 September 2003 that each airspace design and each procedure is safe?

Mr Gemmell—As the attachment shows, we saw, in terms of the risk benefits and detriments to that against each component—and we list those—that you cannot talk about the word 'safe'. It has no meaning in this context. That is an expression of what was stated. The NASIG and Airservices believe it was safe, but what does that mean?

Senator O'BRIEN—It means that you make a judgment that it is safe, doesn't it?

Mr Gemmell—We listed in there those things we thought were benefits to risk and detriments to risk.

Senator O'BRIEN—Has there been any change in CASA's view?

Mr Gemmell—That was our view on the design safety case at the time. Subsequent to that we have been through a significant implementation safety case process. We now have some months experience with the system. At this stage we are dealing with a design concept. Now, with some experience—and indeed we have an ATSB report that talks about an incident that occurred that you would like to avoid—we are looking at issues related to implementation and possibly design.

Mr Byron—In addition to our work in response to the ATSB recommendations, we have undertaken, from late December early January, a very extensive consultation process with all the stakeholders—the airlines, the various operators, including Airservices, and the unions. We are currently discussing any concerns that anyone may have with regard to this implementation of 2b just so we can identify if there are any additional risks that we need to be suggesting changes to; and that work is ongoing.

Senator O'BRIEN—Back in September you were saying that, based on the statement contained in paragraph 4 of the letter we have been referring to, the expectation is that full implementation of the NAS will provide a significant decrease in risk and appropriate risk mitigation strategies are in place in the interim so CASA has no objection to NAS proceeding to the next phase. Did CASA simply rely on that statement? Did CASA make its own assessment?

Mr Byron—My understanding would be that CASA relied on the information provided as part of the design safety case and any other knowledge that resided in the CASA at that time.

Senator O'BRIEN—Is CASA saying it is an implementation problem only—that is, we have to go through an unsafe stage to reach a safer stage?

Mr Byron—My response to that would be that we must make sure that we manage the implementation phase very carefully to reach the end stage which CASA has assessed to be an appropriate level. They did that as part of the evaluation of the design safety case. My personal view is that the implementation stage must be managed very carefully. That is what we are concentrating on now in the light of experience.

Senator O'BRIEN—What is the significance of the statement:

Material supplied to CASA by NASIG claims that it is necessary for the full implementation of the Australian NAS that Australia transition through this interim stage.

That is the stage that poses the more significant problem, isn't it?

Mr Gemmell—All that is acknowledging is that NASIG have said that they need to go through this stage. We are assessing that there are some risks attached to going through that stage on the way to a safer system but acknowledging that they are saying that we need to go through that stage. We are just stating what has been advised to us.

Mr Byron—My summary, having read the documentation over the last few weeks, is that CASA was asked to look at a design safety case and an implementation safety case. These were provided. CASA, in the light of reviewing the various safety cases, identified a number of areas where the risks may need some additional mitigation to effectively address them. These were provided to Airservices and NASIG. My understanding is that they were a condition of the process moving forward.

Senator O'BRIEN—The final point in the letter states:

CASA is not amenable to these transitional arrangements remaining in place for an extended period and requires advice as soon as practicable when the transitional arrangements will end ...

I think that signifies some significant concerns about the transitional arrangement period. You say you are not amenable to them staying in place for an extended period. They are the arrangements that are in place as we speak, aren't they?

Mr Byron—I believe that is referring to phase 2b?

Senator O'BRIEN—Yes, and they are in place now.

Mr Byron—As someone who has had to manage similar sorts of things in the aviation industry I was pleased to read that. If you identify a transitional risk, you really want to get to the end state, introduce the aircraft finally and implement the airspace system—in this particular case within a reasonable time allowing for appropriate time for assimilation of new procedures. So I was actually pleased to see a statement by CASA that they would not want to see things delayed excessively between the various implementation stages.

Mr Matthews—When I first saw that paragraph I did not interpret it as expressing any want of confidence in the interim arrangements. As Mr Byron has said, it simply implies the need to get to the end state as soon as possible, but it does not imply a want of confidence in the stage 2b.

Senator O'BRIEN—Was CASA not saying that this was the period when the risk is greatest, the transitional period?

Mr Byron—I think CASA at the time were saying that there were risks and there needed to be mitigators to attend to those risks.

Mr Matthews—And CASA were satisfied with those mitigating arrangements or they would not have agreed to proceed?

Mr Byron—Senator, in paragraph 6—

Senator O'BRIEN—I am reading that at the moment. CASA felt that there were appropriate risk mitigation strategies in place—and that remain in place now?

Mr Byron—My understanding is that at that time there were various mitigations that were suggested by CASA. They were put in place. They are in place now. What we have done since then is a post-implementation review process, which may throw up additional items to mitigate any identified risks. We are doing that at the moment. So there may be additional risk mitigation strategies. That is something that I particularly want to continue doing.

Senator O'BRIEN—What are they?

Mr Byron—It is a good process to make sure that we are particularly listening to any of those that may have concerns for other than risk based purposes. We can take anything on board. It may throw up minor points of improvement. It is good management of the system.

Senator O'BRIEN—It is strange terminology in point 7: 'CASA is not amenable to these transitional arrangements remaining in place for an extended period.' What is an extended period?

Mr Byron—I do not know what was meant by an extended period at that time. I have not formed a view about what that would be, but as part of our review of the current procedures, and particularly where we are moving to with the next stages of NAS, I believe that we should not be delaying the process to get to the final end state. I have not defined a particular figure.

Senator O'BRIEN—Has CASA received advice as to when the transitional arrangements will end in accordance with the NASIG terms of reference?

Mr Byron—I understand that NASIG has written to CASA and we have responded that the timetable was acceptable. The exact time line I do not have with me at the moment.

Mr Gemmell—We have received advice from NASIG in relation to item 7 on this—

Senator O'BRIEN—Did you say you have or you have not?

Mr Gemmell—We have. We did get a response to that, which lays out a timetable, and we have spent some considerable time discussing timetables and that sort of thing.

Senator O'BRIEN—What is the timetable?

Mr Gemmell—I am not sure off the top of my head. I could take that on notice and come back on the timetable. I am certainly conscious of the timetable for 2c, but not for stage 3.

Senator O'BRIEN—In relation to the appendices to the letter we have been talking about—

Mr Byron—Which appendix are you talking about?

Senator O'BRIEN—I start with 1. Does not that first appendix demonstrate how rubbery the available statistical data is and how difficult it is to draw solid conclusions?

Mr Byron—I have read that, but I have not come to that conclusion.

Senator O'BRIEN—There are a number of conflicting traffic density ratios in there—collision ratios ranging by a factor of two and a quarter. It says, for example, 'Again, the underlying statistics are not strictly comparable and the results are quite approximate.' It does not sound like a very compelling set of data.

Mr Gemmell—I think it is the case of you never get the luxury of being able to compare absolute like with like. You have got to do the best you can with what you have got, and

statistically it is tricky to do. But from CASA's perspective we felt we could draw a conclusion roughly along the lines that the results they were getting were at least as good as and probably better than how Australia is performing in terms of collision risk. If you are asking whether that analysis and the data are contestable, the answer is yes, of course they are contestable; but that was our conclusion on the best information that we had available.

Mr Byron—From my point of view, I think that looking at the documentation from this time the best was done in making a judgment in terms of the information available on the basis of the technical experience that was there in CASA. Certainly all the information available was put on the table and it is pretty clear that a judgment was reached.

Senator O'BRIEN—But the basis of the judgment is contained in this appendix. It says, 'The basic traffic distribution assumption is flawed. The distribution of traffic in the USA is different to that in Australia. The number of aerodromes in each country is not quantifiable either in absolute terms or as a ratio and hence traffic density in the terminal area cannot be accurately quantified.' That is a significant qualification.

Mr Gemmell—Yes, but—

Senator O'BRIEN—It is significant, is it not?

Mr Gemmell—But read the next paragraph.

Senator O'BRIEN—'What is clear is that the US airspace suffers substantially fewer midair collisions than an extrapolation of collision rate data.'

Mr Gemmell—Which leads you to expect—

Senator O'BRIEN—It has been suggested that the risk of collision en route in the pre-November 2003 Australian airspace model was lower compared with the US NAS and the comparatively poor 83 per cent figure for collision in Australian terminal areas, which I am told incidentally inflates our midair figures, can be attributed largely to gap aerodrome procedure and accidents and the secondary airport procedure accidents which precede them. Has that been taken into account?

Mr Byron—Well, Senator, I am not aware of that particular item being taken into account. What I see is an evaluation of the best data available at the time to throw up if there are any significant problems. It is in that context that I have looked at the work that was done. It does not appear to have thrown up any significant problems that would prevent approval of the design safety case.

Mr Matthews—Senator, I think it would be wrong to leave unchallenged on the record that these are rubbery figures, as you have used the term. On the contrary, in my view CASA was very professional in making plain the shortcomings in the available data. They did use the best available data, as Mr Byron has just been saying. They did source it to Australia's national Transport Safety Bureau, the best source of data. They did look at 20 years of data, which is not a bad time frame to think about these things, whatever the statistical limitations. They did make adjustments for comparison to improve the comparisons that can be made between the US and Australia. They did not short-cut on making those adjustments. They did draw out, as Mr Gemmell has said in paragraph 5, the commonsense and clear conclusions

that could reasonably be drawn with all the limitations of that analysis. I just would not like to think that there would be acceptance that the figures are rubbery.

Senator O'BRIEN—We have already dealt with a number of matters which are contained within that statement. I think that the passage that I have referred to indicates that the data is difficult to rely on in the way that it is suggested it can be. Let us go to appendix 2. That underlines the fundamental differences, for example the transponder policy and the availability of primary radar coverage, which is contained particularly in the middle of the page of appendix 2, which talks about the significant difference in the ability to see small aircraft and prevent an inadvertent transgression. I mean, generally the very significant influence of radar is that the enormous coverage in the US compared to Australia is understated in the document. I would have thought that was one obvious matter to be taken into account. It just talks about transponders and the difference between airspace. It says:

Both aspects are a lessening of safety compared to the US model.

It finishes with—

The DSC states the design of this procedure is safe.

Senator Ian Campbell—Senator O'Brien, would you like to ask a question? You are quoting selectively from pieces of these appendices.

Senator O'BRIEN—It is a one-page document. Unless I read the whole page—

Senator Ian Campbell—If you want to quote something and then ask a question that will make it easier. We are having trouble finding the question marks.

Senator O'BRIEN—I believe I did ask a question. That is demonstrating that there are significant differences that have not been taken into account.

Mr Gemmell—To go back again, what we were doing in the design safety case was evaluating those characteristics that were not strictly compliant with the NAS. By implication, every single one of the characteristics that you are looking at will not be exactly the same as occurs in the US system. That is why we are doing a design safety case. Of the 10, three were strictly US compliant—in other words, exactly the same as the US and you do not have to think about it—and seven had some differences; hence we were doing a design safety case analysis for us. If you just picked one from anywhere and decided you were going to implement something you would do a design safety case followed by an implementation safety case. It is implicit in what we are doing that the characteristic will be different in some degree from what the US does. If it was not, we would not have evaluated through a design safety case.

Senator O'BRIEN—What does the last paragraph on the first page of appendix 3 mean? It states 'CASA notes the intention'.

Mr Byron—Senator, this is evaluation in relation to NASIG characteristic for simplification of charts?

Senator O'BRIEN—Yes.

Mr Byron—I think it is, first of all, stating a fact—that the assessment is that it is compliant with US FAA NAS—but from a practical perspective I am not exactly sure what

led to that being written there. I am aware that there were different types of charts available in the two aviation environments in the past, and it may just simply relate to tidying that up. That would be a practical interpretation of that.

Mr Dolan—Senator, at this point could I perhaps make a clarification? The appendices, as I understand it, to this assessment of the design safety of NAS stage 2b raised some potential risks that would need to be addressed in implementing—

Mr Gemmell—Correct.

Mr Dolan—these particular characteristics. Those risks were appropriately addressed in the implementation safety case. In the case of carriage of transponders, for example, there was an additional requirement in the implementation of stage 2b as to carriage of transponders in Australia. In the issue of access to the services that are referred to in that final paragraph, the frequencies were made available on charts. One of the issues that is being considered as a result of the ATSB report is whether more frequency information based on experience is required. The key point here is that although a number of risks were identified they were addressed at a point of implementation and remain under review.

Senator O'BRIEN—What is RAS?

Mr Gemmell—Radar advisory service.

Senator O'BRIEN—It says:

This is a hollow availability as the frequency necessary to access radar advisory service is then denied.

Does that mean that the frequency was not supplied on charts?

Mr Gemmell—Well, I think what that means is if you cannot find the frequency you cannot seek a radar advisory service or you cannot find the frequency to ask for it.

Mr Dolan—The point, Senator, I think is that in the design the frequency was not intended to be made available on the charts. This was something that CASA was appropriately drawing attention to, and frequencies were therefore identified on the charts that were issued as mitigation in implementation.

Senator O'BRIEN—I understand that this may have been an issue with the Launceston incident.

Mr Gemmell—I would be surprised, Senator, because my understanding of it was there were no problems with the frequencies.

Mr Byron—That said, I think in that particular incident the private pilot was on the frequency. That is from the ATSB report.

Senator O'BRIEN—That did not help.

Mr Gemmell—It did help, Senator. He knew about the aircraft coming in.

Senator O'BRIEN—He was just flying a near-collision course.

Mr Gemmell—But he knew about it, so it did help. He had been monitoring the error frequency. He knew about the aircraft and had it in sight. So it did help. Whether he did all the right things—

Senator O'BRIEN—It did help?

Mr Gemmell—Yes, it did help.

Senator O'BRIEN—How did it help?

Mr Gemmell—He knew about the aircraft and had it in sight.

Senator O'BRIEN—That is what he says.

Mr Gemmell—Indeed.

Mr Byron—There are items to do with that particular incident in relation to frequencies—the availability of frequencies—that we are considering at the moment in response to the ATSB recommendations.

Senator O'BRIEN—I want to ask a couple of questions about the CASA response to the stage 2b implementation safety case that we received from the committee today. Can the committee be provided with a copy of the implementation safety case to which you provided the response?

Mr Gemmell—It is a very big document. It is an interesting question as to who owns it.

Mr Dolan—We can take undertake to provide that to the committee.

Senator O'BRIEN—Thank you. I take it that CASA had significant concerns with the implementation proposal. CASA was only prepared to accept that if the implementation group complied with two conditions and that the agreement to implement it was thrashed out at that Sunday evening meeting that I discussed with Mr Dolan; is that correct?

Mr Gemmell—I do not think that it is fair to say that we had significant problems with it. There were two things that we felt needed to be done to the documents as presented to us before we were prepared to allow the process to proceed. Those were specified, it was agreed that that would be done, and things pressed on.

Senator O'BRIEN—The first of the two conditions was changing all pilot training and education material before issue so as to present a consistent message throughout the material and it sets out two respects. Can you explain what that means?

Mr Byron—My reading of the material was that were there items of emphasis in the training and education material that CASA required some changes to and that they were done.

Mr Gemmell—That is correct. At the time we had some, if you would like to call it, draft training and education material. It was in quite good form, but it was a draft. We were looking at that and we felt, obviously, in assessing it that the message was a bit ambiguous and needed to be made clearer in the way that we specified in this document and that was agreed to be done.

Senator O'BRIEN—Do I understand it correctly that the intention is to allow VFR pilots to fly into non-radar airspace, but not to announce that fact even though they are flying into controlled airspace near RPT jets?

Mr Byron—Class E airspace permits—and this is the international standard—VFR aircraft to operate in that airspace without a specific clearance whereas IFR aircraft do require a clearance. The issue of listening out on the appropriate frequency and making calls when considered necessary is currently being evaluated, certainly by us, in terms of the specific

recommendation given to us by the ATSB—that we look at the procedures and education material. The original education material did not preclude VFR aircraft from making radio transmissions if they felt that there was a need.

Senator O'BRIEN—So this was a change to preclude them? Sorry, I did not quite follow that last statement.

Mr Byron—The training and education material that was issued prior to the implementation of 2b did not ban VFR pilots from making radio calls. The training and education material discouraged excessive radio calls, but it certainly did not ban making calls where there was a concern from a VFR pilot particularly. That is a particular area that we are talking to the industry about at the moment and it is to do with the emphasis of the training and education material.

Senator O'BRIEN—Should we understand that to have been a significant concern that you required rectified before proceeding on 2b?

Mr Byron—The advice that was given by CASA at the time on the documentation that I have reviewed indicated that the mitigators that CASA wanted in the education material were done at that time prior to implementation. The risk was identified, the mitigator described, CASA asked that it be implemented, and it was. In addition to that, we are continuing to review those procedures.

Senator O'BRIEN—Is it the case that the US charts are more prescriptive about where big jets might be?

Mr Byron—I have seen and operated with a variety of US charts. Some US charts do show where the major jet routes are.

Senator O'BRIEN—The second point says:

The addition to the T&E material before issue of content acceptable to CASA to give effect to the mitigators identified in the Implementation Safety Case as being required for a safe implementation but for which CASA has not been able to find such mitigation in the presented T&E.

Can you explain that for me, please?

Mr Gemmell—The identification process looked at a variety of things and identified in many cases that there needed to be something included in the training and education material to mitigate the risks when we analyse it. In our view, some of these things were overlooked. They were not there. So we required them to be in there; that is, something had to be said in the training and education material that would mitigate that risk, and we could not see it. So they are saying, 'These things appear to be not there. You had better put them in,' which was agreed and it was done.

Senator O'BRIEN—Why did CASA require a signature from Mr Dolan before it was satisfied the changes would be delivered?

Mr Gemmell—All this was happening just before the deadline for Airservices' issue of the necessary charts. We were moving towards a deadline. We knew that, once the charts were issued, it would be very difficult to draw back from the position. It was important that all these things were resolved and everybody was happy. We went for the extra surety of having the department behind us to ensure these things were done. NASIG had agreed, CASA had

agreed, Airservices had agreed and the department had signed off, so then we were pretty sure all that would happen. Because we had all those sign-offs we could then allow the charts to be posted in the aviation community. Our concern, if you want to understand it, is that once the charts were out there if we said, 'We are not going to proceed with this,' someone might pick up that chart, start to operate with it and then completely misunderstand the airspace they are in.

Mr Matthews—I want to emphasise that Mr Dolan's role in that was as a facilitator, a link between the various agencies, and he certainly was not directing any of the agencies.

Senator O'BRIEN—Do I presume that Mr Rothwell was fully authorised to follow the procedure he followed?

Mr Gemmell—I do not quite understand what you mean.

Senator O'BRIEN—He is an officer of CASA. Did he need to go higher in the organisation or was he in a position to make a call on whether the safety case was accepted?

Mr Gemmell—The answer is a bit of both. Mr Rothwell is the head of the relevant safety compliance area that looks after Airservices. He is authorised to go through this stuff, but he was also in contact with more senior officers. Various people were in contact with me as we monitored the developments and provided advice on that stuff. As to whether he was authorised to do this at the end, the answer is yes. He was authorised to do that at the end. Did he do it by himself without reference to more senior officers? The answer is no. Things were done with reference to more senior officers.

