



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 26 MAY 2004

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Wednesday, 26 May 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, O'Brien and Stephens

Committee met at 9.02 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed from 25 May 2004

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
Mr Peter Yuile, Deputy Secretary
Mr Mike Mrdak, Acting Deputy Secretary

Corporate Group

Mr Jeremy Chandler, First Assistant Secretary, Corporate
Mr Simon Ash, Chief Financial Officer
Mr Robert Twomey, Chief Accountant
Ms Linda Holub, Assistant Secretary, Executive and Governance
Mr David Banham, Chief Information Officer

Policy and Research Group

Transport and Portfolio Policy

Mr Mike Mrdak, First Assistant Secretary, Policy and Research
Dr Anthony Ockwell, Assistant Secretary, Portfolio Policy
Mr John Elliott, Assistant Secretary, Infrastructure
Mr Jim Wolfe, Assistant Secretary, Rail, Logistics and Maritime
Mr Nick Bogiatzis, Assistant Secretary, Transport Markets

Bureau of Transport and Regional Economics

Dr Judith Winternitz, Acting Executive Director, Bureau of Transport and Regional Economics
Mr Phil Potterton, Assistant Secretary, Transport Research

Programs Group

Transport and Local Government Programs (consideration of transport programs)

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programs

Ms Joan Armitage, Assistant Secretary, Transport Programs North and West
Mr Robert Hogan, Assistant Secretary, Transport Programs South and East
Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters
Mr Geoff Watts, Director, Local Government

Regulatory Group**Office of Transport Safety**

Mr Andrew Tongue, First Assistant Secretary, Office of Transport Safety
Mr John Kilner, Assistant Secretary, Maritime Security
Mr Andy Turner, Assistant Secretary, Aviation Security
Ms Vicki Dickman, Assistant Secretary, Regional and Freight Security
Mr Steve Drezzer, Director, Risk Standards and Analysis, Transport Security

Airservices Australia

Mr Bernie Smith, Chief Executive Officer
Mr Hisham El-Ansary, Chief Financial Officer and General Manager
Mr Tom Grant, General Manager, Corporate Development and Corporate Secretary

Aviation and Airports Regulation

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Regulation
Ms Fiona Lynch, Assistant Secretary, Airport Planning and Regulation
Ms Merrilyn Chilvers, Assistant Secretary, Aviation Operations
Mr Mike Smith, Executive Director, National Airspace System Implementation Group
Mr Warrick Paddon, Group Captain, National Airspace System Implementation Group

Surface Transport Regulation

Mr Bill Ellis, First Assistant Secretary, Surface Transport Regulation
Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards
Mr Michael Sutton, Assistant Secretary, Surface Transport Regulation and Reform

Australian Maritime Safety Authority

Mr David Baird, Acting Chief Executive Officer

Safety and Investigation Group**Australian Transport Safety Bureau**

Mr Kym Bills, Executive Director
Mr Alan Stray, Deputy Director, Air Safety Investigation
Mr Robin Graham, Director, Safety Investigations
Mr Joe Motha, Director, Safety Research and Education

Regulatory Group**Civil Aviation Safety Authority**

Mr Bruce Byron, Chief Executive Officer
Mr Bruce Gemmell, Deputy Chief Executive Officer
Mr Rob Collins, Executive Manager, Aviation Regulatory Services
Mr Bill McIntyre, Executive Manager, Aviation Safety Standards
Ms Nicola Hinder, Executive Manager, Corporate Affairs
Ms Sue-Ellen Bickford, Executive Manager, Corporate Services
Mr Ray Comer, Executive Manager, CASA Improvement Program
Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance
Mr Peter Ilyk, General Counsel

Programs Group**Transport and Local Government Programs (consideration of local government programs)**

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programs
Ms Joan Armitage, Assistant Secretary, Transport Programs North and West
Mr Robert Hogan, Assistant Secretary, Transport Programs South and East
Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters
Mr Geoff Watts, Director, Local Government