Senator O'BRIEN—Was this view of CASA arrived at following consultation with organisations or individuals regarding their concerns? Was it just a CASA view or did CASA take the view after consulting with individuals and organisations about the stage 2 implementation safety case?

Mr Gemmell—I do not know what you mean by individuals or organisations. We talk to lots of people—NASIG, the department, Airservices Australia. We are in constant discussion with them.

Senator O'BRIEN—About this?

Mr Gemmell—About this, yes.

Senator O'BRIEN—Did CASA brief the minister during its consideration of these safety cases?

Mr Gemmell—We provided information through our normal sources—through the department and sometimes directly to the minister's office—of where our thinking was up to at various points. I do not think we actually wrote anything down.

Senator O'BRIEN—Was that through Mr Matthews?

Mr Gemmell—Probably not. It is more likely that we would have spoken to the department and told Mr Dolan or someone like that. I remember on one occasion telling the minister's office where I thought we were up to.

Senator O'BRIEN—Can you get us the precise details of that communication—that is, whether you briefed the minister on CASA's view of the stage 2b implementation safety case, who did it and when?

Mr Gemmell—I do not recall we at any stage briefed the minister on it. Most certainly we were in constant contact with the department about where we were and what our thinking was.

Senator O'BRIEN—Can you tell me who in the department you advised and when? Was it just Mr Dolan?

Mr Gemmell—The department was involved in all the conversations.

Senator O'BRIEN—I am trying to find out whether the minister was briefed. You are saying, in effect, he was not and that you just talked to the department.

Mr Gemmell—I am talking about CASA.

Senator O'BRIEN—So CASA did not brief the minister?

Mr Gemmell—No.

Senator O'BRIEN—CASA did not brief anyone to brief the minister?

Mr Gemmell—No. We certainly had the department involved in all the conversations and at a couple of points my memory tells me that we spoke to the minister's office about where we were up to.

Senator O'BRIEN—Can you let us know when that occurred and at what stage in the process?

Mr Gemmell—We can try. Again, it was not written down so it is a question of memory, but we will certainly try.

Senator O'BRIEN—There was no process of keeping the minister informed? CASA reports to the minister now.

Mr Gemmell—There was no necessity to keep the minister directly informed. We were making an assessment of the safety case.

Mr Byron—In reviewing the process that was followed and the documentation that I have seen, CASA was asked by NASIG and I believe Airservices to evaluate, from CASA's point of view, the content of the two safety cases. They did that and responded to those agencies.

Senator O'BRIEN—Mr Dolan or Mr Matthews, was the minister briefed on any of the matters raised by CASA with the department?

Mr Dolan—I would have to check my notes. On several occasions I discussed progress in the implementation of stage 2b with the minister's advisers. What we were reporting on was progress towards what was a fairly tight deadline. The processes that were under way were according to the normal development and assessment of safety cases by the relevant agencies and did not require any formal approval by the minister, so it was a simple advice on progress of a project that was of keen interest to the minister.

Mr Matthews—There was no and is no legal requirement for the minister to hear of that decision. It was CASA's own responsibility which is the way the minister would have wanted

it to proceed through normal processes. But the department kept the minister informed as it does about the progress of NAS implementation through periodic reports and discussions with the minister's staff.

Senator O'BRIEN—So the minister would have been aware that there had been a process where CASA had required certain changes to the implementation of stage 2b?

Mr Dolan—That is not clear to me—I would have to check. We certainly advised staff in the minister's office of progress. I do not recall an occasion when we formally briefed the minister himself on details of progress on that particular issue.

Senator O'BRIEN—Can we have copies of the design safety case and implementation safety case used by CASA in preparing their response?

Mr Dolan—Yes.

Senator O'BRIEN—Were there any explanatory or other accompanying documents with those cases? Is it a simple document? Was there a safety case and a set of accompanying documents or just the safety cases?

Mr Dolan—I think Mr Smith could probably answer this in more detail than I can, but both the design and implementation safety cases were substantial documents.

Mr Mike Smith—There were two documents—the implementation safety case and the design safety case. They are quite comprehensive documents. There are annexes and attachments I believe to those documents. I am not quite sure how they are described, but we have no problem in providing those.

Senator O'BRIEN—Thank you for that. Recommendation 20040013 from ATSB regarding the review of the December Launceston serious incident states:

The ATSB recommends that the Civil Aviation Safety Authority, in consultation with Airservices Australia and the NAS Implementation Group, review NAS procedures and communications requirements for operations in Class E airspace, with particular emphasis on air transport operations during climb and descent in non-radar airspace, with a view to enhancing situational awareness of pilots operating in that airspace. The review should include examination of, and where necessary revision and updating of, education, training and chart frequency material.

The inference from the media release the day that that was released was that CASA had already commenced a review of the National Airspace System. Is that correct?

Mr Byron—Yes, that is correct. In relation to the implementation of 2b only, in late December I asked Mr Gemmell to start a process of consultation with all stakeholders so that we in our independent capacity could get a feel for what various views were out there. There was no objective information at that time, but we felt that in response to some of the comments that we were getting it would be appropriate to at least go and talk to people, and that is what we did. We are continuing that process at the moment. I think we have talked to pretty well everyone that we possibly could on this and we are gathering that information at the moment. So we are getting all the views—all the concerns, real or otherwise—and we are going to sit down and take a good look at them.

Mr Matthews—So, Senator, it would be more accurate to characterise it as launching a process of consultation with interested parties than to describe it as a review.

Mr Byron—Yes, I would agree with that.

Senator O'BRIEN—Yes. The first paragraph says 'monitored and reviewed', so perhaps that is the explanation for it. The release says:

In particular in December 2003 I informed the NASIG that I will require all future major airspace changes to be preceded by a three-month period of education and training for the aviation industry.

It goes on to say—

I believe a three-month education period will ensure that pilots, air traffic controllers and airlines are given ample time to understand and adjust to future airspace changes.

That is an admission, is it not, that the changes went through without enough training and education?

Mr Byron—That is my point of view. With the position that I assumed on 1 December and bearing in mind that I come from a fairly conservative background in change management, training and education and with the benefit of very limited observation of the implementation of 2b, I formed a very subjective judgment that it would be prudent to have an extended period of training and education for future stages. At that time I had no objective information to work on, but that just seemed to me to be, as I say, bearing in mind my background, a prudent approach to take. I have had a lot to do with implementing changes in the aviation system. Particularly when you are dealing with different sectors all trying to deal with the same issue, I just personally feel that that is an appropriate thing to do. At that stage we did not have any reason to believe that the implementation of 2b was deficient; it was just what I wanted to do for the future.

Senator O'BRIEN—That reference to December: was that before or after the Launceston incident?

Mr Byron—It would have been before.

Senator O'BRIEN—Why was this not a requirement for the NAS changes on 27 November?

Mr Byron—The easy answer is that I was not there, I suppose, and it was just a personal view that I held on the basis of my background. There is no science in why it is three months; it just comes with my personal experience in implementing various changes, and I suppose that is the perspective with which I came to the job.

Senator O'BRIEN—Did Mr Rothwell consult you about his response to the stage 2b design safety case?

Mr Byron—I was not in the job then.

Senator O'BRIEN—Was that when Mr Toller was in the job, or had he left?

Mr Gemmell—He left in August.

Senator O'BRIEN—That is right. Who was acting in the position?

Mr Gemmell—I was.

Senator O'BRIEN—So he consulted you, Mr Gemmell?

Mr Gemmell—I beg your pardon?

Senator O'BRIEN—Were you consulted about it?

Mr Gemmell—I was, yes.

Mr Matthews—Senator, I do not think anyone is saying that the education and training arrangements for the original system were inadequate. In fact, Mr Mike Smith could give you a description of the comprehensive education and training arrangements that were put in place. I think what Mr Byron is saying is that his personal experience would like to do it differently in the future, and we can accommodate that.

Senator O'BRIEN—Has CASA adopted the recommendation of ATSB to conduct a review?

Mr Byron—Yes, Senator. We are currently conducting it at the moment.

Senator O'BRIEN—How is the review being conducted?

Mr Byron—It has effectively been on the tail of the earlier consultation that we discussed a moment ago that commenced in early January. In addition to that, our people within CASA have been discussing with Airservices and NASIG some ideas that flow from the ATSB recommendation that we feel might be useful to improve the situation. We have not finalised our position on that though.

Senator O'BRIEN—When is the review due to be concluded?

Mr Byron—I will be in a position by the end of this week to have formed an opinion on what we believe might be appropriate steps to take in consultation with Airservices and NASIG as a direct result of the ATSB recommendation.

Senator O'BRIEN—Will you be consulting the minister about the matter?

Mr Byron—I will be advising the minister of our conclusions.

Senator O'BRIEN—Before Friday?

Mr Byron—I believe I have agreed to provide the final conclusions to the minister on the 19th, which is Thursday, once we have made our determination.

Senator O'BRIEN—Have you been looking at CASA's internal processes and its response to external factors when it made its decision to endorse the NAS stage 2b changes?

Mr Byron—I have not been reviewing anything in relation to CASA's processes for 2b, other than familiarising myself with what actually happened. What I am doing is looking at how we handle issues for the future.

Senator O'BRIEN—In hindsight, you believe CASA got the approval process for 2b wrong, do you not?

Mr Byron—I did not say that.

Senator O'BRIEN—I know you did not say it. I am asking you.

Mr Byron—I believe that CASA followed the processes appropriately that it was requested to do in reviewing the two safety cases that were provided to it. It is very heartening to see that issues requiring resolution, addressing individual risks, were identified by CASA and they were provided to the agencies required to implement it. So in the sense that the

various items were done, I am satisfied that certainly they were. In terms of the way in which we manage those things internally within CASA, I may do things slightly differently, for no other reason than I have made some minor internal structural changes within CASA and I have my own way of doing things.

Senator O'BRIEN—So CASA's approach to these matters will change now?

Mr Byron—There will probably be a change to the internal processes. But if we need to go through a review of a safety case, the steps that were taken for 2b will be the same steps that we will take in the future.

Senator O'BRIEN—Thank you for that.

Senator BUCKLAND—Could you tell me what process is involved in issuing maintenance authorities to licensed aircraft maintenance engineers employed to carry out maintenance on helicopters in Australia?

Mr Byron—I might ask our expert in that field, Mr Edwards, to address that.

Senator BUCKLAND—Did you want the question again, Mr Edwards?

Mr Edwards—Yes, please.

Senator BUCKLAND—What process is involved in the issuing of maintenance authorities to licensed aircraft maintenance engineers, or LAMEs, employed to carry out maintenance on helicopters in Australia?

Mr Edwards—The process is essentially the same for all aircraft. To be a qualified person and therefore eligible for a licence, a person must pass certain examinations, in other words, have knowledge. They must demonstrate that they have had working experience within the industry for the rating or the licence that they are applying for. We evaluate that experience, establish it against historical known data and if we are satisfied that the range of experience covers the privileges that the licence will allow, we can then, to an eligible person, issue a licence.

Senator BUCKLAND—That is, issue a licence on top of or an endorsement to the licence that they already have or a separate licence?

Mr Edwards—A licence is issued initially, and ratings can be attached later on, but a similar process is required.

Senator BUCKLAND—You say 'we'—that is, CASA—are responsible for allocating the maintenance authorities or their licences?

Mr Edwards—We issue the licences.

Senator BUCKLAND—Who makes that decision?

Mr Edwards—The assessment is done by our airworthiness inspectors, so officers of CASA.

Senator BUCKLAND—By CASA inspectors?

Mr Edwards—Yes.

Senator BUCKLAND—Above the training of an ordinary aircraft mechanic and the experience that they gain, what additional training and experience do they need—that is, to get these endorsements?

Mr Edwards—You do not necessarily need more; it is just different. You can qualify for issue of a helicopter licence without ever having an aeroplane licence. We treat them differently. There are different educational requirements.

Senator BUCKLAND—The engines are basically the same; they just work a little bit differently.

Mr Edwards—There is a little bit of difference at the back end. A gas turbine engine, for example, is a gas turbine engine.

Senator BUCKLAND—Yes. What ongoing training is required by the LAMEs to ensure the currency of their maintenance authority?

Mr Edwards—AME licences are renewed every two years, or subject to a two-yearly renewal, and the obligation on the holder is that they must have worked for at least six months in the preceding 24 months. They make an equivalent of a statutory declaration to that effect when they apply for renewal. If they satisfy that requirement, we will renew.

Senator BUCKLAND—So just by application. If they apply to have their licence renewed or their authority renewed, are there any practical or classroom assignments that they have to complete?

Mr Edwards—No, not if the privileges of the licence have remained the same. If they have established to us that they are qualified in the first instance, provided that they maintain recency by regular involvement in the privileges that their licence bestows, and they do that by six months in the preceding 24 months of actual activity, then there is no extra knowledge required. There are associated obligations on employers to ensure that their staff are kept current with minor changes in the workplace or technological shift. If a new helicopter comes along, we may well require a new rating that requires specific knowledge, but if they are using the rating that they have in the field in which they are employed then there is no extra knowledge.

Senator BUCKLAND—How can the owners of the companies that the engineers would be working for prove that they have passed on the instructions that are handed down to maintain and upgrade the skills as required?

Mr Edwards—I am not quite sure—

Senator BUCKLAND—If I own a company and I have got two mechanics working for me and there is a requirement for me to ensure that those mechanics have all of the information and everything is passed on to them that is handed down from CASA, what auditing is done to ensure that that is happening in the workplace?

Mr Edwards—Our compliance division does schedule a routine audit program and follow that up. There are obligations under the regulations for licensed engineers to use up-to-date data, the appropriate data, and it must be kept up to date. That is an obligation on the individual to use up-to-date data. There is also an obligation on the employer, the approved organisation, to provide that data. Through our entry control processes we would establish

that they had access to it and are generally speaking to a revision service from the manufacturer or the other appropriate areas that data might come from and we would audit routinely that their systems are in place to maintain their data in the most up-to-date fashion.

Senator BUCKLAND—This question you will probably know off the top of your head but you might need to take it on notice: how many maintenance authorities have been issued for helicopter maintenance in each of the past five years in each of the states and territories?

Mr Edwards—If I said 26 you would not believe me.

Senator BUCKLAND—No, I would not.

Mr Edwards—I will take it on notice.

Senator BUCKLAND—That is fine. I thought you might. It is nice to know you struggle sometimes. Audits carried out on helicopter maintenance companies assessing the training qualifications of engineers undertaking work on helicopters: is there anything you wanted to add to that in terms of the auditing of the companies that are carrying out maintenance?

Mr Edwards—No. It is actually not quite my area of expertise. The compliance division manages the audit program. I have spoken generally about that. I am in the standards division in town. Generally my answers cover what we do, but I could not give you specifics.

Mr Byron—If there is anything specific to do with our compliance activities that you would like to know, we can address those.

Senator BUCKLAND—What I would like to know is if the audits are planned or if they are unplanned—spot checks.

Mr Edwards—We have the capacity for either, depending on risks and indicated risks and known changes within the organisation. We may trigger an unplanned audit on a number of bases.

Senator BUCKLAND—While you are delving through the information to get that other question you took on notice, could you add to that the number of planned and/or unplanned audits that have been carried out in the past five years in each of the states and territories.

Mr Edwards—In helicopter maintenance?

Senator BUCKLAND—In helicopter maintenance, yes. Who undertakes the compliance audits? Are they the federal CASA officers or state based?

Mr Byron—They are normally personnel based in the area offices for general aviation located in most of the states and territories. We have a range of expertise at each location: flying operations inspectors, airport inspectors, airworthiness inspectors. They are generally the ones that conduct the scheduled audits in their patch, if you like. Where we do risk based audits, which are part of the mix and they are not predictable because they obviously flow from assessed risk, that sometimes involves people from the central office or other area offices where necessary. There is likely to be an increase in the number of risk based audits that we conduct from the new 1 July audits.

Senator BUCKLAND—In relation to the risk based audits, with the fires that we seem to be having a lot of in recent years are audits more pronounced? Are there more audits during

those periods when there is a lot of helicopter use during those periods? Is there a need for that or is it something that really does not account for much?

Mr Byron—This is an issue that is fairly dear to my heart. I think that it is fair to say that what I have asked the compliance division to do is to come up with a way in which we can increase our risk based audits—there needs to be some science behind that, and we are working on not only compliance information but from other sources as well—to not necessarily be predictable in the way we are going to conduct those audits. One of the tasks I have set the compliance area of CASA is to increase the amount of time that an inspector has of his total working time conducting surveillance activities in the field. This will enable us to move towards more risk based audits.

The flip side of that is that where we have operators who do not demonstrate an ongoing significant risk because of their compliance, their attitude or their behaviour and the end safety result, we can probably then say, ‘Well, we do not need to be doing scheduled audits to the same degree as other operators who are perhaps, as we see it, a greater safety risk.’ With the gap that that throws up in resources then we are able to get out and do more risk based audits. That is really what I want to move towards. In the end, if you like, it is more time on the tarmac for our people doing the sort of thing in the field.

Senator BUCKLAND—I understand that planes have scheduled and mandatory maintenance schedules, but it just appears to me during those periods that the aircraft are operating in really extreme circumstances and for very long periods. I wonder if that changes the way you operate.

Mr Byron—At the moment I would say that that is not an ingredient in planning the scheduled audit program. If there are good reasons why activity leads us to conducting certain types of risk based audits, that is part of the mix that I would like to see, yes.

Senator BUCKLAND—At the end of the day who do the CASA operators, be they state based or federally based, report their audit findings to?

Mr Byron—Each of their locations has an area manager. Each area manager in general aviation reports through to the general manager for general aviation operations in the compliance division and then that person reports to the Executive Manager, Aviation Safety Compliance.

Senator BUCKLAND—Are you able to tell us how many circumstances of non-compliance have resulted from the audits over the past five years?

Mr Byron—We could take that on notice. That is a fairly detailed question.

Senator BUCKLAND—I would have thought you would have that at your fingertips, but I am happy to wait. What processes are in place for dealing with cases of non-compliance in relation to training and qualifications?

Mr Byron—Are you saying non-compliance in relation purely to training and education?

Senator BUCKLAND—Yes, training and qualification.

Mr Byron—A compliance audit will look at a range of issues. If it is a risk based audit that is targeting a particular area relating to qualifications, it will be a targeted audit in that area,

and we are moving towards that field now. But in terms of a normal scheduled audit, if it throws up compliance concerns that relate to qualifications, then there would be a requirement for the operator to address those particular issues and there would be a process of evaluation by CASA before it is signed off. Of course if it is not signed off, there is an escalation process within CASA.

Senator BUCKLAND—How often is the training and compliance system for maintenance authorities reviewed?

Mr Edwards—It is not actually identified as a separate issue by and large. The organisation, when it is approved, must have a complement of qualified people. Then there is an obligation to keep those people up to date with work processes that might change or minor technological stuff. We would not audit necessarily just the qualifications of individuals. We may well in a general audit of the maintenance organisation—integrate is too strong a word—discuss individuals within the company. But our contact with the company is not just through audit. We know who is coming and going generally speaking, anyway. We would have a picture of who is there and who is qualified and who is not. If we did not believe there were enough qualified people, we would not be targeting the individuals; we would be looking at the company and its structure.

Senator BUCKLAND—Can you tell me when was the last time such a review or get-together with a company was carried out?

Mr Edwards—We would be able to get back to you if we knew the company, yes.

Senator BUCKLAND—Okay.

Senator O'BRIEN—Can we go to Airservices Australia now? There will be some questions we will put on notice for CASA, but there are some time pressures.

[5.54 p.m.]

CHAIR—Thank you very much to Airservices Australia. I understand someone may want to make an opening statement. Is that correct?

Mr Bernie Smith—Yes. I thought that perhaps, given the interest in the NAS and what is going on, it might be worth while making a statement clarifying a few issues to begin with. The committee would be aware from a media statement by Airservices Australia that it has found a problem with the process used to put in place the changes to airspace implemented on 27 November 2003. Airservices wishes to put the following information on the record for this committee in order to clarify issues which we expect are of interest to it.

Airservices has a statutory responsibility to consider and approve changes to airspace design and management. In managing change, either on a day-to-day basis or in relation to reforms such as NAS, Airservices is always in a position where risks exist and need to be managed. This is clearly an integral part of the business that we are in. In considering such changes, Airservices takes very seriously its obligation in regard to safety as the primary consideration. Airservices has recently formed the view that its process for considering the changes on 27 November 2003 may not have properly discharged all its responsibilities under the act. The nature of the gap in our process relates, firstly, to the extent to which Airservices may have relied on the work of other parties—the Civil Aviation Safety Authority, the

Aviation Reform Group, the National Air Space Implementation Group as examples—rather than its own comprehensive research and analysis. And secondly, to the way in which we chose to manage an identified risk related to the implementation of class E airspace.

The first issue is now being addressed by Airservices commissioning a full and comprehensive review and validation of the safety premises which underpin the NAS reform. This will take the form of a design safety case of the full NAS reform program. The second matter involves undertaking a more extensive risk analysis of the changes implemented last year. This review, which will be undertaken over the next three months, needs to be seen in the context of the Australian Transport Safety Bureau recommendations on the Launceston incident. At that point the board will decide the extent and the need for any change to the current E airspace. Despite media speculation, Airservices continues to have insurance policies in place and there are no new operational risks that were not known when the decision to implement the changes was taken. The sorts of enhancements the board will be asked to consider after a full safety assessment involve changing certain portions of E airspace. The calls for reversal of some of the reforms implemented last November must be seen in the context that any change, even going back, carries risks. Airservices must properly assess all of this before making a final decision on the most appropriate way forward. That completes my statement.

CHAIR—Are you personally are in favour of the changes?

Mr Bernie Smith—In favour of the NAS? We believe that airspace reform is a positive thing for Australia.

CHAIR—So you are privately supportive of it?

Mr Bernie Smith—I am supportive of the NAS changes in general.

Senator O'BRIEN—The *Australian* quotes an Airservices spokesman on 6 February as saying, 'It is proposed to change significant parts of the airspace system.' Are you aware of those comments?

Mr Bernie Smith—No, not directly. There have been a number of comments of a similar nature.

Senator O'BRIEN—It is Steve Creedy's article in the *Australian* business news of 6 February which begins,:

Airservices Australia is considering how it can roll back controversial airspace changes slammed by commercial pilots and air traffic controllers as unsafe.

It goes on to talk about Airservices investigating airspace architecture associated with the changes, particularly around non-radar airports such as Launceston, and it quotes Mr Dudley as saying:

This work has included short-term contingency planning, identification of options and hazard identification workshops with both pilots and controllers. Mr Dudley said the latest of those workshops was on Wednesday and looked at an option involving the temporary reclassification of class E to class C and the identification of hazards and the risk mitigation for that option.

Does that reflect what Airservices is looking at?

Mr Bernie Smith—What that article I think refers to—and I can only speculate on what is meant by newspaper articles—is that there was a workshop held in Sydney to look at one option that we were considering at that time. That involved a significant rollback. I think that is the workshop to which they are referring. We did stress at that workshop that that was only one of a number of options we were considering.

Senator O'BRIEN—Can you outline the proposed airspace model that Airservices proposed at the hazard identification workshop on 4 February?

Mr Bernie Smith—No, I do not have details of that. It was looking at rollback, though, of E airspace basically to C.

Senator O'BRIEN—Is there some document which will tell us what was considered at that workshop?

Mr Bernie Smith—It was a hazard identification workshop and, yes, we would have recorded the hazards. I would have to take that on notice to see whether there is a document that sets out exactly what was said.

Senator O'BRIEN—If there is, could the committee have a copy?

Mr Bernie Smith—Certainly.

Senator O'BRIEN—The acting chairman's media statement on 16 February simply talks about a review having been undertaken which has identified a number of safety enhancements for the immediate implementation. It does not actually talk about the proposal to convert certain E class airspace to C class airspace. Do you know why that was?

Mr Bernie Smith—Do I know why it was—

Senator O'BRIEN—Why he did not specify—

Mr Bernie Smith—I thought he did in general terms.

Senator O'BRIEN—The review of E class airspace, it says. I thought you were talking about—

Mr Bernie Smith—Air Marshal Fisher said that the board had also agreed to options to be tested over coming months to further improve airspace.

Senator O'BRIEN—I wondered why he did not specify a full list of measures proposed for immediate implementation.

Mr Bernie Smith—I would suggest that the air marshal considered that he had adequately covered the thing. It was not meant to be a detailed document but rather to give people an indication of where we are heading.

Senator O'BRIEN—Could you recite now the complete list of measures for immediate implementation?

Mr Bernie Smith—We have not yet put them to the minister. We will be doing that the day after tomorrow. So we should hold our powder until then.

Senator O'BRIEN—Is the measure for more portable radar referring to the ADSB—automatic dependent surveillance broadcast?

Mr Bernie Smith—No, it is not.

Senator O'BRIEN—So where the acting chairman says that the board has agreed to options to be tested over coming months to further improve safety, they are the matters you are going to discuss with the minister on Thursday? Is that how we should understand that?

Mr Bernie Smith—I do not think he said to further improve safety.

Senator O'BRIEN—Airspace—yes, you are right.

Mr Bernie Smith—I am sorry; I missed your question.

Senator O'BRIEN—Are the options to be tested over the coming months to further improve airspace the matters you will be discussing with the minister when you meet with him on Thursday?

Mr Bernie Smith—No, the matters to which I was referring there are the matters that come out of the ATSB recommendations into Launceston. The other matters that we are talking about here are the ones referred to in my statement.

Senator O'BRIEN—Why did the chairman of Airservices, Mr Forsyth, resign?

Mr Bernie Smith—That is something that he discussed with the minister. I could not comment on that.

Senator O'BRIEN—When did he tender his resignation?

Mr Bernie Smith—He tendered it a matter of days ago. I think that it was last Friday. It may have been Thursday.

Mr Grant—I have a letter from the minister's office, which I cannot lay my hands on right now, that sets out the timing of what happened in relation to the resignation. Perhaps I could find that letter and give you the timing later? We did not process the resignation; it was between the minister and the chairman.

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

Mr Grant—The letter from the minister's office? I would like to just talk to Peter Marchi in the office just to make sure that there is no problem for that. It is a matter for the office, I think, but from our point of view it simply records the process.

Senator O'BRIEN—Okay. So the resignation letter went to the minister?

Mr Grant—Yes.

Senator O'BRIEN—Mr Smith, you have today acknowledged that certain governance obligations in relation to the changed airspace system may not have been met by Airservices. On 11 February the *Australian* reported that Airservices had admitted that it had botched the introduction of the airspace changes last November. You are quoted as saying that Airservices acknowledges that it made a mistake in terms of the process it followed to implement the proposed changes. Can you define precisely what went wrong with the process?

Mr Bernie Smith—Yes, there are two elements to it. The first was that we relied, as I said in the statement, on the views of CASA and other bodies rather than undertaking analysis ourselves of some elements of the NAS. So whilst we perform safety cases, those safety cases said, 'Okay, we are happy this is fine, because CASA have checked it all and they are okay

with it.' Again, that was in turn on the basis that it was an accepted practice in the United States. With the benefit of legal hindsight, that was not appropriate. We should have done a full analysis ourselves.

Senator O'BRIEN—The media report on 11 February suggests that the faulty process may have affected Airservices' insurance coverage.

Mr Bernie Smith—I did refer to that in my statement. Our insurance is valid.

Senator O'BRIEN—So the story that I have been given today that your insurance has been cancelled is incorrect?

Mr Bernie Smith—That is incorrect.

Senator O'BRIEN—Did Airservices take legal advice on the processes followed to approve stage 2b?

Mr Bernie Smith—Before we commenced 2b, do you mean, or after?

Senator O'BRIEN—Both.

Mr Bernie Smith—Not to my knowledge before—yes, after.

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

Mr Bernie Smith—The advice may well contain commercially sensitive information. Would you mind if I have a look at that to see if I can do that?

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

Mr Bernie Smith—Thank you.

Senator O'BRIEN—Did Airservices receive any advice on the insurance implications of the different risk levels associated with the introduction of NAS stage 2b?

Mr Bernie Smith—Not to my recollection.

Senator O'BRIEN—Has Airservices and its insurer corresponded over the introduction of the national airspace?

Mr Bernie Smith—Certainly.

Senator O'BRIEN—Since November?

Mr Bernie Smith—Yes.

Senator O'BRIEN—On what date did Airservices become aware of the problem with governance and process with regard to the implementation of the NAS?

Mr Bernie Smith—We first decided to have a look around, I think, 11 December and it was at that time we started a process. That was the early stage of it when we said, 'Maybe we had better have a look at this'. We then sought advice and that took some weeks to complete.

Senator O'BRIEN—When was the minister informed that there was a problem with the process and the arrangements?

Mr Bernie Smith—It was on the completion of that advice—some time in January.

Mr Grant—I believe that the chairman advised the minister on about 30 January, but we had alerted the department earlier in January to the fact that we were getting advice from external legal sources.

Senator O'Brien—Who in the department was alerted—Mr Matthews?

Mr Grant—I had discussions with Mr Dolan.

CHAIR—I point out that the Senate and Senate committee shall not entertain any claim to withhold information from the Senate or a committee on the grounds of commercial-in-confidence unless the claim is made by a minister and is accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from the disclosure of information.

Senator Ian Campbell—I think we were referring to legal advice which, I think you will find, is subject to privilege. It is a matter for the board of Airservices Australia, I imagine.

Senator O'Brien—Did the chairman inform the minister by telephone call or did he write to him?

Mr Grant—It was by telephone.

Senator O'Brien—Have officers of Airservices met with the minister since that advice was provided to the minister?

Mr Bernie Smith—Yes.

Senator O'Brien—Could you give me the dates, the times and who attended?

Mr Bernie Smith—I will take that on notice.

Senator O'Brien—Is Airservices exposed to additional risk following the introduction of stage 2b of the NAS?

Mr Bernie Smith—The fact that we did not follow the processes that we are legally required to certainly is something that poses a potential risk to the organisation. That is in terms of the corporation itself, not in terms of the NAS.

Senator O'Brien—You have obviously had discussions with your insurer about that?

Mr Bernie Smith—Yes, we have.

Senator O'Brien—And the insurer is happy to accept that additional risk without additional coverage?

Mr Bernie Smith—We have various insurance policies. The need with insurance is disclosure. Under the terms of insurance arrangements, as with most insurance arrangements, it is important that we disclose risks. We have undertaken to do that. The insurers have thanked us and said we shall proceed as we are. They do not have a claim before them.

Senator O'Brien—They have not cancelled your policy?

Mr Bernie Smith—No, they have not.

Senator O'Brien—They have not endorsed it to exempt them from covering risks arising from that action?

Mr Bernie Smith—No.

Senator O'BRIEN—Is your view that Airservices is at some risk because of the processes it did not follow with the NAS based on particular legal advice?

Mr Bernie Smith—It is an opinion I have formed after taking legal advice and after talking to people within the organisation and outside.

Senator O'BRIEN—The ATSB recommendation in the review of the December Launceston serious incident stated:

The ATSB recommends that the Civil Aviation Safety Authority, in consultation with Airservices Australia and the NAS Implementation Group, review NAS procedures and communications requirements for operations in Class E airspace ... The review should include examination of, and where necessary revision and updating of, education, training and chart frequency material.

We have already heard some of the outcomes of Airservices' response to this. How is the review actually being conducted?

Mr Bernie Smith—As with most of these things, we have a director of safety and environment assurance. It is they who lead such a review. We also had the benefit of an ATSB investigation. We took notice of both our internal and external results.

Senator O'BRIEN—Will the review look at the internal processes of Airservices and its relationship with stakeholders to look at how errors and mistakes happen?

Mr Bernie Smith—No, that is not planned.

Senator O'BRIEN—When the review is concluded, will a report be made public?

Mr Bernie Smith—We are not doing a review of our internal processes per se. We know where the holes are. When we draw a breath, we will sit down and see what we need to do about this. What we are doing, and what I referred to in the statement, is having a holistic look at the NAS. We will have a full look at it and do a design safety case and determine whether it meets our safety management requirements.

Mr Grant—The process of doing the design safety assessment might involve hazard ID workshops which involve consultation with stakeholders—pilots, air traffic controllers; all sorts of users of the system. If that is what you are getting at in terms of the consultation, it is certainly part of that process at an expert level.

Senator O'BRIEN—The NAS actually has 50 parts; has Airservices approved each of the stages?

Mr Bernie Smith—Has Airservices approved each of what stages?

Senator O'BRIEN—Has Airservices approved each of what are said to be 50 parts of the National Airspace System?

Mr Bernie Smith—No, we have not.

Senator Ian Campbell—The process is that the safety cases and the implementation cases are to be made one stage at a time. I think what Mr Smith has said is that, as a result of the review process and the challenges thrown up by the governance and the process issues, they are going to look at the NAS as a whole.

Mr Bernie Smith—That is correct, to see whether it meets our criteria.

Senator Ian Campbell—The government welcomes that. We think it is a good approach.

Mr Bernie Smith—We at Airservices are not responsible for reviewing a number of aspects of the NAS. Some are regulatory in nature and some are airspace in nature.

Senator O'BRIEN—So you are only doing the airspace ones?

Mr Bernie Smith—Correct. The ones that relate to Airservices.

Senator O'BRIEN—And the others lie with CASA itself?

Mr Bernie Smith—That is correct.

Senator O'BRIEN—Have you or a former chairman had any discussions with Dick Smith about these proposed changes that you are going to talk to minister about on Thursday?

Mr Bernie Smith—No, I have not discussed them with Dick Smith. I cannot speak for my chairman or former chairman.

Senator O'BRIEN—So you do not know whether those discussions have taken place?

Mr Bernie Smith—No.

Senator O'BRIEN—But they have not to your knowledge or with you directly?

Mr Bernie Smith—No. I thought there may have been an occasion but that is not the case.

Senator O'BRIEN—Going back to your insurance coverage, will the insurance premiums change to cover the extra risk?

Mr Bernie Smith—We would not know that until the next round. I doubt it. The basic view, put in simple terms of our insurance, is that nothing has happened that changes the fundamental cover that we have. The normal thing with insurance, as you probably know, is that it relates to when you crystallise a risk and they have to pay money out. That has not happened, but whether they take a different view next year we will not know until we enter into the next round.

Senator O'BRIEN—So the insurer at no stage suggested they would withdraw or limit your coverage?

Mr Bernie Smith—Not to my knowledge.

Senator O'BRIEN—Who would know?

Mr Bernie Smith—I would have been told. I am satisfied that is not the case.

Senator O'BRIEN—Could you identify for us the parts of the National Airspace System that Airservices is responsible for—that is, the airspace changes?

Mr Bernie Smith—We have a dual function at the moment. One is regulatory, and that is that we are required to manage and regulate airspace. The other is as a service provider, where we provide separation services and other flight information services and so on to aircraft within that airspace. That is a general explanation.

Senator O'BRIEN—Is it possible to have it more specifically identified? I accept that would be on notice, but could you supply us with detail of the parts of the proposed National Airspace System that falls within the responsibility of Airservices?

Mr Bernie Smith—Yes, no problem.

Senator O'BRIEN—Thank you for that.

Mr Bernie Smith—That is as we know it today, by the way. It is not yet fully set in concrete.

Senator O'BRIEN—I cannot require you to have a crystal ball. Can you update us on the number of breaches of the noise curfew at Sydney airport over the last year?

Ms Addison—Unfortunately I do not have the data on the curfew breaches with me this afternoon, so I will have to take it on notice.

Senator O'BRIEN—Okay. If you can provide that information it would be good.

Ms Addison—The details of breaches in terms of Sydney are tabled in accordance with the curfew act, but I am happy to provide them.

Senator O'BRIEN—If you tell us what the reference is—

Ms Addison—To clarify, are you talking about the dispensations for the curfew?

Senator O'BRIEN—I was talking about the breaches, but dispensations would mean there was not a breach, I suppose.

Ms Addison—That is correct, Senator. So there have been no breaches, but dispensations have been granted in terms of planes arriving after the curfew at various airports that have curfews imposed.

Senator O'BRIEN—What about the 80 movement per hour limit? Have there been dispensations granted for—

Ms Addison—Dispensations are not granted in terms of the 80 movement cap. That is managed through the slot management scheme. I am able to provide you with the details of the reports of the slot management committees.

Senator O'BRIEN—Thanks; do you mean on notice?

Ms Addison—On notice, Senator.

Senator O'BRIEN—Has the minister received the draft Sydney airport master plan?

Ms Addison—Yes, he has. It was received on 23 December.

Senator O'BRIEN—Everything is happening. In what way, if any, did the final master plan submitted to the minister differ from the draft that was issued for community consultation?

Ms Addison—I would have to take that on notice.

Senator O'BRIEN—Will the version of the master plan received by the minister be released?

Ms Addison—The general arrangements under the Airports Act are that the minister has 90 days to consider the revised draft that is put before him. If the minister approves it at that time, the airport is required to publish the document 90 days after the minister's decision. If the minister were not to approve it, they would have 180 days in which to resubmit, the

minister would reconsider and then the 90 days would kick in, if and when the minister approved it.

Senator O'BRIEN—So if the minister did not approve there would be no release of the master plan?

Ms Addison—No, not at that time, because if the minister were to approve it he would advise the airport on what basis he did not approve it and the airport would have, under the act, a period of time in which to resubmit the plan. They are only required to publish the final approved plan.

Senator O'BRIEN—Yes. So if he approves it there is a period available for public comment?

Ms Addison—Ninety days and the airport is required to publish it.

Senator O'BRIEN—Is there any capacity to extend that period?

Ms Addison—The period for publication?

Senator O'BRIEN—Ninety days for consultation, yes.

Ms Addison—No. The period of public consultation is entirely within the airport's control, so the Airports Act mandates a 90-day period of public consultation. The airport can, of course, choose to make the period of public consultation longer should they wish to do so, but they are only required to make it available for public consultation for 90 days.

Senator O'BRIEN—So the minister cannot make a decision to extend that consultation on a particular plan for particular reasons?

Ms Addison—No, the act does not give him the power to do that.

Senator O'BRIEN—How many officers are working on preparing the advice to the minister on the Sydney master plan?

Ms Addison—Two and a bit.

CHAIR—What does a 'bit' person look like?