Policy and Research Group**Regional Policy**

Ms Sema Varova, First Assistant Secretary, Policy and Research
Mr Daniel Owen, Assistant Secretary, Regional Policy

Programs Group**Regional Programs and Territories**

Ms Leslie Riggs, First Assistant Secretary, Regional Programs and Territories
Ms Wendi Key, Assistant Secretary, Regional Program Operations
Mr Leo Dobes, Assistant Secretary, Analysis and Performance
Mr Gary Dolman, Assistant Secretary, Regional Communities—Regional Office Network
Mr Andrew Wilson, Assistant Secretary, Territories

National Capital Authority

Ms Annabelle Pegrum, Chief Executive Officer
Mr Lindsay Evans, Managing Director, Business
Mr Graham Scott-Bohanna, Managing Director, Design
Mr Andrew Baird, Director, National Capital Promotions
Mr George Lasek, Director, National Capital Estate
Mr Ross Addison, Director, Finance
Mr George Lasek, Director, National Capital Estate
Ms Alison Walker-Kaye, Director Corporate Business
Mr Phil Wales, Director, Executive Governance
Mr Andrew Smith, Director, National Capital Projects
Mr Don Wright, Director, National Capital Plan
Mr Ted Schultheis, Principal Town Planner

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2003-04 budget estimates for the Department of Transport and Regional Services. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than Friday, 9 July 2004. We will resume hearing the Policy and Research Group.

Mr Yuile—Before we begin, Senator O'Brien asked a question last night of the BTRE in relation to multimodal projects. I think we gave something of an answer, but we want to give you a bit more detail.

Mr Potterton—We indicated in response to your question that the transport security project had a multimodal aspect. It did not immediately occur to me that a number of our projects relate to passengers and freight and in that regard they have multimodal aspects. For

example, we have published an information sheet with trends and projections on freight between the major cities which covers road, rail, air and sea. Similarly, we have a freight measurement modelling paper which is being finalised which looks at information by commodity type and by those same modes. There is also work on passengers. We are finalising a publication on a non-urban passenger model, which is a tool for understanding movement between regions for passengers and making projections. That looks at the car, coach, rail and air modes. So the point I wanted to emphasise was that under the passenger and freight rubrics there are a number of projects which have multimodal dimensions.

Senator O'BRIEN—That has squared that away.

Mr Yuile—I was just worried that you had perhaps got a wrong impression from last night.

Senator O'BRIEN—That you had forgotten about multimodal issues?

Mr Yuile—It is fundamental.

Senator O'BRIEN—I am curious about why it is known as the Bureau of Transport and Regional Economics when it is obviously a division of your group, rather than some more independent unit, if I can put it that way, which the name connotes. I do not know whether that is merely my understanding or the way that others understand it, but I did have a bit of a mental double take when I understood how it had been factored into this group and how its functions were filled by people moving across the group generally—as well as by some who are dedicated researchers, obviously.

Mr Matthews—Perhaps I will open, and Mr Mrdak might want to add something. We have retained the title of bureau because, of course, it has its antecedents in the Bureau of Transport Economics, which has been in existence for many years, and that is a sort of tradition and background that we value. We wanted to keep that identity within the Policy and Research Group. The group is actually called 'policy and research', not just 'policy', and, as you say, people do move across the boundaries—if there are boundaries—between policy and research, but that is a good thing. That is why we designed it that way: to make sure that the research people were sitting alongside policy people and could deal with them and make their research as relevant and applied as possible and that the policy people were able to provide guidance and suggestions about the sorts of things that were policy relevant to them. So retaining the name 'bureau' retains the culture and identity of the entity that has been there for many years, although we have added 'regional' to the name as well. But, by integrating it with the rest of the group, we are trying to broaden it out from being—excuse the expression—just a pure research bureau into a research bureau well integrated into the thinking of the department.

Senator O'BRIEN—It was just a thought.

Mr Yuile—I will just add to that, because I think you made a remark when Mr Ockwell was here at the table, when you said, 'You can go now. We've finished with BTRE.' Mr Ockwell is in fact one of those who has had a distinguished career in the bureau. He has worked in the OECD, has come back to the department and is now working within the overall group, but because he has skills that obviously are relevant to both the policy and the research stream, we actually have the flexibility to use someone like him to work with that core dedicated group of researchers. It is a different model; you are right.

Senator O'BRIEN—I have not said that I have some fundamental objection. It is just a thought that crossed my mind that this is a description that gives it a connotation in one's mind of a more independent entity than it is. Is that anything more than branding? That is a matter that you would want to think about before you made a judgment on it. I did not want to make a federal case of it. As I said, it is just a matter that crossed my mind.

Mr Yuile—It is a question that we have debated too.

Senator O'BRIEN—Regarding the ARTC one-off grant of \$450 million that was mentioned last night, which will be paid to the ARTC—I think you said—once the department receives a works program from the ARTC, I just want to be clear. Does this effectively mean that the government will write a cheque or in some other way transmit \$450 million to the ARTC, and they will then put it in some financial account or the like until they need to use it?

Mr Mrdak—It will actually be provided as a cash grant this financial year which will then be available to the ARTC to put into their accounts and utilise for certain project works that have been agreed.

Senator O'BRIEN—And that must occur before 30 June?

Mr Mrdak—The payment to the ARTC will occur before 30 June, yes.

Senator O'BRIEN—What role will the department play in approving the works program?

Mr Mrdak—We will look at the projects that come forward from the ARTC and provide advice to the minister in relation to those and where they fit in with the overall upgrade of the track that they have. But at the end of the day it is a decision that the ARTC takes as a commercial entity of the government, and it has the expertise in these matters. So we will be very much looking at where it fits in, the rationale and what improvements we would be getting in terms of the overall interstate freight task, but essentially we will be relying on the judgment of the ARTC.

Senator O'BRIEN—What happens in the event that the ARTC does not spend all of the money?

Mr Mrdak—The ARTC is a Commonwealth company and has joint shareholders: the Minister for Transport and Regional Services and the Minister for Finance and Administration are the shareholders of the company. Through that mechanism and the various governance mechanisms of the company the Commonwealth always has that shareholder interest. But that is certainly not envisaged—as you would be aware, the rail track on the north-south corridor is in need of a great deal of investment and I do not think there is any chance that that money will not be fully expended.

Senator O'BRIEN—There is certainly a lot of work to do, that is right.

Mr Mrdak—Yes.

Senator O'BRIEN—But in the unlikely event that they couldn't spend the money the shareholders of the company could direct it to do other things with the money?

Mr Mrdak—Yes, in accordance with the shareholder rights under the Corporations Law. But as I say, this is an investment which is long overdue in terms of the New South Wales rail system in particular.

Senator O'BRIEN—Is there a time period in which the \$450 million must be spent?

Mr Mrdak—It has not been established. Obviously, we would like it spent as quickly as possible to bring the improvements to the track into operation. We had envisaged that the most of the individual projects would be announced as part of the white paper on AusLink. That will include some time frames in which the ARTC envisages the work being done, but certainly from our perspective we would like to see the work done as quickly as possible.

Senator O'BRIEN—Would the ARTC acquit the expenditure of the money to the Commonwealth?

Mr Mrdak—In accordance with their normal Corporations Law requirements.

Senator O'BRIEN—So there is a process to ensure that the money is used for its intended purpose.

Mr Mrdak—Yes.

Senator O'BRIEN—Last night I was referring you to the *Australian Financial Review* of 20 May which suggested that an additional \$550 million is likely to be forthcoming for the eastern seaboard rail system. The same article quotes Mr Chris Corrigan suggesting that Pacific National has up to \$500 million to invest in the eastern seaboard rail system. Has this matter been explored with Mr Corrigan?