Ms Addison—Me. I have a team looking at it and there are a few members out of that team that are looking at it. Two will look at the complete aspects. One will look at part of it and I, of course, as the person who will sign off the advice to the minister, will review that.

Senator O'BRIEN—So that is about \$50,000 out of your section's budget, is it?

Ms Addison—It does not quite work that way because you are looking at a proportion of people's time over the period that we have it for assessment. So I would have to sit down and do a calculation for you, Senator, but I am happy to do that on notice.

Senator O'BRIEN—Thank you for that. Can you provide me with the criteria that the minister applies in making the decision?

Ms Addison—They are as set out in the Airports Act, and I am happy to provide that for you.

Senator O'BRIEN—Just tell us the section of the act.

Ms Addison—I believe it is section 89.

Senator O'BRIEN—Will the department seek any external opinion or advice in preparing their advice to the minister?

Ms Addison—Yes. Under the act, we circulate the plan to the Department of the Environment and Heritage to CASA and to Airservices and we seek their commentary on the draft.

Senator O'BRIEN—So you circulate the whole plan or just parts of it?

Ms Addison—No, I circulate the whole plan.

Senator O'BRIEN—Will the department itself or via external experts make a separate independent assessment of the projected aircraft and passenger movements over the life of the master plan?

Ms Addison—It is not our intention to do so. It is not usual practice for us to do that with respect to any of our assessments.

Senator O'BRIEN—So you will rely upon the airport's assessment?

Ms Addison—That is correct. We will review that assessment, but yes.

Senator O'BRIEN—So in the public consultation period, if that assessment is challenged, what rights has the minister to revisit his decision?

Ms Addison—If I could go back to the process: the airport produces a preliminary draft master plan that goes out for public consultation. If people wish to provide comment during that time, the act provides that the airport respond to that commentary. So what then is lodged before the minister is described as a draft master plan, because one of the key differences between a preliminary draft and the draft lodged with the minister is the inclusion of the public comment and how the airport has addressed public comment. So the airport is required to address that. Then the minister considers the whole of the draft master plan, including the public comment and how the airports addressed it. If somebody has concerns in the preliminary draft with the forecast and provides commentary to the airport, in the assessment phase we have regard to how the airports address those comments.

Senator O'BRIEN—So does the department have the means and capacity to prepare an independent projection on passenger aircraft movements, say, over the next 20 years for Sydney airport?

Ms Addison—No, we would not have the expertise to do the work on forecasts that the airport commissions itself. The airport has commissioned that work from, as I understand, three parties. IATA Tourism Futures has provided additional data to them and Airservices Australia, I understand, has also provided some data to them. That forms a comprehensive picture of those forecasts. We do not obviously have that kind of expertise in-house. What look at the forecasts and how they are presented in terms of the reasonableness of them.

Senator O'BRIEN—Is it proposed that the minister's review of Sydney's aviation needs be brought forward in conjunction with this new master plan proposal?

Ms Addison—Senator, can I refer that question to Mr Dolan?

Mr Dolan—No, Senator. The government as far as I am aware is maintaining its policy that a review will take place in 2005.

Senator O'BRIEN—Is it the case that once the Sydney airport master plan is approved it locks the Commonwealth into airport owner's plans about Sydney's aviation needs for a period of 20 years?

Mr Dolan—Not precisely. Certainly at the time a plan is developed that represents the airport owner's plans for the future in reasonably broad terms. The minister's endorsement means that the airport can plan on that basis, but the act makes clear provision for dealing with substantial variations to the overall environment or assumptions. Ms Addison might wish to add to that.

Ms Addison—Only to note that the airports are required under the Airports Act to revise their master plan every five years. As we saw with Melbourne's master plan revised last year, that is an opportunity for the airports to revise their forecasts.

Senator O'BRIEN—When the Commonwealth sold Kingsford-Smith airport, the deal contained a proviso in relation to a second Sydney airport to the effect that the new owner would retain first option to build and operate any future second Sydney airport built within a 100 kilometre radius of the current airport—as I understand it, at least. Are the precise words and details of that sale condition able to be made available to the committee?

Mr Dolan—I would have to confirm that there was nothing in the document itself in terms of an agreement that would prevent us making it available. I am not aware of any such thing but I would have to check. So in principle yes, it should be able to be made available. I want to confirm that there is nothing in the sale agreement that would cut across that, if I could take it on notice.

Senator O'BRIEN—There is only one agreement, is there?

Mr Dolan—Yes, there is only one sale agreement which has a clause in it that refers to what is called 'the right of first refusal for the second Sydney airport'. It is approximately a four-page clause, so it is perhaps not best to describe it in those terms.

Senator O'BRIEN—It is not a veto power, is it?

Mr Dolan—No.

Senator O'BRIEN—They just have first option.

Mr Dolan—Yes, and it sets out in some detail how and in what circumstances that first option can be exercised and when the circumstances have reached a stage where the option is no longer available.

Senator O'BRIEN—Do you know whether it means that, even if they chose not to build it, they would have the right to operate it?

Mr Dolan—I have not looked closely at the details of the clause recently, so I would be relying on memory. I would like to take that on notice. If we provide you with the clause, you will have the answer in that.

Senator O'BRIEN—If you can supply the clause, it may answer all the questions. If you cannot supply the clause, perhaps you could answer the question. To construct an airport with 100 kilometres of the KSA, does the builder, the owners of Sydney airport or some other person require Commonwealth approval?

Mr Dolan—Commonwealth approval would be involved if some state or private body were to undertake that. The approvals would largely relate to the Civil Aviation Safety Authority and their licensing of airports. It is subject to normal safety requirements and whatever planning and environmental requirements may be in place for anyone to build an airport.

Senator O'BRIEN—The sale of Sydney basin airports was concluded last November for \$211 million. What role, if any, did the department of transport have in the sale process?

Ms Chilvers—The department was represented on the steering committee overseeing the sales process and as such was part of the government sales team.

Senator O'BRIEN—Did the department have any role in vetoing or recommending the vetoing of any particular bid?

Ms Chilvers—The department provided advice and input on transport policy issues. It was a consensus approach rather than veto or adversarial.

Mr Dolan—There were effectively two roles which the department played. The first was participating in the sale team and steering the sale process. The second was ensuring that anyone who had a bid complied with the provisions of the airport tax in relation to ownership and control. A regulatory decision process was made in Ms Addison's area at the same time.

Senator O'BRIEN—Did the highest bidder win the tender?

Mr Dolan—The best value for money for the Commonwealth was obtained from the process.

Senator O'BRIEN—But did the highest bidder win the tender?

Senator Ian Campbell—That is a question for finance. I think the press speculation at the time was that the highest bidder was sort of a street ahead of the next bidder, but it is a question for the finance minister. I am going on recollection of reading the paper at the time. I think Alan Jones accused him of paying far too much and then ripping off the flying public by putting their—

Senator O'BRIEN—I thought that was Sydney airport.

Senator Ian Campbell—Sorry. Are you talking about the other one?

Senator O'BRIEN—This is the other airport, Sydney basin.

Mr Dolan—The responsibility is the department of finance in terms of sale and, as Ms Chilvers said, we were providing transport policy advice and so it is a matter that should be referred to that portfolio.

Senator O'BRIEN—So the successful bid was not determined solely on the price offered?

Mr Dolan—There were, as I understand it, published criteria against which the assessment was made in the sale process, one of which was meeting government transport and other aviation policy objectives.

Senator O'BRIEN—Was transport experience relevant in considering the offers?

Mr Dolan—Ms Chilvers is probably more familiar with the criteria that we used for assessment than I.

Ms Chilvers—Sorry, Senator.

Senator O'BRIEN—Was transport experience or involvement in the transport industry relevant in considering the bids?

Ms Chilvers—There were criteria that were relevant to transport and the active bidder to operate airports. I cannot remember the criteria precisely, but perhaps we could provide those to you later through the on notice process.

Senator O'BRIEN—Okay.

CHAIR—Thank you all very much. We will resume at 8 o'clock.

Proceedings suspended from 6.45 p.m. to 8.00 p.m.

Senator BUCKLAND—We were dealing with the sale of the Sydney Basin airports just prior to the break. I will continue on from Senator O'Brien. He asked you about the determination of the successful bidder based solely on price, not on other considerations and who made them. The buyer, as I understand it, is BaCH Airports Consortium comprising the Commonwealth Bank, the James Fielding Group and Toll Holdings. Is that the group?

Ms Chilvers—Yes. The bidders involved were the Commonwealth Bank and the James Fielding Group. Toll Holdings were characterised as being a sponsor.

Senator BUCKLAND—Is there anyone else?

Ms Addison—The consortium that purchased the Sydney Basin airports had within it another body called Devco. James Fielding was the principal of that entity. The way in which the consortium wished to operate, however, was through an airport management agreement. So the structure of the bid involved putting forward a proposal for an airport management agreement which the Minister for Transport and Regional Services was required to approve under the Airports Act. So the bid structure was a bit different as it was the first time we have had one of those kinds of arrangements.

Senator BUCKLAND—You said that Toll Holdings was a sponsor. What is the difference between a sponsor and someone who is going in as a partner to these arrangements, do you know?

Ms Chilvers—Toll Holdings did not actually contribute to the financial arrangements but were a party to the bid. I think they were later going to have an investment on the airport. Perhaps I could take it on notice to clarify it for you.

Senator BUCKLAND—Yes. I would like it clarified. Did BaCH group, the consortium, receive any favoured treatment because of their connection with Toll and Toll's obvious expertise in the area of transport?

Ms Chilvers—The bid was evaluated according to the criteria laid down and made public.

Senator BUCKLAND—It just strikes me as very odd that you have said they were a sponsor. You are going to try and clarify that for me. If I take them out of the equation, James Fielding Group and the Commonwealth Bank would be lacking in expertise from my knowledge of them—and I could well be wrong—in terms of major transport operations. That makes the connection of Toll Holdings to the group very important.

Mr Dolan—One of the relevant criteria for consideration in the assessment of the bids was the capacity to appropriately manage an airport, the capacity of a bidding group as a whole. Whatever expertise they might bring to bear as either financial contributors or as partners of various sorts in the operation would have been relevant to considering that particular element of the assessment.

Senator BUCKLAND—Thank you. I would still like that information just the same. Hoxton Park Airport has an assured lease and will convert to freehold after about five or seven years. Why was that decision made?

Mr Dolan—That was a decision of the government, not one made by the department.

Senator BUCKLAND—Has the Department of Transport and Regional Services imposed any obligations on the new owners to retain Camden and Bankstown as operating airports?

Mr Dolan—The leases to the airports require that the owners maintain and operate them as airports for the term of the lease.

Ms Addison—That is also the case for Hoxton Park. It is required by the owners to be operated as an airport until the expiration of the lease and the conversion to freehold.

Senator BUCKLAND—Are there any provisions for renegotiating or extending the leases?

Ms Addison—For Bankstown and Camden?

Senator BUCKLAND—Bankstown, Camden and now Hoxton Park.

Ms Addison—I will just deal with Hoxton Park. Hoxton Park, as you noted, was sold with a shortened lease which enables a conversion to freehold. The conversion to freehold can take place after five years or there can be an extension to seven years. Thereafter it will be freeholded. In the case of the two other airports, they have been sold under the lease terms 49 plus 50 and then they revert to the Commonwealth.

Senator BUCKLAND—Can you tell me what date the draft master plan for the airports is due?

Ms Addison—It is required to be lodged 12 months after the sale, so that will be 15 December this year.

Senator BUCKLAND—Will the three airports, taking out Hoxton Park—that is, Camden, Bankstown and Sydney—be on a single master plan, or will they each have a separate one?

Ms Addison—No. They will be required to have separate master plans, one for each airport.

Senator BUCKLAND—Can you advise the committee of the costs of selling the three airports?

Ms Chilvers—I would have to take that on notice. You may wish to direct to Finance the costs that they incurred. I could give you some figures for our department's costs, but you would have to direct it to the Department of Finance and Administration to get the total figure.

Senator BUCKLAND—Okay. My next question may well need to go that way. Based on that, you will need to take it on notice if you can answer it. I would like a breakdown of what went to each participant in the process. In other words, what went to people like Gavin Anderson and Co., Caliburn, the Australian Government Solicitor et cetera.

Mr Yuile—Can I suggest for convenience and efficiency that those questions be directed to the Department of Finance and Administration as the leader of the sale process. That would be the best way to go.

Mr Dolan—Not merely as the leader of the sale process. They were actually responsible for the engagement and payment of those parties. So it is not something that is our responsibility.

Senator BUCKLAND—Okay. Thank you. We talked about the \$211 million earlier. Can you give us a breakdown of all the deductions of the \$211 million and who gets what?

Ms Chilvers—Again, that is really a matter for the Department of Finance and Administration.

Mr Dolan—At this point it might be useful to clarify the roles of the various parties in the sale process. Responsibility for the sale of Commonwealth assets, including shares in the airport companies involved, is with the Department of Finance and Administration. The department was involved in the process and provided appropriate advice and participated in it. But the responsibility is with another portfolio, so we are not really in a position to answer those sorts of questions.

Senator BUCKLAND—You would be in a position, would you not, to provide us with a list showing what each airport fetched at sale and the costs for the sale of each airport. You must have some idea of that.

Mr Dolan—I have some idea of that, but it is no level of detail. The proceeds of the sale, the costs of the process and all of those sorts of issues are explicitly with the finance department for that portfolio.

Senator BUCKLAND—All right. I think we will just leave that point and take it elsewhere. I am sure we could spend some time trying, though. I will turn to the Point Cook Airport sale. Is DOTARS involved in the process of selling Point Cook Airport?

Ms Addison—No, we are not. The Department of Defence is responsible for that process.

Senator BUCKLAND—Are you able to help me here a little by giving me a time line for that sale?

Ms Addison—Unfortunately, no, I am unable to assist with that. The department had been involved in a steering committee which was established a couple of years ago to look at a disposal strategy for Point Cook. But in terms of the decision, once the decision was taken for the freehold sale, we were not involved in the process at all. It is entirely a matter for the Department of Defence.

Senator BUCKLAND—As a result of your involvement and I guess your assistance in providing them with advice and discussions with them, has DOTARS put any caveats on the

sale, that is, requiring it to continue to operate as an airport after the sale by the Department of Defence?

Ms Addison—No. That is entirely a matter for the Department of Defence. Point Cook Airport does not come under the ambit of the Airports Act. However, I am aware that in establishing a framework for the sale process, certain agreements were made about how the sale would proceed with the Victorian government. But that was a matter between the Department of Defence and the Victorian government.

Mr Dolan—To be clear, we have no power to put such a caveat on the sale.

Ms Addison—If such a caveat was in place, the Department of Defence is the party in the position to put such a caveat in place.

Senator BUCKLAND—So what sort of advice or discussions did you have with the department?

Ms Addison—The initial discussions were about the nature of the sale and how they might proceed with management of the airport into the future. As I said, this was some years ago, so various options were considered such as freehold sale, leasehold, bringing it under the Airports Act or not. Those kinds of issues were canvassed in the early part of the process.

Senator BUCKLAND—Did you express views to the Department of Defence about DOTARS' preference or lack of interest in Point Cook continuing to operate as an airport?

Ms Addison—I think it is fair to say that the minister had expressed a view supportive of Point Cook continuing as an airport. My understanding is that the Department of Defence is intending that in the sale process it continue to operate as an airport. That will be the basis on which they proceed.

Senator BUCKLAND—You mentioned the state government's involvement. Where does that come in?

Ms Addison—The Department of Defence formed an advisory committee with a number of members on it. I understand the state government was represented as well as some council members and other interested parties.

Senator BUCKLAND—If the views of DOTARS are picked up by the Department of Defence at the time of sale, what level of operations is it suggested there may be there? Will it be domestic, private or general aviation?

Ms Addison—Currently, as I understand it, it is a general aviation airport and it is intended that it would continue to operate as a general aviation airport. The discussions we participated in in the early part of the process had indicated that in accordance with council's representations through the project steering committee there will be a restriction probably imposed as part of the sale process on the number of movements that can take place. But the intention would be that it would continue to operate as a general aviation airport.

Senator BUCKLAND—Has the department ever researched the capacity and the potential civil aviation uses for the airport?

Ms Addison—Not that I am aware of.

Senator BUCKLAND—When Essendon Airport was sold, there was a requirement that it continue to operate as an airport. Is that right?

Ms Addison—That is correct. Similarly, with the Sydney Basin airports, it is a feature of the leases, yes.

Senator BUCKLAND—Okay. I will move on to the Ansett ticket levy. Do we have the appropriate people?

Mr Yuile—We do not have people here.

Senator BUCKLAND—I understand that we will come to them shortly.

Australian Transport Safety Bureau

Senator COLBECK—I want to ask a few questions about the report that was issued for the incident which occurred over Launceston on 24 December. In the report, under the heading ‘factual information’, the first paragraph refers to known air traffic in the area and the track that the inbound 737 would take to the airport. There was discussion about an agricultural aircraft that was flying to the south of the airfield. The crew of the 737 advised that they could accept a right circuit. The controller advised that the agricultural aircraft would not conflict with the 737 and they could overfly left to the airport. The report states that, at the end of that conversation, the crew of the aircraft acknowledged with their call sign. In the report that was issued to the pilot of the other aircraft, the last line says, ‘The crew of the 737 acknowledged with their call sign and did not specify which option they were taking.’ Why were those words left out of the final report?

Mr Bills—With draft reports, we circulate them to directly involved parties and we take submissions from all those directly involved parties. We also take the opportunity to reconsider the wording of the report and how best to convey the key aspects of the report. We believe those words did not add much. Before the passage that you quoted, that paragraph states that the 737 crew had advised, ‘We’ll be overflying for a left circuit.’ The controller gave them both options, but essentially we believe that the crew acknowledged with their call sign because they had already said that they would be overflying for a left circuit. Hence the additional words just confuse the issue.

Senator COLBECK—Particularly under a new system, would it not be the case—given that there has been discussion about which track you might take—that a final indication or sign-off rather than just a call sign or a direction from the air traffic controller would be given as to which track was actually going to be taken? An acknowledgement of which track would be taken might be used given that you are operating under a new system and, under that system, the air traffic controller may not be aware of aircraft that are in that airspace, as the 737 crew may not be aware of that. That information would have to be important to the other aircraft that was in the area.

Mr Bills—As I said, I believe that the 737 crew had made it clear they would be overflying for a left circuit. When air traffic control raised another possibility, the 737 crew said that they could accept that if they needed to. But the air traffic controller said that they did not need to. As far as we were concerned, the track that they initially said they would take is the one they did take. Mr Stray may wish to add something to that.

Mr Stray—The aeronautical information publication lays down requirements for various things. One of the items is tracking requirements. If an aircraft is flying on a visual approach by day, the requirement is to maintain track and heading on the route progressively authorised by ATC until within five miles of the aerodrome. So at the point where that discussion was taking place, it was well outside that five-mile point. So the expectation should have been that the aircraft was going to continue tracking to at least a point of five miles within the aerodrome on the originally assigned track. So there should not be any expectation that it would diverge from that unless there was a clear additional instruction from ATC.

Senator COLBECK—But the ATC did not give an instruction. The pilot gave an advice as to which way they were going and then a discussion ensued from ATC as to which track they might take, with no final designation as to which track they would take.