Mr Mrdak—Senior members of the department have discussed that with officers of Pacific National in the sense of seeking to determine the exact nature of it, but it has only been at that stage with exploratory discussions at this point.

Senator O'BRIEN—Is this commitment related to Pacific National's purchase of the Victorian rail operator Freight Australia?

Mr Mrdak—No, my understanding is that it is not. We have been seeking some clarification on it but, as I said, at this stage we have only had very preliminary discussions about the nature of that comment.

Senator O'BRIEN—With regard to that purchase, does the department have any concerns in relation to it given the potential anticompetitive outcomes of a major increase in market share for rail or, more broadly, across logistic chains that it is likely to bring about?

Mr Wolfe—Ultimately, it is a matter for the ACCC and the Victorian government, because there is a previous lease involved in that transaction. From a broader point of view, the ACCC can make its decision about the competition elements of that particular issue. All we would note is that there is fairly significant competition from road transport, which is the dominant mode on that particular route, so I think they would have to weigh up those particular factors.

Senator O'BRIEN—Did the department or the government make a submission to the ACCC inquiry?

Mr Wolfe—No.

Senator O'BRIEN—The *Australian Financial Review* article referred to the \$50 million that Pacific National committed as part of the national rail purchase. Do I correctly understand that this money is still part of the ARTC lease negotiations?

Mr Wolfe—That is correct.

Senator O'BRIEN—When will that \$50 million be available to ARTC?

Mr Wolfe—The intention is that we will negotiate with Pacific National how the \$50 million can be best spent.

Senator O'BRIEN—Is it a matter that the government have to agree with?

Mr Wolfe—Yes.

Mr Mrdak—The provision in the sale agreement comes into effect on the signing of the lease for the ARTC of the New South Wales network, so post the signing of the lease in the next couple of weeks we will commence those discussions formerly with Pacific National.

Senator O'BRIEN—The national rail sale deal also included an undertaking for Pacific National to sell surplus rolling stock commercially. I understand that the ACCC endorsed a condition of sale that surplus rolling stock was to be sold on the open market by tender, but I am given to understand that some of this rolling stock has been sold through a private agreement rather than by tender. Is that right?

Mr Wolfe—We might take that on notice. I think it is handled by our programs area, but we will check that for you.

Senator O'BRIEN—Could you also see if you can ascertain whether additional surplus rolling stock remains with Pacific National outside the agreed sale time frame?

Mr Wolfe—Certainly.

Senator O'BRIEN—And whether the department has an understanding of when this condition of sale will be met.

Mr Wolfe—We will check that.

Senator O'BRIEN—Where will depots be located once the lease is finalised?

Mr Wolfe—That will be a decision for the ARTC.

Senator O'BRIEN—With regard to employment issues following the lease finalisation, have staff arrangements been resolved?

Mr Mrdak—One of the agreements which will be entered into next week will be a labour services agreement for the leased network. Essentially, ARTC will employ a significant number of staff immediately, but it will also have on secondment from the New South Wales rail authority a number of staff who perform maintenance, rail scheduling and direction and other tasks. They will operate under a labour services agreement, which has been negotiated between the ARTC and New South Wales. They will stay employees of New South Wales and will work under the direction of ARTC for a period into the future. As I said, that agreement is now being finalised for signature next week.

Senator O'BRIEN—Are you able to provide the committee with details of where the jobs will be located once the new arrangements come into place? For example, which depots will be regional hubs?

Mr Mrdak—Essentially, the ARTC will step in and maintain things as they are with the staff where they are currently located. That is my understanding. I am not too sure at this

stage whether they have fully determined where those depots will be in the future. We can certainly take that on notice.

Mr Wolfe—Once they are finalised, we can do that.

Senator O'BRIEN—Whatever the staffing arrangements are, are they finalised upon the signing of lease?

Mr Mrdak—They are finalised through a separate agreement, the labour services agreement, which sits alongside the lease, yes.

Senator O'BRIEN—Will staff have portability back into the New South Wales system?

Mr Mrdak—The bulk of the staff will remain as employees of New South Wales, so my understanding is that they will have full rights to return to the New South Wales system—either the rail system or elsewhere in public employment in New South Wales.

Senator O'BRIEN—What do you mean by 'the bulk'?

Mr Mrdak—I am sorry: the ARTC will engage some of its own staff directly for New South Wales operations and staff who are currently performing the New South Wales task for that lease network will remain New South Wales employees and will retain rights to be New South Wales public employees.

Senator O'BRIEN—Will there be positions that will be surplus and will there therefore be redundancies?

Mr Mrdak—I am not aware of any at this stage. I can check, but I am not aware of any—certainly not from the ARTC's perspective.

Senator O'BRIEN—Regarding the Hunter coal lines, I understand that significant delays to shipping activities through Newcastle port are still occurring as a result of the poor state of the rail lines. Having seen recently the bank of ships out there, I am advised that ships wait for weeks offshore at Newcastle and that much of this delay relates to the bottlenecks caused by the rail line. Has any upgrade work on the Hunter coal rail lines been programmed?

Mr Mrdak—Yes. As part of the ARTC's investment programme—as part of the lease — \$145 million worth of upgrade works is programmed for the Hunter Valley system. Certainly in relation to a number of key areas close to the coal loading facility, those projects are now at the design stage and ready to go to tender. So the ARTC is now working with the customers, with the expectation that shortly after the signing of the lease it will be able to go to the market for tender and construct contracts for those works. But overall there is \$145 million worth of additional investment going into that Hunter Valley coal network.

Senator O'BRIEN—Where is that additional \$145 million coming from?

Mr Mrdak—The funding for that is coming from a range of sources: firstly, from the equity injection that the Commonwealth is providing; secondly, from borrowings that the ARTC will make to fund its investment—and New South Wales is also making a contribution to the ARTC, as part of the lease deal, which will also fund works.

Mr Wolfe—Yes, the \$145 million is part of the overall \$872 million investment programme.

Senator O'BRIEN—So will some of the \$450 million be used for that?

Mr Mrdak—It has not been at this stage. As I say, we are waiting for ARTC advice, but not at this stage. That \$450 million will be additional to the \$872 million and will be used for other areas of the network.

Senator O'BRIEN—Okay. Is there any expected timetable for the upgrade of the Hunter Valley lines?

Mr Mrdak—I think it is envisaged that they will be done within about three years.

Mr Wolfe—Yes, within about three years. Of course, in relation to some of the work there will need to be the appropriate environmental impact and planning processes with New South Wales.

Senator O'BRIEN—Has there been any discussion with any of the coal companies about them contributing funds to the upgrade of these lines?

Mr Wolfe—There have been discussions between the ARTC and the coal producers, as I understand, about a range of issues. I am not sure that the specific issue of funding was raised, but we can certainly check with the ARTC.

Senator O'BRIEN—Is the department exploring any mechanism to build private funding into these types of infrastructure projects?

Mr Mrdak—Certainly the takeover or the lease of these Hunter Valley lines by the ARTC will provide a better conduit, I think, for private investment than has been there to this point in New South Wales. The ARTC by its nature is a very commercial organisation, and I am sure, as Mr Wolfe has indicated, that they will be having discussions with the users to see whether there are opportunities for the rail operators, the coal companies and the port operators and the like to make investments as well. So at this stage I do not think there have been any determinations on that, but certainly I would envisage the ARTC would be pursuing those types of private investments where they could.

Mr Wolfe—The other thing that I think we should say, to give some attribution, is that a major source of revenue for the ARTC is access fees paid by the rail operators—particularly in this case by Pacific National and Pacific National, of course, has contracts with the coal companies, so you could say they are contributing.

Senator O'BRIEN—I suppose you could argue that if there are more trains on the track and more coal being delivered it will mean more revenue.

Mr Wolfe—Yes. I think there is very much common agreement amongst all parties that the rail upgrading work is definitely a positive development to upgrade the capacity of the track to 100 million tonnes.