Mr Bills—I guess what we are saying is that it was not relevant. At the point of the discussion, it was 29 nautical miles outside the aerodrome. At the point at which the TCAS and then the RA alert went off, it was well outside the five nautical miles that Mr Stray has referred to. Hence, whether it was right or left tracking was not relevant in terms of the track up to that point.

Senator COLBECK—But if we are talking about a new system being in place, where other aircraft may be monitoring that discussion and would need to have a clear understanding of what track the aircraft might be taking, surely the final conversation should be a confirmation of the track. That would have to be a factor in the overall report. It was in the draft report. Obviously, when the report was first drafted, the words were put in there and did not specify which option they were taking. If it is an issue in the draft report—and we are talking about an analysis of an incident under a new air system—surely it should continue through the process and it should be something that should be taken up as part of the recommendations.

Mr Bills—The draft report did not have a fair bit of the text that came before that last sentence. The additional text was put in the final report. I think that is probably the major difference there. Just to reinforce the point you made earlier, based on the AIP, the GA pilot should have been expecting the track to be maintained to within five nautical miles of the aerodrome. So the fact that this TCAS and then RA alert occurred—the RA was about 11 nautical miles out, from memory; Mr Stray will correct me if I am wrong and the TCAS alert was further out than that—there really should not have been an expectation of a change of track

Senator COLBECK—Could you explain to me the process of the TCAS and the RA alert and what the range and sphere of operation of the TCAS system on a 737, for example, would be?

Mr Stray—Broadly speaking, without getting into finer technical detail, TCAS provides an indication on an instrument of where another aircraft is in relation to your aircraft if the other aircraft is equipped with a transponder.

Senator COLBECK—In a complete sphere around the aircraft?

Mr Stray—Well, yes—

Senator COLBECK—Or within a range?

Mr Stray—Within a range around the aircraft. So it may be five miles ahead, 10 miles ahead or whatever and it gets a symbol. The traffic advisory symbol is colour coded. The crew gets that alert; they monitor it. The next alert is a resolution advisory, which in most cases comes up with a slightly different symbol and/or aural alert. There will also be an indication of where the aircraft is in relation to your aircraft. So it may be, say, plus five. That is 500 feet climbing. The voice may say ‘climb’ or ‘increase climb’. That is telling you which way to go or descend to get away from the other traffic. That is, broadly speaking, what it is now. The distance that that alert will come on depends on the equipment on the aircraft. I cannot give you a specific for any individual aircraft, because they vary. It depends on the equipment and how that is calibrated or set.

Senator COLBECK—So what variation in ranges would occur?

Mr Stray—I really could not give you a definitive answer on that. We could take that on notice. There is quite a bit.

Senator COLBECK—Obviously, it must be an important part of the system that there be a reasonable range to the alert. You have a TA and then the resolution advisory. Surely there would be set ranges in which those things would occur.

Mr Bills—I have just checked the figures, and in this case the TA was 14.2 nautical miles north of Launceston and the RA was 11 nautical miles. We know that at the point of the RA the two aircraft were extremely close together. So you can probably work out from that that there is at least a range of at least a few nautical miles in terms of the original alert.

Senator COLBECK—The TA comes up as an audible alarm. Is that right?

Mr Stray—No. It is just a visual alert.

Senator COLBECK—So what time was the TA noticed? Is that information that you have received from the flight recorders or is it information you have received from the pilots?

Mr Stray—The information we got on the TA and the RA came from the flight recorder of the 737.

Senator COLBECK—So obviously the pilots would have picked up the resolution advisory because that gives them an instruction as to action that they should take. Is there any advice from the pilots as to the TA—when that was picked up?

Mr Stray—When the TA took place?

Senator COLBECK—Did the pilots pick up the first alert? When the resolution first came up on the system, did the pilots pick that up?

Mr Stray—Yes, they did.

Senator COLBECK—Why is that not mentioned in the report?

Mr Bills—If you look in the summary—the fifth line down. It says:

As the 737 was descending through about 8,300 ft, at around 1333:53 ESuT, the crew received a traffic advisory ...

Then about 15 seconds later they got the resolution advisory.

Senator COLBECK—Is this in the summary?

Mr Bills—Yes.

Senator COLBECK—And the traffic advisory is the first indication on the aircraft that they get of any other aircraft in the vicinity? There are no other visual symbols that come up before that TA comes up on the TCAS system?

Mr Bills—No.

Senator COLBECK—What action did the crew take between the TA and the RA, in response to the TA?

Mr Bills—I think the crew were trying to sight the traffic, but were unable to do so before they received the RA.

Senator COLBECK—So the traffic advisory does not give any indication of the location of the aircraft?

Mr Bills—It gives an indication, but they still were not able to see the Tobago aircraft. I should just correct something. I will have to check the earlier transcript, but I note from page 6 of our report that the 11 nautical miles and the 14.2 nautical miles referred to the RA sequence. But we will certainly deal with that in the context of taking the question on notice that we have on the operational distance.

Senator COLBECK—So you are not sure about those figures relating to the TA and the RA? You have said 14.2 and 11, but you need to check those. Is that right?

Mr Bills—The report states that after the TA the aircraft's rate of descent was immediately reduced and at about 15 seconds later, at 13.34.08, when the 737 was 14.2 nautical miles north of Launceston, the crew received a TCAS RA decline. The TCAS traffic was almost on the reciprocal track, approximately 11 nautical miles north of Launceston at that time. So it was at the time of the RA that it was about three nautical miles apart and not the time of the TA. So we will have to take on notice the distance through the TA.

Senator COLBECK—Okay. Thanks.

CHAIR—Thank you very much

Senator BUCKLAND—The incident we are talking about is the one that took place on 24 December?

Mr Bills—Yes.

Senator BUCKLAND—Can you advise the committee how much it cost the ATSB to conduct the investigation into that NAS related incident?

Mr Bills—Not tonight, but we will take it on notice and try and make an estimate.

Senator BUCKLAND—Why would it be an estimate? Are there other costs to be added yet?

Mr Bills—We do not record every hour and minute that investigators put into a particular investigation, so we will need to estimate that, and that is the primary cost.

Senator BUCKLAND—Thanks for that. That report contained two recommendations that essentially recommended that the incident be reviewed. One review was to be conducted by CASA and another was to be conducted by Airservices Australia. Is that right?

Mr Bills—Yes.

Senator BUCKLAND—The recommendation suggests that each organisation consult with the other in completing the recommended reviews and that both be required to consult with the NAS Implementation Group. Is that also right?

Mr Bills—There is no requirement. The recommendations are advisory only.

Senator BUCKLAND—I guess, thinking about it laterally, it would make a lot of sense to talk with the NAS group. Are you able to explain why the ATSB saw fit to specify two separate reviews, instead of just having the one?

Mr Bills—That is a standard process in the way we make recommendations, so that we can track the responses independently. All responses that we get to recommendations are posted on our web site. So if we get a response from Airservices Australia, for example, we put it underneath the recommendation to them—and similarly for CASA. If Airservices Australia take the action that we recommend, we will normally close as accepted the action on that recommendation. If we combined the two recommendations, we would have difficulty doing that because one may be open and the other one would be closed. So we separate it really for tracking purposes more than anything else.

Senator BUCKLAND—Does that have the danger of creating duplication, in that the same people will be making comments or submissions to both the inquiries?

Mr Bills—It is a recommendation to have a review, and we have not specified how they should undertake the review. They could do it jointly or singly. Certainly, we are suggesting that they do it in consultation. There is no need and certainly no implication from the two recommendations that there should be two reviews.

Senator BUCKLAND—If the two groups got a phone call one morning that said, ‘Look, we think we could be wasting someone’s time. We’ll do this as one inquiry’, would there be a difficulty with that, do you think?

Mr Bills—No, certainly not. From our point of view, we will be looking to see what safety action was undertaken as a result of the recommendations. As to how it is done, we do not wish to be prescriptive.

Senator BUCKLAND—The NAS Implementation Group would appear to me to be an integral part of this whole process. Could you explain to me then why the NAS Implementation Group was not required to conduct a separate review, the recommendations instead only going to Airservices and CASA, with the suggestion that they consult the NAS Implementation Group?

Mr Bills—Yes. CASA and Airservices both have separate legal powers.

Mr Graham—The regulatory functions in aviation are split. The airspace regulatory functions are with Airservices; the remainder in general are with CASA. So they both have regulatory responsibilities, and that is why we addressed the recommendation to each of them,

along with Mr Bills's comment about the need to be able to track. The implementation group does not have that regulatory power, and that is why we send it to people with the regulatory power.

Senator BUCKLAND—For the two organisations, Airservices and CASA, the recommendation is that they do a review in consultation with each other and involve the NAS Implementation Group. As best I know, they were to review the NAS procedures and communication requirements for operations in class E airspace, with particular emphasis on air transport operations during climb and descent in non-radar airspace, with a view to enhancing situational awareness of pilots operating in that airspace. The reviews, if there are multiple reviews, should include examination of and, where necessary, revision and updating of education, training and chart frequency material. Is there any compulsion on CASA or Airservices Australia to follow that recommendation? You said earlier that they could do it together as one review, but are they compelled in any way to do all those things set out in those requirements?

Mr Bills—None of our recommendations are binding, so there is no compulsion. I believe that both CASA and Airservices earlier indicated that they both were undertaking aspects of the review that is in our recommendation and will be reporting to the minister on Thursday. They will no doubt let us know in due course where they have got to.

Mr Matthews—Both agencies were very willing to act on the recommendations. As it happened, the minister took a decision, in any case, to invite or request those agencies to complete a report within 30 days. As I said, that was something that both agencies were very willing to do.

Senator BUCKLAND—Did any of the agencies—there are three really, if you look at it—make any suggestions or alterations to that recommendation?

Mr Bills—Neither CASA nor Airservices made any changes that I am aware of. The NAS IG were not asked specifically to comment on the recommendations, because the recommendations were not primarily to the NAS IG as it is not a separate legal entity.

Senator BUCKLAND—So they are doing a review. To use a phrase I do not use often, are you being kept in the loop? I think that is the term I should be using.

Mr Bills—In terms of the review?

Senator BUCKLAND—Yes.

Mr Bills—Not in any detail. Our normal arrangement with both CASA and Airservices is that they respond to our recommendations within 60 days. As the secretary said, the minister requested that they respond to him within 30 days. I am sure that both agencies will let us know, after they have informed the minister of where they have got to with their reviews.

Senator BUCKLAND—Have you had any telephone calls, correspondence, personal representations or any other sorts of approaches relating to the air safety occurrence report—from CASA or Airservices or from the minister or perhaps from the Aviation Reform Group or any of its members or from the secretary of the department? I have the report number if you need it. Have you had any representations or contact—trivial, minor, major or in-depth—with people?

Mr Bills—In what time frame? Are we talking about before the report was released or afterwards?

Senator BUCKLAND—Well, from the time the recommendation was made that something happen.

Mr Bills—There was certainly contact before we released our final report, as part of the directly involved party process. That is our standard process. I have a range of conversations with the parties you nominated on most days. Specifically in relation to addressing our report, there has certainly been no formal contact. All the informal contact I can recall is in line with what the secretary said earlier, which is that there is a great deal of support for the recommendations that we have made.

Mr Matthews—You mentioned the secretary of the department, so I cannot let it go past. The approach that I take in my professional relationship with Mr Bills and all his staff is to observe a relationship that I described earlier in the day: that is, the ATSB has operational independence from me. ATSB officers will vouch for the fact that I have not—in this case or any other case—told them what I think the desirable outcome of their investigation should be. That is a principle that is very important and has been observed on this occasion.

Mr Bills—Absolutely correct.

Senator BUCKLAND—I certainly was not going to question your integrity or anything of that nature.

Mr Matthews—I did not want to leave it hanging.

Senator BUCKLAND—No, I guess you would not. That is all I had on the Launceston incident.

Senator COLBECK—I want to go back to the point I started on with relation to the alteration to the final report from the draft report. Having read through that factual information clause again, the thing I want to come back to relates to what might come out of the reviews that are done by CASA and Airservices, I suppose. If you read through that full clause, I think the only conclusion you can come to is that both the air traffic controllers and the pilots of the 737 left open which way they were going. You said to me initially that they were cleared for a left approach, but the transcript here says:

The 737 crew was 'cleared on a visual approach, QNH 1008 and when

ready track as preferred for final runway 32 left'. They advised 'we'll be overflying for a left circuit'. The controller then provided traffic information on an agricultural aircraft that was operating low level south of the airfield. The crew of the 737 advised 'we can accept a right circuit. We might just join final at about 5 miles. Advise what you prefer'.

My interpretation of that is he is asking ATC to advise him which track to take. The transcript goes on:

The controller advised that the agricultural aircraft would not conflict with the 737 and that they could 'overfly for left base, you will be well clear, or right base as you prefer.'

Both the air traffic controller and the pilot of the aircraft have indicated to the other party to indicate a preference, and nobody has.

Later in the report, it says:

The pilot of the Tobago was monitoring the Launceston and Melbourne Centre ATC frequencies and heard the initial transmission from the crew of the 737 to Launceston ATC. He noted from that transmission that the 737 was inbound to Launceston on the 009 radial of the Launceston VOR and also believed that the 737 had been cleared to track direct to right base runway 32L.

From my uneducated, if you like, reading of that, the pilot and the air traffic controller were asking each other to indicate a preference, and no-one did. The Tobago pilot took some inference from that. I suppose the question comes back to this: when making recommendations from the overall circumstances in this report, apart from the fact that the pilot of the Tobago could have announced his presence at the time of hearing the first transmission, is there a capacity for some directions to be given with respect to that final clarity of instruction from either air traffic controllers or the pilots of an IFR aircraft?

Mr Bills—My staff do not accept your interpretation, but even if we did the key thing is that it is not relevant, because the change of track to approach either by right or left does not occur until about five nautical miles from the aerodrome. The actual aircraft passed about 11 nautical miles or 12 nautical miles outside the aerodrome. If the incident had occurred three nautical miles from the aerodrome, then there could be a point, because the Tobago pilot may have expected a slightly different track from the one that was taken. But the fact of the matter is that, no matter which of these options was going to be taken, there would be no divergence from the track until five nautical miles out. Mr Graham might want to add to that, but that seems to be the guts of it. There are often a number of things that we find in reports, and we do not dwell on the ones that are not relevant to the incident at hand. Our recommendations are based on the relevant facts rather than peripheral facts, if you like.

Mr Graham—Mr Bills is correct. In the report you read out, there is one very important word and that is ‘overhead’.

Senator COLBECK—I missed it out?

Mr Graham—It says twice, I think, that he tracked overhead. I do not have it in front of me. But that has a specific meaning in ATC and to the pilots flying in ATC. Basically, what he was going to do was track overhead the airfield and then make a left or a right.

Senator COLBECK—The word ‘overhead’ is not mentioned here in this transcript that I have got.

Mr Graham—Overflying, sorry.

Senator COLBECK—Okay. Well, he overflew.

Mr Graham—That has a specific meaning. I think the issue you have hit on is quite important and the reviews may wish to consider it. It is about making sure that pilots have a common understanding. I think that recommendation invites them to look at that issue.

Senator COLBECK—That is essentially what I was getting at. My discussions with the pilot of the Tobago clearly indicate that he did not have a clear understanding, despite having been a pilot for 30 years, of the intention of the pilot of the 737. My reading of that transcript does not give a clear understanding either. If they were under the control of air traffic control,

and you have said that is not until five kilometres from the airport, my expectation would be that there would be some final sign-off of the direction that they were going to take.

Mr Bills—The 737 is on the direct track until five nautical miles outside the aerodrome.

Senator COLBECK—Yes. I understand that.

Senator BUCKLAND—I am looking at resources. Mr Bills, the information that is available to me is that the ATSB has only investigated about 60 out of the 6,000 aviation incidents. Is that pretty much in the ballpark?

Mr Bills—In terms of our approved business plan for this year, 2003-04, we are resourced for about 60 aviation occurrence investigations. That is correct. In any year, we get something between 5,000 and 6,000 reports that are classified as incidents. We actually get a larger number of reports than are classified as incidents. Of course, some are accidents as well. There are roughly 200 or fewer accidents.

Senator BUCKLAND—Who makes that decision to investigate something and reads the report and says, ‘This doesn’t require investigation’? How is that process carried on?

Mr Bills—We have investigation guidelines, which are on the ATSB web site. I have copies here if the committee would like them.

Senator BUCKLAND—Unless others do, I certainly do not need them.

Mr Bills—That is fine. They have criteria for five particular categories: 1, 2, 3, 4 and 5. One is the most serious and 5 is a database entry that is not actually investigated. The lowest category we investigate is actually a category 4. In terms of how the decision is made, the reports come in. They are classified. They come in, in terms of mandatory reports, under the transport safety investigation regulations 2003. If they constitute an accident or an incident, that is the first decision that is made. Then how serious the accident or incident is is a matter for judgment that begins with the duty officer and works up the chain through a team leader, through Mr Stray, Mr Graham and me. Generally unless something is incredibly serious, it will start off as a category 4 investigation if it is worth investigating and we will add resources to it over time as the investigation proceeds.

In terms of deciding what is and what is not investigated, the essence of that is that we investigate all accidents involving foreign aircraft in Australia because that is a requirement under the Chicago convention itself. We investigate all fatal accidents other than those involving sport aviation. In terms of the remainder, in terms of the 60 we are resourced for, we prioritise those based on the expected safety value from the investigation, which also incorporates whether we expect to be making safety recommendations.

It is possible that something is quite serious but is not investigated by us if it is mundane. For example, a helicopter hitting power lines which is not a fatal accident or an aircraft running out of fuel that is not a fatal accident is quite likely to be a category 5—that is, not investigated—because that happens so frequently that there is not a lot of safety value from it compared with other accidents and incidents.

Senator BUCKLAND—You are starting to frighten me.

Mr Bills—That was not my intention.

Senator COLBECK—Would all RAs be investigated?

Mr Bills—No.

Senator BUCKLAND—If a helicopter hits power lines and no-one is injured, which we hope happens every time, or a plane runs out of fuel, that seems quite serious to me, particularly if I were chartering that plane. I would be a little bit concerned that there was not something done about that. But that is how it is done and I do not have sufficient knowledge about aviation. Has there been an obvious or significant reduction in the number of incidents that ATSB investigates?

Mr Bills—There has been a reduction over the last few years, yes.

Senator BUCKLAND—What has brought that about?

Mr Bills—Essentially a couple of factors. One has been the resource constraints that the department is operating within. Another has been a desire to reduce the number of investigations that are part of the backlog that we have on our books. We have a wish to have reports out in a more timely fashion. I guess the third main factor is to ensure that we build in sufficient quality assurance rather than trying to do the maximum number of investigations and not having as much quality assurance as we may wish.

Senator BUCKLAND—Bearing resource constraints in mind, I wonder if we could test the accuracy of the information that is being provided to the opposition about the ATSB budget. We have been informed that the ATSB's aviation investigation budget has reduced the number of new safety investigations which you have just told us through its business plan for 2003-04 dropped from about 120 in 2000-01 to 60. Is that correct?