Senator O'BRIEN—I want to clarify the current financials for the ARTC New South Wales lease. The total cost is still \$872 million?

Mr Mrdak—That is the commitment by the ARTC for investment in New South Wales and Victorian track as part of the lease.

Senator O'BRIEN—New South Wales still has \$62 million on the table?

Mr Mrdak—That is right. As part of their signing of the agreements, they will be contributing \$60 million and some additional funds on top of that—an additional \$30 million as well. So overall there is some \$90 million by New South Wales.

Senator O'BRIEN—The Commonwealth has committed \$143 million?

Mr Mrdak—That is correct. Through an equity injection.

Senator O'BRIEN—Pacific National has committed \$50 million?

Mr Mrdak—That is right.

Senator O'BRIEN—So the remaining around \$600 million is to be covered through borrowings—

Mr Mrdak—Borrowings and retained earnings by the ARTC.

Senator O'BRIEN—Will the borrowings be underwritten by the Commonwealth?

Mr Mrdak—The Commonwealth has given a commitment that, where ARTC is unable to fund the borrowings on its normal commercial terms, the Commonwealth is prepared to give an underwriting for a period for some borrowings, the amount of which is yet to be determined. It will be based on the ARTC going to the market. The Commonwealth has given a commitment to provide some underwriting for loans which would not otherwise reach the rates of return the ARTC would normally seek.

Senator O'BRIEN—So how will that liability appear in the budget papers?

Mr Mrdak—We indicated in a previous answer that there is a contingent liability, I think.

Mr Wolfe—I think at the last estimates hearings there was a response to a question PRTP03, which talked about the underwriting, how it appeared in the budget papers.

Senator O'BRIEN—Does it appear yet?

Mr Mrdak—No.

Senator O'BRIEN—So it will be a contingent liability?

Mr Mrdak—If it is required. It is yet to be determined if it is required. The ARTC will go to the market seeking that money and then we will come back to the Commonwealth if required.

Senator O'BRIEN—And the Commonwealth is not picking up any additional costs as a result of the New South Wales branch lines being picked up in this arrangement?

Mr Mrdak—No. The branch lines will remain the cost and responsibility of New South Wales.

Senator O'BRIEN—Can you remind me how the \$872 million figure was originally determined?

Mr Mrdak—It reflects a range of projects that have been determined as necessary to bring the New South Wales system in to meet performance targets that the ARTC wishes to reach and has agreed with New South Wales. I can provide you with a summary of that if you like—a breakdown of the \$872 million project by project, if that would help.

Senator O'BRIEN—Yes, that would be helpful. Given that the lease negotiations have been under way for some time, has any audit been done in the last one or two years to determine what state the tracks and other infrastructure are actually in?

Mr Wolfe—My understanding is that the ARTC, certainly in advising us about the amount of work that could be undertaken, did do an assessment of the infrastructure that was there. Of course, they have had to rely on information provided to a large extent by New South Wales Rail. In the process of acquiring the leasehold, they continued, as I understand it, to look at the state of those assets.

Senator O'BRIEN—So we are not sure whether \$872 million is sufficient?

Mr Wolfe—I think it is envisaged, and I think the subsequent announcement that the government is making in relation to AusLink and the \$450 million indicates that there is still an ongoing program of infrastructure investment in rail on that north-south corridor.

Senator O'BRIEN—Has any due diligence been undertaken on the debt model to see whether it is going to work?

Mr Mrdak—Certainly the ARTC board, in concluding the deal, will need to satisfy itself through its normal commercial processes. That has been worked through the board to this point as part of their business case for the lease of the New South Wales network, and that has been worked through again with the Department of Finance and Administration as part of the governance oversight of the ARTC.

Senator O'BRIEN—Do you know whether the ARTC board has commenced discussions with private financiers regarding the debt model?

Mr Mrdak—I am not aware, Senator, but I can check.

Senator O'BRIEN—Thanks. The forward estimates show that an amount of \$20 million will be spent in 2005-06 for an upgrade to the mainline interstate railway track. What is that money for?

Mr Wolfe—That question would be best asked of our transport programs area.

Senator O'BRIEN—On Friday, 21 May in a newspaper article in the Tweed Heads *Daily News*, the Deputy Prime Minister is quoted as saying:

We've already announced \$1.4 billion to be spent in New South Wales, and \$450 million of that is to be spent in this region for freight lines.

Can you explain what he might mean there? When I add up the rail announcements, I see there is \$872 million for the ARTC lease, \$450 million committed in this year's budget and \$20 million in the forward estimates. It does not quite make \$1.4 billion. Do you know whether there is an extra \$58 million coming from somewhere?

Mr Mrdak—I do not have the figures, Senator. I will take it on notice, if you do not mind. I can check and come back with a detailed breakdown.

Senator O'BRIEN—On a related matter: the minister also announced as part of the budget a contribution of \$2 million per year over two years, to be matched by the New South Wales government, to establish a logistics centre of excellence. This is linked to the ARTC deal, as I

understand it. Can you give us some detail on this proposed centre of excellence? For example, where will it be located?

Mr Mrdak—Certainly, Senator. For some time, the Australian Logistics Council has been looking at the issue of training and the attraction and retention of staff in the transport sector. This was brought into prominence during the negotiations for the New South Wales rail lease, where there were concerns about the future of having trained employees for the rail system. As part of the lease negotiations, Ministers Anderson and Costa agreed to jointly fund an initiative of \$2 million each for the next two years to fund the centre of excellence.

New South Wales has been working on this for some time, and we see it as an opportunity to broaden it out to be a national centre which will provide training and information—training brokerage, principally, and information on training and career paths and the like—for people entering the rail and other transport sectors and logistics sectors. It is designed to be an initiative which works to attract people into the industry and to retrain and retain staff in the industry, and also to provide upgraded training for people who are already in the industry looking to change career paths. So it is a comprehensive model which is looking at trying to develop a training system, bringing together training providers and the like.

At this stage, the form it will finally take is yet to be determined. As I said, New South Wales has been doing some work on it for some time. The location of it is likely to be in Sydney, as part of the agreement with New South Wales, but it will have a national focus through the operation of Internet based services and the like.

Senator O'BRIEN—Has the charter for the centre been agreed?

Mr Mrdak—Not as yet, Senator. The Commonwealth has announced its commitment, but the New South Wales budget processes are yet to be completed. When that is done and the funding is secured, we will then enter into negotiations with New South Wales and, as I said, groups like the Australian Logistics Council to shape and form the centre.

Senator O'BRIEN—What will underpin it? Will it be legislated? Will there be a formal agreement between the Commonwealth and the states?

Mr Wolfe—That is an issue that is still to be determined. There are several options, one of which could be, for example, the formation of a small company. Another option is having a less formal body, and one could be just providing particular grants to organisations such as some of the major transport associations which have expressed an interest in getting involved in this project.

Senator O'BRIEN—Will other states have access to it?

Mr Wolfe—That is something that we are very keen to pursue. We would certainly like to see other states involved. Each of them has some form of body that is trying to promote transport and logistics, and certainly we would like to see them all involved, yes.

Senator O'BRIEN—Is there a commitment that it will be established in the next financial year?

Mr Mrdak—Certainly from the Commonwealth's perspective, yes. We are now waiting on the New South Wales budget commitment, but certainly Ministers Costa and Anderson have agreed that it would be operational in 2004-05.

Senator O'BRIEN—Is it for multimodal transport logistics, or just rail?

Mr Wolfe—Certainly the intention is multimodal.

Senator O'BRIEN—Is it known yet whether the centre will have a board to run it?

Mr Wolfe—No, Senator. That is a potential option. We need to agree with New South Wales as to the actual formation of the corporate entity or body or organisation which will run the centre.