Mr Bills—It is roughly correct. The number in 2000-01 was 118 new investigations. I mentioned earlier that the expected number this year is 60. But that can give a misleading impression because much of the reduction was at the lower end, in other words the category 4 end, rather than category 2 and 3, which are the more substantial investigations.

Senator BUCKLAND—Based on the resource or budgetary restraints you have, who made the ultimate decision that the number of investigations would be cut or sacrificed to save another program? Who makes that ultimate decision?

Mr Matthews—The resource allocation decisions are made ultimately by me. It requires a choice among allocating resources, which means dollars, and indirectly staff, across the whole department. Of course, there are some hard calls that have to be made because, as you know, we are responsible for vital regulation and high-priority programs and important policy advice and research and so on. So there are some difficult calls. That has been the outcome on this occasion. I guess I would only add one thing to Mr Bills's answers and that is that the ATSB, of course, has enjoyed, unlike some groups around the department, some additional moneys that have come from the government in recent times to fund additional activities.

Senator BUCKLAND—How much was the budget actually cut to necessitate the cut to the new investigations that were undertaken?

Mr Bills—Well, there are nominal dollars and real dollars. In terms of this financial year, I think the committee heard this morning that across the department there was a 10.7 per cent cut applied to most things. In addition, there was a requirement to fund some certified

agreement increased costs and superannuation. So that is this year. Prior to that, there were various stringencies as well. Of course, there were cost increases at the same time.

Senator BUCKLAND—Bear in mind that we have these new NAS regulations that we hear a lot about. How much would ATSB need to restore the new investigation capacity to the 2000-01 level?

Mr Bills—I think I need to take that on notice.

Senator BUCKLAND—I would ask you to take that on notice. For now, as a ballpark, would it take \$1 million, \$10 million, \$3 million? Is there any ballpark you could just give me for now?

Mr Matthews—While Mr Bills is thinking about that, could I ask a question of clarification. Is there something special about that year? Was that a particularly special year?

Senator BUCKLAND—That is the year I mentioned before when it was 118, as Mr Bills said. I had 120. I am just thinking, to get back to that figure, what would it take.

Mr Matthews—I guess I am trying to understand why that particular figure is a desirable target.

Senator BUCKLAND—I am not saying it is desirable. I am not saying it is good. It might be even low. But that was a figure that you can compare to what you are doing now, which is 60. So doubling it, how much would it take to get back to that level?

Senator Ian Campbell—I think the senator could probably just double the figure, couldn't he, if he wants to get up to 120 from 60.

Mr Bills—No, because the smaller investigations are the ones that have been cut off and they cost a lot less than the larger ones. So it would actually be less than the \$3 million that you mentioned.

Senator BUCKLAND—But if you could take that on notice, it would be very helpful. Thank you. Is anything being done at the moment to get the funds required to increase the number of investigations?

Mr Bills—I cannot really comment on the budget processes.

Senator Ian Campbell—I can say that the budget has actually been increased. The secretary has just said that.

Senator BUCKLAND—Yes, the budget may have increased, but it has not increased to a degree to provide these additional investigations. That is what I am asking. Is anything being done to have it increased more, if you like?

Senator Ian Campbell—Are you suggesting there should be more investigations? Is that the suggestion?

Senator BUCKLAND—Well, I guess I am suggesting that, aren't I. It worries me—and I have already said I am not an aviator—when I hear that planes are regularly running out of fuel. I do use small aircraft. There is no doubt you do yourself. It worries me that that is happening. Fortunately, the ones I have been flying on seem to have enough to go a bit

further. I ask that question whether anything has been done to increase the budget to allow more investigations, not to do other things.

Senator Ian Campbell—That assumes you think more investigations is a desirable policy outcome in itself.

Senator BUCKLAND—I think it is. I think it is if these things are happening.

Mr Matthews—On the fuel question, Mr Bills made the point earlier that, where there is a choice to be made, the ATSB has to allocate its resources to investigations which will yield the highest safety learnings. In most cases, there is very little new information to be learnt about an aircraft that runs out of fuel or a helicopter that strikes a power line.

Senator BUCKLAND—I am probably overstating that particular one. Particularly now with the new regulations, the NAS, it appears to me that there are a lot of incidents reported and a lot more to be gained if more of them were investigated.

Senator Ian Campbell—The incident numbers are almost identical prior to the implementation of NAS stage 2b as they are after it. A different perception is being created by political spin meisters in the opposition who want to change perceptions. But the numbers of incidents is almost identical prior to NAS stage 2b and post it. If the senator has a particular area of incident that he thinks would benefit from more inquiries, it would be helpful for the government and we would be interested to know. He has nominated aircraft running out of fuel. We have indicated that that may be not that helpful. If there are other particular sorts of incidents where he thinks there would be benefit to the travelling public of more inquiries, the government would be genuinely interested to know.

Senator BUCKLAND—I think the travelling public would be very interested to know the outcomes of more of the reported incidents because we rely on newspapers for that, I guess. My question was: is ATSB doing anything about getting more funds for investigation? I get out of all of that that the answer is no.

Mr Matthews—No. The answer was not no. Mr Bills said he could not comment on budget processes.

Senator Ian Campbell—You could help the budget process by identifying areas where you think there is a lack of investigations. I am giving you an invitation to help us.

Senator BUCKLAND—Can you provide any example of any incident this financial year that the organisation would have preferred to investigate but did not?

Mr Bills—Not offhand. I think it is a fair point to say that all of the people working at the ATSB are passionate about safety in various modes. We would probably like to investigate everything, possibly to the nth degree. That is not realistic. A line has to be drawn somewhere. I guess you are asking whether the line has been drawn in the right place. I cannot give an example of something over the line tonight.

Mr Matthews—But it is worth noting that every developed country has to make these choices. Very well-resourced countries still have to make choices about investigations because no country in the world investigates every accident and incident that is reported.

Senator BUCKLAND—I guess we have already talked about budget planning. Maybe I will never be satisfied on that. I just trust that, if ATSB is not fighting to increase its funding, it is fighting to prevent any further erosion of its funding. I am sure you are diligent about that.

Mr Matthews—I can vouch that ATSB is fighting.

Mr Bills—Thank you, Secretary. I could not have made that comment.

Senator BUCKLAND—I think that background laugh was all we needed.

Senator COLBECK—Who sets the ATSB's budget priorities?

Mr Bills—There is not a simple answer to that question. As executive director, I prepare a draft business plan based on the budget that we are given, which essentially allocates money to the priorities as we see it. But there are some constraints on that. For example, the minister and the secretary have both referred to the additional funding that we received in last year's federal budget, which was for rail investigation, which is a new function for the ATSB, for aviation safety research and for putting in place a marine confidential reporting system. I do not believe it would be appropriate for me to divert that money to aviation investigation, road safety or anything else. So I am certainly guided by decisions that the government has made in the federal budget context and take that as a constraint. So within those parameters we set the priorities and we discuss them with the executive of the department. The secretary and the executive have discussions with ministers and ultimately the business plan is approved. That is essentially the process.

CHAIR—Senator, are you running out of fuel or questions?

Senator BUCKLAND—No. I am certainly not running out of questions, Chair.

CHAIR—In that case, we will knock off for 15 minutes. We will come back in 15 minutes.

Proceedings suspended from 9.19 p.m. to 9.26 p.m.

Senator BUCKLAND—I have a couple more questions on the budget. If less money is available in the 2004-05 budget, will that impact directly on the number of incidents that can be investigated?

Senator Ian Campbell—We have just said that there is an increase. There is an increase in the current budget.

Mr Bills—That is for 2004-05. We do not know what the budget is yet.

Senator Ian Campbell—The next budget round is just after the budget in a few months. If the budget is cut, you could ask what impact that has on incident investigations. But we are currently doing the additional estimates for this year. This year, the budget has been increased and I think you should ask questions that are real, not hypothetical.

Senator BUCKLAND—I do not think it is hypothetical. It is a serious question.

Senator Ian Campbell—Well, I can answer on behalf of the department. If the budget for transport safety breaches and air incident breaches were reduced, I have no doubt that the number of incidents investigated would be reduced.

Senator BUCKLAND—Mr Bills, is there an obligation under annexe 13 to the Chicago convention that provides an obligation on contracting states? I think you actually answered it earlier. You do investigate all overseas incidents?

Mr Bills—In terms of overseas aircraft accidents, we do investigate all of them. It is part of the convention requirement. I think it is article 26.

Senator BUCKLAND—I think you said that you did comply with that convention.

Mr Bills—In terms of the convention requirement about international and civil aircraft, we do. That is correct. In terms of the annexe, we have notified some differences. That is referred to in our annual review—we being Australian.

Senator BUCKLAND—I will now turn to road safety. I am sorry about that. If I had been more diligent, we could have finished before we suspended.

CHAIR—What are we doing now?

Senator BUCKLAND—I just want to go on to some general road safety questions and follow that through.

CHAIR—Still with the transport programs?

Senator BUCKLAND—Still under the transport programs, yes.

Senator COLBECK—This is under the ATSB?

Senator BUCKLAND—Still under ATSB, yes. I have a few general road safety questions that we were asked to refer to you from this morning. I might do them first. The first one, fortunately, should not be too hard for you. Do you agree that there is an overall social and financial benefit to reducing the road toll? I can answer that for you, but I would like to hear your answer. Can you explain in detail what those benefits are.

Mr Bills—Certainly the answer to the question is yes. The BTRE's study of road crash costs, which used 1996 data to indicate that the annual cost was around \$15 billion, is an indication of the level of those costs. In terms of the detail of the question, I think Mr Motha may be best placed to answer.

Mr Motha—The social cost of road crashes, as Mr Bills pointed out, is about \$15 billion a year. That is very conservative. There are a number of elements of that which are very difficult to quantify, such as, for example, the impact on families and friends of the victims, for example, the impact of grief and suffering and pain. So it is a very considerable burden on society. There are benefits, obviously, to be gained by reducing that burden.

Senator BUCKLAND—How do those factors impact on decision-making processes in relation to initiatives aimed at addressing the road toll? I guess you are in a better position to answer that than me. Anecdotally, I suppose I could. The social impact, the impact it has on families and on the cost of investigation: how does that impact on how you address the road toll problem we have?

Mr Motha—Well, we have a National Road Safety Strategy which aims to reduce the number of deaths per 100,000 population from 9.3 in 1999—the strategy began in 2000—to no more than 5.6 deaths per 100,000 people by 2010. That is a concrete strategy that has been agreed to by the Australian government and the states and territories. Resources are devoted

to achieving that target. As part of that strategy, there are two-year action plans. The current one covers 2003 and 2004. There are a number of measures in those action plans that are directed at reducing the road toll.

Senator BUCKLAND—What process does the department use to evaluate the proposed road safety measures? For instance, how do you decide what you are going to do in your education or in your developing a program to reduce the toll?

Mr Motha—The department is involved in road safety in a number of different areas. You heard this morning that there is the vehicle safety standards area, which looks after the regulation of vehicle standards. The department administers the black spot program, which is a very highly successful program of the Australian government. There is also the road funding of the area that funds the national highway system, roads of national importance et cetera. There is the ATSB, which is involved in a range of activities. We are involved in research, data and statistics, in public education, and we have a coordination and facilitation role in, for example, as I mentioned earlier, coordinating the National Road Safety Strategy. So there are a number of areas of activity within the department directed at road safety.

Mr Bills—To follow up, in terms of how we choose—we being not only the Commonwealth but also the state and territory jurisdictions, all of whom signed off on this National Road Safety Strategy and on the action plans—between particular areas to emphasise is essentially based on research. So the key factors in terms of fatalities are speeding, fatigue, alcohol and restraint use. They are obviously key elements in both the strategy and the action plan. In terms of how those sorts of factors are addressed, again, it is based on good research. So programs that have got proven efficacy to save lives are preferred over those that are hypothetical. Essentially that is how it is done. It is extremely cooperative. All the jurisdictions and the Commonwealth work pretty well together because there is the common goal to save lives on the road and to reduce serious injuries.

Senator BUCKLAND—I think we agree that if you save one life it is a life saved and it is a job well done. I congratulate those involved in any of the processes. How much does cost come into the equation? I travel quite regularly on the roads and there is a whole series of passing lanes going in, mainly to help with the road trains that we have now. They have certainly made it easier and seem to be sited in very good areas—areas where you would get a bit frustrated if you were stuck. Does cost come into that when you are going to build the next overtaking lane or a new intersection? How much does cost play in all of that? We know that a few signs saying, ‘It is dangerous along here’ is really cheap compared to an overtaking lane.

Mr Bills—I think it is fair to say that in every jurisdiction there are more projects that could be undertaken with high benefit to cost ratios than are undertaken. This means the money is rationed according to the budget abilities of each jurisdiction, so cost is certainly very important. What we try to do, and our colleagues try to do, both Commonwealth and state and territory, is to get the best bang for the buck in terms of road safety. But of course there are other priorities as well, such as access, the need for transport for goods and so forth. So there are a range of things that have to be balanced by governments, and cost is one of those.

Senator BUCKLAND—They were questions that we were asking this morning which we were advised to transfer to you, so I thank you for that. I want to talk about seatbelts. At the last estimates you were asked a series of questions about reports CR211a on the benefit of more intrusive seatbelt reminder systems. The answers to questions taken on notice about this indicate that the department's draft regulation impact statement on that report would be released for public comment in 2004. Has this RIS been released?

Mr Bills—While the ATSB was involved in CR 215—

Senator BUCKLAND—It is 215, is it? I thought it was 211a.

Mr Bills—Whatever the number was in the 200 series, the ATSB was responsible for coordinating that report and releasing it. The vehicle safety standards branch of the department has the regulatory role and so were the ones that addressed that question on notice. In terms of the timing, it is for them to answer, but if Mr Motha knows the answer he can give it.

Mr Motha—No, I do not.

Mr Bills—So we will need to take that on notice on behalf of our colleagues.

Senator BUCKLAND—So to your knowledge it has not been released?

Mr Motha—Not to my knowledge.

Senator BUCKLAND—Do you know why, because they did say early 2004? It just strikes me that we are getting into a bit later than early 2004 now.

Mr Bills—We do not know why. We will have to take that on notice.

Senator BUCKLAND—You might just let us know when we can expect to see that. Those questions provided at the last estimates indicated that the RIS has come to the conclusion that there is not sufficient justification for introducing an ADR for seatbelt reminders at this time. That was due to the industry's voluntary take-up of them. Do you maintain that position?

Mr Bills—It is not for us to maintain that position. It is really a matter for that branch, who have done the RIS. Of course, one option is that industry will undertake the action voluntarily. If that occurs, that is one of the reasons why regulation may not be preferred. But that branch has done the work, so we do not maintain or not maintain that.

Senator BUCKLAND—Do you give an opinion or are you asked for an opinion?

Mr Bills—I think it is fair to say that the ATSB is very keen that there be greater seatbelt wearing, because it is one of the key factors among fatalities on our roads. An intrusive seatbelt reminder system is one way that may increase seatbelt wearing among the recalcitrant small percentage of the population who do not wear seatbelts. But whether that is best achieved by regulation or by voluntary take-up we do not have an opinion on.

Senator BUCKLAND—Do you know at all, Mr Bills, which manufacturers are installing the better systems on a voluntary basis?

Mr Motha—There is the Ford Belt Minder system, which is one system we are aware of. It has an audible alarm. I think it is installed in the current Falcons.

Senator BUCKLAND—Is that right?

Mr Motha—Yes.

Mr Bills—We could take it on notice. I do not want to just advantage one manufacturer.

Senator Ian Campbell—I think it would be useful to publish the data on those who do the intrusive alarms and those who do not. It is a very useful method of incentivising.

Senator BUCKLAND—I know I have an alarm on mine, but I do not know whether I would put it on without it. That is an intrusive alarm. It is certainly not a forward—

Mr Bills—So we will take that on notice. If we do not have the information, we will speak to the FCAI and others and try and get it for you.

Senator BUCKLAND—It would be useful. As the minister says, it is something that we could—

Senator Ian Campbell—I would be happy to publish it and make myself even more popular with the car manufacturers in Australia.

Senator BUCKLAND—Do you know what variations there are with respect to the type of warning devices being introduced? Are they all required to be the same? Mine rings a bell or something.

Mr Bills—Given that it is voluntary at the moment, there is a variation. I do not think we can answer exactly the range, but there are some blinking lights, which are not aural alarms at all, of course. There are aural alarms that operate for a few seconds and then turn off. There are others that operate for a longer period and are more strident. Potentially, if they are incredibly strident, people may be so discombobulated by them that they actually put the seatbelt on if they do not disable them. So that is, of course, the other risk.

Senator BUCKLAND—Does ATSB have a preferred standardisation of something like a seatbelt alarm?

Mr Bills—No. Our role is really more in the research area, identifying the problem and suggesting that regulators and others might want to look at how it could be implemented in terms of a solution or dealt with in terms of a solution.

Senator Ian Campbell—I might add for the record that the latest Holdens, which I drive here in Canberra, do have that alarm and it is quite intrusive. When it goes off, it scares you. It is counterproductive, actually.

CHAIR—It is not an XR8 or something, is it?

Senator Ian Campbell—No. It is a standard Holden. That is what it is. You certainly put your seatbelt on. You think, 'I'd better put it on before that alarm goes off.' So Ford and Holden, which are the two biggest-selling cars, have it. So that shows that the non-regulatory approach is probably working.

Mr Bills—The other useful aural alarm is small children who tend to tell their parents to put seatbelts on.

Senator BUCKLAND—Yes. That does happen in some families, I am aware. Can you help us on the cost of installing these devices? Do you have evidence as to the cost of that?

Do you have any evidence that the inclusion of these alarms in new cars has an effect? Are they worth having?

Mr Motha—On the first question, the study that we commissioned had some costs in it. The costs ranged from \$10 for the simpler systems to about \$150 for the more complex ones, so that is about the range. On the second question, in terms of effectiveness, the effectiveness of course can depend on a number of things. The degree of intrusiveness is one factor. As Mr Bills said, it is also possible to disengage these alarms. The alarms are really meant for the occupants who genuinely forget to buckle up. That is really the target segment. There is a very minor proportion of recalcitrant drivers or occupants who probably would not use them, but that is a very small proportion. Seatbelt wearing rates in Australia are quite high. It is about 95 per cent in the front seats. You are looking at about five per cent of non-wearers, really. About 90 per cent wear them in the rear seats.

Senator BUCKLAND—Is it likely to increase the cost of new cars, do you think?

Mr Motha—Very marginally. As I said, the cost of these devices is not very high.

Senator BUCKLAND—They are about \$100, I think, are they?

Mr Motha—Depending on the system. As I said, the estimates that we had in our study were between \$10 and \$150. An average, the mid-range, would probably be about \$75 to \$100.

Senator BUCKLAND—Have you undertaken any consultation with the manufacturers in relation to the possibility that the seatbelt warning devices may be regulated under an Australian design rule?

Mr Motha—That is a matter for the other branch.

Senator BUCKLAND—I see. Answers provided at the last estimates indicate that in relation to seatbelt wearing devices the viable non-regulatory option should be tried before further consideration of an ADF. How long is it expected before the department revisits that and reassesses its position to the extent that reminder systems will be installed in new cars?

Mr Bills—Again, that is one for the other branch of the ATSB. That is probably allied to the earlier question we took on notice.

Senator BUCKLAND—I want to raise a few questions about daylight running lights. It reminds me of the 1960s—I am not giving too much of my age away—when the radio stations used to on long weekends run programs such as ‘Turn on your lights and live.’ The ATSB commissioned a report for a review of the literature on daytime running lights. My understanding of that—and I have not seen a report—was that the conclusions reached stated that there was a substantial body of evidence to show that these daylight running lights reduce daytime crashes, but there is a considerable variation in the size of the reported reductions. What is your position on this? Can you explain the variation of those reported reductions?

Mr Bills—Mr Motha is best placed to go into the detail, but we commissioned ARRB Transport Research to do some work on this for us. The report is on our web site. It was recently put up there. It has been only a matter of weeks. Mr Motha will answer the detail.

Mr Motha—Senator, you are quite right in that there is a variation in the effectiveness of daytime running lights. It depends on, for example, what the ambient lighting is. The use of daytime running lights, for example, would be different in Darwin than from, say, Hobart. If you use them in places like that, you would have a difference in effectiveness. The cost-benefit ratios of daylight running lights are not very high. They are effective, but the ratios are more in the range of about two to one. Some of the factors that impact on those benefit-cost ratios are things like the additional fuel consumption of the vehicle. There are also costs in terms of pollution and so forth, so you have to trade off those costs against the safety benefits.

There is also the issue of the normal dipping of the headlights versus special lighting, which can be more effective because it is cheaper and has the right level of intensity. So there are those sorts of issues. Overall, there are benefits. That is the bottom line.

Senator BUCKLAND—As an aside, where I live at home at Whyalla I have noticed that, as you leave the city limits, they have signs up now telling everyone to put their headlights on during the daytime. I have not seen it in other centres around South Australia, but it is of interest to me. I am interested in your comments about the variation between, say, Darwin and Tasmania, because your report recommends that nothing be done until the determinations in Europe are completed. Who is undertaking those determinations? When you take into account what you said about Darwin and Tasmania, what relationship to Europe do we have in that respect?

Mr Motha—The work that is being done in Europe will inform the work that we have already done and provide further context for some decision making on this. The decision is that we await the results of that work before this is considered further.

Mr Bills—Earlier work in Europe, if my memory serves me correctly, indicated that in some countries like Scandinavia, where there are long twilight hours, daytime running lights had a much more positive effect than some other countries where there may be mostly sunshine. But there was not a lot of data on the latter group of countries. I think this research that is being referred to is much broader. Therefore, it is potentially more applicable to Australia.

Senator BUCKLAND—Are you able to give me an indication when that information will be available?

Mr Motha—I will have to take that on notice. You mean the European work?

Senator BUCKLAND—Yes.

Mr Motha—I think from memory it was to be about the end of this year, but I will have to take that on notice.

Senator BUCKLAND—Has any thought been given to what action Australia might take following the information gained from Europe? Are you likely to then carry out your own analysis, or will you adopt the findings from there?

Mr Bills—I think the most likely process would be that this would be a paper to the standing committee on transport, chaired by the secretary, feeding into the Australian transport council of ministers. Ministers will discuss the research evidence and make a decision on whether they wish to encourage daytime running light use in their jurisdiction.

You mention Whyalla. I know in the past near Wagga there have been similar signs. I am sure the research, if it is positive, would encourage more extensive use of those sorts of signs.

Senator BUCKLAND—Thank you. I want to move to a few questions on rail. Again, I will start with some questions we were asked to refer to you earlier today. I will get them done first. They relate to New South Wales and the arrangements for leasing of the track. Which organisation will investigate accidents or incidents on the leased track? Does the agreement specify that ATSB will be the investigator?

Mr Bills—Ms Briggs is best placed to talk about the details of the agreement. I know that it has not been finally signed off on yet. I do not expect, subject to being corrected, that it will specify that the ATSB is to investigate accidents on the leased track. Under the legislation that came into effect from 1 July last year, we already have the power to investigate accidents and incidents on the defined interstate rail network. Whether the track owner is New South Wales or the ARTC does not impact on that at all. We still have the same investigation role on that track.

Senator BUCKLAND—Thank you. Answers to questions from the previous estimates hearing stated that the ATSB report CR217, *Prospects for improving the conspicuity of trains at passive level crossings*, had been finalised and was being printed. That report is yet to make it to the ATSB web site. Could you indicate when that is likely to see the light of day?

Mr Motha—That will be released very shortly.

Senator BUCKLAND—It was indicated previously that it would be December or January.

Mr Motha—That is correct.

Senator BUCKLAND—I think there was some talk yesterday about what ‘very shortly’ and ‘shortly’ meant, and an awful big span of time was associated with that.

Mr Motha—Possibly in the next fortnight.

Senator BUCKLAND—Thanks very much. Given that it is about to be put up on your web site, can you give an indication what recommendations the report is making?

Mr Motha—Essentially, the report makes the point that there is not much more to be gained from further research into this area and that currently the practices for illumination of trains are in the best practice area. Things like strobe lights and ditch lights and the like are being used, and there is not a lot to be gained from investing more in research in this area. That is really the bottom line.

Mr Bills—There are actually very few fatalities and serious injuries arising from problems because of a lack of conspicuity, compared with other areas in road safety where the limited dollars we talked about before could save a lot more lives.

Senator BUCKLAND—I suppose the accident that springs to mind most readily would be the one at Gawler on the outskirts of Adelaide a couple of years ago.

Mr Bills—I think there has also been a serious one in Western Australia.

Senator BUCKLAND—That is right, yes.

Mr Bills—The minister there has taken an interest in this subject

Senator Ian Campbell—It affected some close friends of mine. But I think there are other issues as well, such as what you do with foliage alongside the track. The other issue raised by the families of the deceased in Western Australia was the number of jurisdictions involved. You had the railway authorities, the Main Roads Department and local government as well. You often have three jurisdictions involved at the same crossing and there is a lack of responsibility for things such as increasing visibility of trains coming down the track. So I am sure there are things that governments working together can do to improve visibility.

Senator BUCKLAND—Sorry to do this to you, but I want to go back to aviation again and talk about confidential aviation incident reporting. How many reports has the ATSB received under the confidential aviation incident reporting system over the last five years? That may be a question that you need to take on notice.

Mr Bills—I can refer you to page 44 of the ATSB annual review. It has data for the last six years, mercifully. In 2002-03, there were 257. In 2001-02, there were 321. In 2000-01, there were 357. In 1999-2000, there were 265. In 1998-99, there were 326. If you want the sixth year, it was 297 in 1997-98.

Senator Ian Campbell—Can I get a bit of a steer for all the people we have waiting around. We seem to be getting bogged down a bit here and going all over the place.

CHAIR—We are waiting for Lyn Allison to come and do the Albury-Wodonga bypass again.

Senator BUCKLAND—I do not think I will be too long with this.

Senator Ian Campbell—We just have a lot of people here. If we can send some people home, I would appreciate it. A lot of them have been here all day. The line of questioning is on important issues, but it seems to be drifting somewhat.

CHAIR—You are very perceptive.

Senator Ian Campbell—If we are waiting for another senator to come back, we could perhaps facilitate that person by—

CHAIR—No, we are not.

Senator BUCKLAND—We will be going on to transport programs.

Senator Ian Campbell—I think it is a bit of an insult to a lot of people if we are just playing a game.

CHAIR—No, we are not playing a game.

Senator BUCKLAND—No-one is playing games, Minister. I am following through what I have here.

CHAIR—I am just trying to keep it light.

Senator BUCKLAND—I thought the department was being very gracious in their responses.

Senator Ian Campbell—Are there any groups we could send home tonight? We have a lot of people waiting around and we are not going to get—

CHAIR—Transport programs is the only area we have left.

Mr Yuile—Is the Albury-Wodonga bypass the only area of questioning?

CHAIR—I have no idea what else there is.

Senator Ian Campbell—I would just like to be honest with the officials, so we know where we are going.

Senator BUCKLAND—I will just give you a quick overview of the areas I will be addressing. There is AusLink; current road funding programs; the new Roads to Recovery program; the Sydney orbital 2F3 link.

Senator Ian Campbell—They are all roads programs.

Senator BUCKLAND—The Hume Highway.

Senator Ian Campbell—Those are all in 5.2.

Senator BUCKLAND—Yes. They are all in 5.2—and then the Pacific Highway upgrade.

CHAIR—Are we finished with the Australian Transport Safety Bureau, do you think?

Senator BUCKLAND—I still have a few questions here yet. We would be finished if we had not got into that little outburst.

Senator Ian Campbell—The regional programs people are not here. We were told regional, territories and the NCA would be on Friday.

CHAIR—That is correct.

Senator Ian Campbell—Senator Stephens was asking some important questions about four-wheel drives. Have you got what you needed?

Senator STEPHENS—Yes. We did that this morning

Senator Ian Campbell—Because we have the ATSB here now. Do we want to do roads then tonight?

CHAIR—Yes.

Senator Ian Campbell—Good. We are ready.

Senator BUCKLAND—We will finish this one first.

Senator Ian Campbell—Excellent. We know what we are doing. Thank you. I appreciate it.

Senator BUCKLAND—The system we spoke about some time ago we were just talking about. Can you explain how that system operates?

Mr Bills—The CAIR system?

Senator BUCKLAND—Yes.

Mr Bills—I will ask Mr Stray to answer that because he once ran it.

Mr Stray—The Confidential Aviation Incident Reporting Program was designed to encourage reporting of events in confidence in the knowledge that the reporter's identity would not be compromised or revealed. It was designed to bring to attention things that people would not otherwise report. So safety issues may go unresolved. By providing a means

of reporting in the knowledge that your identity would not be revealed, it encouraged this information to come forward.

Senator BUCKLAND—What happens in the first instance when one of these reports is received by ATSB?

Mr Stray—The report is received into the confidential reporting program and is logged into the system and deidentified so that the link between the report and the reporter is broken and then an acknowledgement is returned to the reporter but there is nothing held in the confidential reporting database, or hard copy for that matter, that has any link between the report and the reporter.

Senator BUCKLAND—And how is it followed up, then?

Mr Stray—It must be done within a set time frame. Once that link is broken, unless the reporter makes contact with the confidential reporting program again, there is no means of the confidential reporting team being able to make further contact. It is a fundamental aspect of the program that that link is broken.

Mr Bills—So typically the follow-up occurs in the first couple of days after the report, to the extent that there is a need to follow up. As soon as sufficient information is obtained, it is deidentified according to the process Mr Stray just outlined.

Senator BUCKLAND—Do you ever encounter any difficulty maintaining the confidentiality of the reporter of an incident?

Mr Bills—There are a couple of areas where it can be a problem. One is where the reporter gives the information to someone else and makes it public or whatever. That can be a cause for concern because it may be wrongly assumed that it has come from the CAIR system when it has not. The other instance is where there may be only a couple of people, say, working for a small company and one of them reports a problem. It may be really impossible to follow up without making it clear who made the report. In those circumstances, unless the reporter wants us to pursue it, we really cannot because otherwise it would identify them.

Senator BUCKLAND—Have there been any instances where this has been a concern in the last few weeks?

Mr Bills—Well, there has been an ongoing issue with a particular company and two particular reporters, who have made some serious allegations. But we have been unable until recently to follow them up because they were concerned that in doing so their identities may have been revealed and they could face a recrimination. So, yes, that has happened.

Senator BUCKLAND—So how do you deal with that?

Mr Bills—Well, in this instance, the reporters ultimately agreed that the material that they supplied to us could be in this case provided to CASA head office to investigate, even though it was likely that their identities would be revealed. They made the call that the safety issues were sufficiently important that they would proceed that way. But, had they not done so, we would still have been constrained from releasing the information if it was going to reveal their identity and they would face problems. If we did that, it would undermine the system.

Senator BUCKLAND—So it would really be an impediment to a full and proper investigation if you were constrained in that way?

Mr Bills—Yes, it can be. But of course we would not have the information at all if the system did not exist, so the integrity of the system was necessary to get the reporting in the first instance.

Senator BUCKLAND—Would it be fair to say, then, that the restrictions could really inhibit your ability to fully investigate reports that could be of a serious nature?

Mr Bills—Yes, they could.

Senator BUCKLAND—I suppose that is a flaw in the system. Is there a major flaw in the system that could be overcome by another method?

Mr Bills—There are no easy answers. I do not have any pearls of wisdom tonight.

Senator BUCKLAND—There has been some suggestion that the CAIR system is to be replaced on the 20th of this month with a new system known as the Aviation Self Reporting System. Is that right?

Mr Bills—Yes, it is. It is the 21st of this month, actually.

Senator BUCKLAND—And was the replacement of the CAIR system based in part on the confidentiality difficulties that were created?

Mr Bills—There are a number of issues involved, unfortunately, and it is not simple, again. The new ASRS system is a government initiative. It is a confidential system for reporting regulatory breaches to the ATSB. The reporters, depending on the level of the breach, can claim immunity from fine or prosecution and so forth once every five years on the basis of that report. So that is a different type of system. In terms of CAIR itself, it was introduced by BASI in 1988. It is fair to say that Australia has the most comprehensive mandatory reporting regime in the world in terms of aviation accidents and incidents. It is also fair to say that modern safety management involves safety management systems within companies that include often a confidential reporting element. They did not exist back in 1988 in any significant way; so things have changed. I guess, finally, the CAIR system has been increasingly used for third party reports. There are difficulties in handling those because occasionally they may not be made without malice and they are difficult to follow up. There are issues of defamation and natural justice and privacy involved.

Senator BUCKLAND—So the new system will not have a facility for third party reports?

Mr Bills—No. It is the Aviation Self Reporting System, confidential but self-reporting.

Senator BUCKLAND—So is it right for us to assume that only regulations under the Transport Safety Investigation Bill 2003 can be reported under the new system?

Mr Bills—No. It is basically regulatory breaches under the CASA regulations.

Senator BUCKLAND—Is this new system a winding back of the CAIR system that is in place now?

Mr Bills—Well, it certainly replaces the CAIR system with something quite different.

Senator BUCKLAND—We are ready to go on to transport programs.

CHAIR—Thanks very much, ladies and gentlemen. That was wonderful.

Senator ALLISON—I will start with the costs of the project. I have just received the answer to my question from the last estimates session in which you indicate that the cost had now been adjusted to \$395 million.

Mr Cory—Yes.

Senator ALLISON—It is my understanding it has gone a bit higher than that now. It is more than \$415 million when the costs of the Bandiana link have been included?

Mr Cory—Putting the costs of the Bandiana link to one side for a moment, the costs have not increased since that advice for the project proper. It is true that as a result of an agreement reached between the Victorian and Australian governments there has been an agreement to incorporate the Bandiana link in the project. As a result of that, there has been an increase in the costs to accommodate that increased scope of the project.

Senator ALLISON—So I was correct in the \$415 million or thereabouts?

Mr Cory—Our understanding and advice from the two state agencies involved is that the combined cost of the project is \$408 million.

Senator ALLISON—The amounts, then, for the Bandiana link: can you provide them?

Mr Cory—The marginal cost of the Bandiana link is about the \$11 million mark.

Senator Ian Campbell—Including \$5.8 million from Victoria, I think.

Senator ALLISON—Not all of that is funded by the Commonwealth?

Mr Cory—That is correct.

Senator Ian Campbell—It is \$5.8 million from Victoria for the link.

Mr Hogan—The precise amounts for the Bandiana link are \$11.6 million net, \$5.8 million being contributed by both the Australian and Victorian governments.

Senator ALLISON—I will start with questions about the accident risk assessment for the project. I understand, Mr Cory, a number of reports have been forwarded to you in recent times to do with accident risk. I wonder if you could respond to some of them. It is said that the report of the accident risks of the close interchanges, a large amount of traffic mixing and narrowing of the central median and the fact that 88 per cent of B-doubles and the Hume freeway exceed the 100 kilometres per hour truck limit. Doesn't that suggest there is a need for an accident risk assessment to be done at this point?

Mr Cory—That information has been passed to the RTA. There will be a safety audit of the project undertaken before the construction phase actually starts following the design phase that will be undertaken by the successful contractor.

Senator ALLISON—It is a bit late by the time we have got down that track if it is found that there is an unacceptable accident risk, is it not?

Mr Cory—The assessment of those reports is currently with the RTA. That is something that they have been asked to take on board.

Senator ALLISON—So the Commonwealth is not asking for that work to be done in advance? I am not sure why you would wait until just before the construction for having it done, or do you not agree that it is necessary?

Mr Cory—The proposal has been under exhaustive examinations, as I think you know, for some time. The issues associated with the design of the road through Albury have been looked at closely by the RTA. It has been the subject of a number of representations and reports. Those reports are being considered by the RTA in their finalisation of the specifications for the road to which the tenderers will respond.

Senator ALLISON—Those reports, though, Mr Cory, are pretty damning about risk assessment. Let me talk about one of them. It says:

In summary, the internal bypass seeks to achieve both National Highway objectives and local transport objectives. Because of the conflict between some of these objectives and the impracticability of achieving them on the one section of road, the project is likely to end up failing to meet either set of objectives successfully.

Do you agree with that?

Mr Cory—It is a road funded by the Australian government to meet national highway objectives. We understand that those objectives will be met.

Senator ALLISON—Well, let's start with some of those objectives since that is your response: to locate the highway so as to provide for direct and uninterrupted travel between widely separated major urban areas. Do you consider the project meets that objective?

Senator Ian Campbell—Melbourne and Sydney are pretty widely separated major urban areas.

Senator ALLISON—Direct and uninterrupted travel?

Mr Cory—It is a freeway standard road. By definition, that is uninterrupted.

Senator ALLISON—It is uninterrupted by definition?

Mr Cory—Freeways normally do not have things such as roundabouts and traffic lights to bring traffic to a standstill.

Senator ALLISON—Freeways do not normally have 80-kilometre an-hour or 90-kilometre-an-hour zones either. Isn't that the case?

Mr Cory—I am not sure that that is the case.

Senator Ian Campbell—If there is a safety case for it.

Senator ALLISON—Anyway, this report suggests that those objectives are not being met. But you say that the RTA will respond to this report?

Mr Cory—We have asked the RTA to take on board those reports in the finalisation of their specifications.

Senator ALLISON—Isn't the matter of meeting the objectives of RONI a matter for the federal government? Why should it be referred to the RTA?

Mr Cory—The road is actually a state road. It is a responsibility of the New South Wales government and the Victorian government.

Senator ALLISON—I understand that, but in deciding whether federal funding is appropriate for such a road surely it has to meet the RONI objectives. Is it just a matter for the states to determine or do you have some input?

Mr Cory—The Albury Hume Highway upgrade is a national highway project.

Senator Ian Campbell—It is not a road of national importance. They are two different programs.

Senator ALLISON—Okay.

Senator Ian Campbell—Roads of national importance are state roads, which we contribute to.

Senator ALLISON—I beg your pardon—national highway objectives. I think that is what I was quoting from, in any case. I will restate my question, but without RONI and in its place national highway objectives.

Mr Cory—Yes.

Senator ALLISON—So why would you be referring this report to the RTA when the objectives are set by the Commonwealth, are they not?

Mr Cory—In terms of the design details, the safety issues that have been raised, those matters have been referred to the RTA, as I indicated before, for incorporation in the specifications to be prepared for tenderers.

Senator ALLISON—I understand that, but isn't it your obligation to assess projects against those objectives?

Mr Cory—Against the national highway objectives, yes.

Senator ALLISON—So you will make some sort of assessment of the response the RTA provides. Is that what you are suggesting?

Mr Cory—To the extent that the RTA responds to us as opposed to the incorporation of specifications, yes.

Senator ALLISON—When do you expect that response from the RTA?

Mr Cory—There is no specific time frame.

Senator ALLISON—As I understand it, there have been some measures to reduce the costs of the project. Can you just indicate what they have been in recent times.

Mr Cory—I am not sure what you are referring to.

Senator ALLISON—The narrowing of the median strip. Is that not a cost-saving measure?

Mr Cory—There were a number of measures incorporated some time ago in an endeavour to contain costs and to make the project more cost effective.

Senator ALLISON—What is the assessment of the accident risk associated with that particular measure?

Mr Cory—I do not have the precise advice from RTA, but I have no recollection of any advice of an adverse impact on accident risks from those measures.

Senator Ian Campbell—I think you would have to ask the question against what criteria. The road going through Albury-Wodonga at the moment, I think, will be significantly improved by the \$400 million. At the moment, large trucks have to go through right-angle turns at sets of traffic lights. They are a danger to the infrastructure, themselves and everybody else. We will be building a world-class road which will replace all of those turns and sets of traffic lights. I am not an expert in these things, but I think that the road that will be built for \$400 million will be a significant improvement to safety. So the question would need to be judged against some benchmark other than the road that is there at the moment, clearly. Anyone would know that the road we are building will be a lot better safety wise than what is there at the moment.

Senator ALLISON—So the median strip has come down from 15 to 11 metres. As I understand it, it is also not to have a crash barrier on the New South Wales side. Can you confirm that that is the case?

Mr Cory—I can confirm that the issue of whether there is to be a crash barrier is currently being looked at by New South Wales. I might add, again at the risk of repeating myself, that the safety issues will be the subject of a safety audit after the design has been finalised and submitted by the contractor.

Senator ALLISON—So there will be a safety audit. Who will conduct that?

Mr Cory—The RTA will conduct that. At least, it will be conducted for the RTA. Whether it will be conducted internally or by an external consultant I do not know at this stage.

Senator ALLISON—So it will be conducted by the RTA internally or otherwise. Will you get independent advice about that audit?

Mr Cory—I imagine that we would look at that report and make a judgment as to what, if any, further action we needed to take in the light of our initial assessment of it.

Senator ALLISON—When did you expect that to be done?

Mr Cory—That will be done following receipt of the design submitted by the contractor.

Senator ALLISON—Yes, but when will that be?

Mr Cory—There is no specified date that I am aware of, but it would be towards the end of this calendar year.

Senator ALLISON—Towards the end of the year?

Mr Cory—I believe so.

Senator ALLISON—Will the department be calling for a mortality and morbidity impact modelling to be done?

Mr Cory—There is no intention to do so at the moment.

Senator ALLISON—There has been a report forwarded to you on the subject of the Holmes Air Sciences review of air quality. Have you had a chance to look at that critique of that study and what was your response to it?

Mr Cory—Those reports have been forwarded to the RTA for their examination.

Senator ALLISON—And what was your response, apart from forwarding it to the RTA?

Mr Cory—We have made no specific response.

Senator ALLISON—It is not of any interest to the Commonwealth?

Mr Cory—On the contrary; we forwarded it to the RTA as the responsible road design agency, in light of the fact that the planning approval for this road was provided by a New South Wales government agency.

Senator ALLISON—So did you have a chance to examine some of the figures? This report says there are errors in the figures used—the fact that the 1995 EIS study was used, even though there have been subsequent counts of vehicles since that time that indicate that those figures are not correct. Did you form a view about that?

Mr Cory—No, we have not formed a view about that.

Senator ALLISON—Did you look at the report? Did you read it?

Mr Cory—It was perused in the department, but we did not form any final view. As I say, it was forwarded to the RTA, given their responsibilities and expertise, or at least within the New South Wales jurisdiction, which has those responsibilities.

Senator ALLISON—So you do not have any expertise in checking figures like that?

Mr Cory—I think there is a little more to it than checking figures.

Senator ALLISON—It would have been a good start. But that is not what you did?

Mr Cory—That is correct.

Senator ALLISON—Again on the figures, the Wilkinson Murray assessment of noise control report done for the RTA estimates that 1,203 trucks would pass through the Borella Road interchange in the 13 years between now and 2017, again based on those 1995 EIS-EES figures. Isn't it the case that it is now known that the current figures have, for instance, for the trucks, increased that figure to 2,387 and a similar increase on some of the other vehicle types? Did you notice that criticism of this report?

Mr Cory—We are aware of criticisms relating to the noise issue. The noise issue has been specifically examined. Noise modelling has been undertaken by the RTA to assess the requirements for, in particular, noise amelioration, such as noise walls, or other measures on affected residences. The current noise modelling indicates that the provisions that are currently envisaged in the design will be adequate. My understanding is that, following the delivery of the project, additional noise testing will be undertaken with a view to determining whether that modelling has proved accurate. If necessary, presumably some remedial action will be recommended.

Senator ALLISON—Sorry?

Mr Cory—If some remedial action is required or assessed as necessary, that will be recommended.

Senator ALLISON—By whom?

Mr Cory—By the RTA and their consultants and relevant agencies in New South Wales.

Senator ALLISON—So do you at least accept that that Wilkinson Murray report significantly underestimated the noise impacts, particularly at night?

Mr Cory—At this stage we would not make that judgment. As I say, noise modelling has been undertaken in the light of the latest available figures, including the latest impacts arising from developments such as the distribution centre. As I indicated earlier in my answer, modelling has been undertaken using that data. It does indicate that the measures envisaged will be adequate, but that will be checked after the project has been delivered.

Senator ALLISON—So is there information available on the other modelling, which takes into account more realistic data?

Mr Cory—As far as I am aware, that is internal RTA modelling and reporting. I am not sure to what extent that is in the public domain.

Senator ALLISON—Can you think of any reason why it shouldn't be?

Mr Cory—Since I do not have the information and it is not my information, I really would not want to comment on that.

Senator ALLISON—Is it something that you could follow up and perhaps request of the RTA to make available publicly? I would have thought there was a fairly obvious public interest in the matter.

Mr Cory—I will take that on notice.

Senator ALLISON—We talked earlier about the 80 kilometres per hour section. It appears that that is in part to overcome noise problems, as I understand it. The Wilkinson report does not seem to have modelled the impacts of exhaust brakes. Obviously heavy vehicles are going to need to do that. Can you explain why this might be the case and whether any efforts have been made to correct that?

Mr Cory—I am not aware of that. However, I can just repeat what I said earlier: if the current measures are inadequate, that will be identified in the post-delivery review.

Mr Hogan—I think the bottom line on all of this is that we are providing whatever material is provided to us on to the RTA. We would be expecting out of that that the RTA and its contractor will design the safest and most environmentally friendly road practicable.

Senator ALLISON—I am rather surprised that you would just forward it on without showing much interest in the extent to which the arguments are valid or the extent to which you expect a response based on those criticisms. Just to forward it on to the RTA and say, 'Here, read it. You are in charge of the detail.'

Mr Hogan—I would expect that the RTA will go through some process of validation. We will be looking carefully at whatever processes of validation and final answers they come out with.

Senator ALLISON—Well, I guess that is what I am asking you. Are these valid reports or are they nonsense? There is quite some significant criticism in what has been said about the design. I think it is a reasonable question to ask what the Commonwealth's view is.

Senator Ian Campbell—These are matters that are going to the organisation responsible for designing the road. That is who it should go to. To say that our department is not interested in these matters or not interested in the quality of the road is unfair and absurd. We are spending just under half a billion dollars on what I think is the biggest regional road project in

Australia's history. It has been consulted on in terms of the route, the design, the concept for over 30 years now. People in this department have probably put more energy into it than virtually anybody else. So I think to sort of say we do not have any interest is unfair and absurd.

Senator ALLISON—The Granherne hazard and risk assessment update report shows that urban freeways are more prone to accidents than rural freeways. Granherne uses a figure from the F6 at Wollongong of 5.6 times the rural freeway accident statistics for the urban freeway. But that does not take into account the specific geometry, close interchanges and large amount of traffic mixing at the Borella Road interchange. That is one of the criticisms of that report. Will the department ask for specific modelling of the accident risks for the internal route? That is a slightly different question from the previous one. Shouldn't it be properly assessed?

Mr Cory—I am aware of that report. I guess the first thing to be said about it is that the figures you quote are a reflection substantially of the traffic volumes. That is to say, a road that does not have many vehicles on it does not have many accidents whereas a road such as a freeway that has a lot of vehicles has proportionately more accidents. That is essentially the issue that you have raised. In terms of the interchange, the area between Borella Road and Bridge Street, there has been modelling undertaken by the RTA at our request. It has demonstrated that traffic flows there will be efficient in terms of the merging moves. In fact, the only issue that has been identified by that modelling has been in fact off the highway, at some of the connectors into the local roads. The original design appeared to be less than satisfactory.

CHAIR—I will interrupt and congratulate the Albury-Wodonga bypass action community group on these questions. We will come back to them at 10.55. I would like to go to Senator Buckland until 10.55 p.m.

Senator BUCKLAND—I will finish on that point while Mr Cory's voice is holding up. Has that section of the highway got to be completed before the remaining sections in New South Wales are dealt with?

Mr Cory—This section is funded by the Australian government and is therefore under way at the moment. Technically, I guess, any section could be undertaken in isolation to others, although obviously these are prioritised, and the section through Albury linking up with the Hume freeway in Wodonga I think has been identified as the area of the highway that most urgently required attention. It has certainly been under study for a considerable amount of time.

Senator Ian Campbell—One of the benefits for the community, which I know Senator Buckland will be pleased to know about, is that there are 17 identified black spots which will be eliminated by this project on the New South Wales side.

Senator BUCKLAND—Yes. I think that has been brought to my attention before.

Senator Ian Campbell—I think you might be alluding to the southern Hume, Senator Buckland. I am expecting to receive a report on the next stage of the southern Hume and recommendations as to how we should progress the development of the southern Hume. I think most people would, anecdotally, say that it should be dual carriageway. A report has been commissioned by the RTA by expert engineering groups and I am expecting to receive

that literally any day. I do not want to fall into your trap of very, very soon or soon, but I am expecting that literally within the next few days, if not this week. That will inform the government's next decision-making phase on that. It will basically give us expert advice on the benefit-cost ratios of dual carriageway on the rest of the Hume. The government can obviously then proceed to decisions on that important project for the whole of Australia once I have considered that report, which I will do as a matter of some high priority.

Senator BUCKLAND—We look forward to you sharing that with us. I will finish off a couple of questions. There are still about 106 kilometres left. What would it be once this Wodonga section is completed?

Senator Ian Campbell—After this project is completed, it is 98.

Senator BUCKLAND—Could you provide us with the accident and incident and fatalities statistics over the five-year period for the single carriageway section of the Hume Highway that still exists?

Mr Cory—I would have to take that question on notice. From the Sturt Highway turn-off south to Albury there are in fact areas of dual carriageway. I do not know whether we will be able to distinguish in the statistics between accidents that might have occurred on those sections as opposed to accidents that might have occurred on the single carriageway sections. But we will take that on notice.

Senator BUCKLAND—I would certainly appreciate it if you could help us. I want to talk about AusLink for the short period of time we have remaining. I understand that it is planned that the new five-year program for road funding will be tabled at around the time the budget is brought down. Is that correct?

Senator Ian Campbell—That is our expectation. Also, I have just been told that the report on the southern part of the Hume may not be with me for about five weeks.

Senator BUCKLAND—Okay. I appreciate that. Will this five-year program funding totally replace the national RONI program?

Ms Briggs—The intention is that the government will establish and fund a new national network. That would be a rail as well as a road network.

Senator BUCKLAND—Is there any plan to get an agreed position with the states on that?

Ms Briggs—There have been lots of discussions with the states on what that national network might comprise, but ultimately this is a decision for the Australian government to make.

Senator BUCKLAND—I assume that network will start after the budget is brought down?

Ms Briggs—It is the intention to include the national network in the AusLink white paper.

Senator BUCKLAND—What is the opportunity for the private sector and communities to have input into that five-year plan? Is there any at all?

Ms Briggs—The private sector has had extensive input into that plan, in particular through the Australian Logistics Council. That industry council formed an infrastructure group which made particular recommendations or suggestions to Minister Anderson and to the officials in the department.

Senator BUCKLAND—How will the projects in the five-year national land transport plan—which I understand is due to be tabled around budget time—be selected? Is the department going to do that or is it a government matter?

Ms Briggs—No. This is a decision for ministers to take. Yes, it will be the Australian government.

Senator Ian Campbell—I think the senator, in two of his questions, alluded to the fact we are talking to state governments—they obviously have a big stake—and the private sector.

Senator BUCKLAND—Yes, I picked that up. You certainly have said that. Will the money from the abolition of the Fuel Sales Grants Scheme be included in this program?

Ms Briggs—It is the government's intention that that will be the case, yes.

Senator BUCKLAND—And those amounts commence in 2006-07 with \$265 million?

Ms Briggs—They certainly commence in 2006-07.

Senator Ian Campbell—That is the correct amount.

Senator BUCKLAND—And it will go to \$270 million in 2007-08 and \$275 million in 2008-09?

Senator Ian Campbell—Correct.

Senator BUCKLAND—Thanks. There will be a focus on improving the national land transport network in outer metropolitan, rural and remote areas. Precisely which areas is it expected will be excluded?

Ms Briggs—The government will announce the allocation of those moneys in the white paper. It would be inappropriate for me to suggest what areas the government would focus on before then.

Senator Ian Campbell—I think it is fair to say that the intent is to ensure that we skew it towards maximising the benefit of those who have been receiving the benefit of that fuel subsidy scheme. I think most people who drive on those remote roads would understand that, if you get better quality roads, you can also deliver better quality transport outcomes, including lower fuel and operating costs.

Senator BUCKLAND—So will the inner city and the outer metropolitan areas be included?

Ms Briggs—I will clarify that. The government's decision is that those funds will be allocated to outer metropolitan, regional and remote areas.

Senator Ian Campbell—The other thing is that, as you would know well, Mr Chairman, the inner cities are benefiting from the \$1.2 billion extension of the Roads to Recovery program.

Senator BUCKLAND—I do not know whether you, Minister, or the department can answer this question: how do you determine which rural and remote area projects are considered part of the national land transport network?

Senator Ian Campbell—It is very easy to define them. Most of them are actually outside the metropolitan area. I think there is 18,000 kilometres of it and a small portion of that would

be in the metropolitan areas. There are large parts of it that need heavy investment and that is what this government is committed to providing—good investment into quality roads.

CHAIR—Thank you, Senator Buckland. Senator Allison now has some questions.

Senator ALLISON—I will go back to the Granherne hazardous goods report. Why is it that this report assumed that the vehicle accidents would be single vehicle accidents?

Mr Cory—I cannot recall that detail.

Senator ALLISON—Perhaps you can get back to me, on notice, and indicate why single vehicle accidents were considered as the basis of the assumption in that report. I understand that it also assumed that there would be water on the internal route to assist with any sort of spill control, should it occur. Can you confirm that there be water availability in the event of a spill?

Mr Cory—Again, I am not across that level of detail.

Senator ALLISON—You can take that question on notice too. The review of air quality issues was, as I understand it, based on 2002 EPA data. Are you aware that the 2003 figures from Albury show 28 days in excess of the PM10 goals and that that would be far in excess of the goal of five days over the target level? What response did you make to that?

Mr Cory—I was not aware of that figure. Could I clarify that that is the situation that exists at the present time?

Senator ALLISON—The EPA said that was the figure in 2003, so I presume we will not have figures for 2004 just yet.

Mr Cory—That is a situation that exists at the present time?

Senator ALLISON—That is correct.

Mr Cory—I am not sure what you are saying about the impact on the road.

Senator ALLISON—The review of air quality assumed the 2002 figures. Have they been looked at again in light of the 2003 figures?

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

Senator ALLISON—There appears to have been no attempt to model the impact of the vehicles that will be used in the construction process itself. Can you indicate whether the report would be redone in that respect and whether it would include construction impacts? As I understand it, conditions 10 and 11 of the conditions of approval of the project require that.

Mr Cory—Senator, I understand that there are a number of environmental management plans of different sorts associated with the project, including one to do with the construction impacts, as you describe them. I am not aware that that has been done at this stage. I might speculate that that would be something for the contractor rather than the road agencies. Therefore it is something that would not be able to be done until such time as the contract is let and the contractor has, I guess, made some sort of preliminary assessment as to how he proposes to go about the job.

Senator ALLISON—You might look at that in relation to the air sciences report. I have one other question about toxic spills. As I understand it, the Granherne report used the

estimate of 28 persons per hectare in assessing the impact on people of a toxic spill of some sort. Are you satisfied that that kind of density around the internal route is an accurate one?

Mr Cory—That information has been assessed by the RTA. I am not in a position to comment beyond that.

Senator ALLISON—If possible, could you look into that question as well? According to the figures I have, this would be the equivalent of 1.6 people per household, which may or may not be accurate.

Mr Cory—I will take that on notice.

Senator ALLISON—Thanks. Those are the only questions I have.

Ms Briggs—Mr Chairman, I just want to make sure it was clear to the committee that, earlier when I was talking about the proposed AusLink national network, it is not the intention that the Commonwealth government will fully fund that entire network. In parts of it the Commonwealth will work jointly with both state governments and the private sector to achieve an infrastructure funding outcome.

Senator ALLISON—Minister, you might be interested in the letter which I understand has been sent in recent days to the Prime Minister from 100 Albury business people, who all indicate that health, safety and economic impacts of the loss of the Dean Street bridge will mean a loss of \$10 million a year, together with the years of construction for the internal route. Has there been any response to that representation, to your knowledge?

Senator Ian Campbell—I have not seen that letter yet. I am aware of the Dean Street bridge issue. In fact, I visited the site when I was there earlier in the year. I will respond to the submission when I receive it. No doubt the Prime Minister will forward it to me when he gets it.

Senator ALLISON—Are you also aware that a survey of 1,000 people that was conducted during the time of the New South Wales election indicated that 77 per cent were still opposed to the internal so-called bypass?

Senator Ian Campbell—I was not aware of that, but I was pleased to go to Albury and to Wodonga twice in the last six weeks to announce, firstly, the New South Wales side of the construction and then, secondly, the Victorian side with Mr Batchelor. I think it is an important project. I doubt that you could satisfy everybody with such a project. I am sure that if you went for the bypass, you would have hundreds of people who would not like it and that, if you went for the internal route, you would have hundreds of people who would not like it. After 30 years of reports, investigations and procrastination we have decided to build a freeway for the benefit of Albury-Wodonga people and for people travelling between Sydney and Melbourne and all points in between. I am very proud to have been part of having made the decision after 30 years.

Senator ALLISON—Thanks, Chair.

CHAIR—It is time to go home. Thank you very much for your time and patience.

Committee adjourned at 11.00 p.m.