Senator O'BRIEN—How many people in the department are working on the ARTC lease deal?

Mr Mrdak—About six people.

Mr Wolfe—I should add that they do it as part of a range of other duties they perform.

Mr Mrdak—That area covers all of our rail policy matters, and the ARTC lease is one of the matters that they deal with.

Senator O'BRIEN—Apparently the government will be releasing the AusLink white paper on 7 June. The funding is shown on pages 25 and 27 of the PBS 2004-05. It says that the department is to receive additional funding to meet the costs of administering the new AusLink program. Can someone please tell the committee what this additional funding will cover?

Mr Mrdak—The additional funding will cover the costs involved in the finalisation of the white paper and the establishment of legislation for AusLink. It will replace the existing land transport legislation and will require a whole new legislative framework for its operation. That task will be undertaken through the course of the coming months. It will also involve the establishment of the program in terms of management systems and people to manage the system. AusLink is a different approach to the Commonwealth's handling of road funding and what is currently operating, so it will require some redesign and the like and restaffing of the area that is currently looking after our land transport programs. So there is a range of tasks involved, as I said, from a white paper and its dissemination through to the negotiation of contracts with the states and others. The IT system will also need to be established, as we discussed last night. It will involve legislation and then the establishment of the program area.

Senator O'BRIEN—The amounts for 2004-05 are of \$8.4 million for expense measures and \$4 million for capital measures. Can you give us a bit more detail about what that will actually buy, tell us what the capital money will be spent on and tell us, for example, how many additional staff you expect to purchase and what other services will be accounted for with that expenditure?

Mr Mrdak—The capital money will be for the IT system, which we discussed last night, in terms of building a very high quality interactive IT system which will provide details of the projects, the national network and the like. I might ask Mr Elliott to talk about the point—

Senator O'BRIEN—I am not saying that Mr Elliott cannot answer that, but we had an explanation last night of the expenditure on IT of \$17.2 million per year. Is this money included in that?

Mr Mrdak—No.

Mr Yuile—This is additional money.

Mr Mrdak—This is a completely new project.

Mr Yuile—But the management of that project will be part of the strategic IT committee that we also talked about. That will be the governance arrangement for all new IT.

Mr Elliott—Essentially, over the next two or three years we will begin the process of building an IT system that will give us better access to data. Capital money will go towards the purchase of new hardware. We will also spend money in addition to the capital money to source—and, if necessary, purchase—some data and partner with the ABS to get better data than we have previously had. We will also go through the normal processes of setting up an IT capability to improve our own understanding of the transport system. So work will be done in a number of areas. For example, the BTRE will do some additional research work. The programs people will undertake a greater level of activity that relates to what the states currently do, so that we have some better information. We will also be looking, as part of the IT system, to have a measure of GIS capability that will eventually not only enable departmental officers to have better access to data but lead to a more transparent system that enables other people to log in to our web site and get a better feel for what is happening on the national network.

Senator O'BRIEN—What is a GIS capability?

Mr Elliott—I have to say, first of all, is that I am not a technical person—

Senator O'BRIEN—So we are both confused!

Mr Elliott—We may both end up confused.

Mr Matthews—As another person equally confused, I can say GIS is geographic information systems. It means that you can give location specific information over the network—maps and projects by location, by region or by state. You can demonstrate the shape of projects as well as their finances.

Mr Elliott—Essentially, GIS enables you to take information from one source and compare it with another source and to bring them together. You can search for things and you can bring common issues together, enabling you to construct a picture—it may not necessarily be a map, but it is often displayed as a map—of what the system is telling you.

Senator O'BRIEN—You have started me along the way of understanding it; thank you.

Mr Yuile—I should add that, as you would probably be aware from other committees, there is a geospatial network in the Commonwealth. Geoscience Australia, ABS and others are part of that. As Mr Mrdak and Mr Elliott have mentioned, as we evolve and develop the AusLink network we will be making sure that we link carefully with those other groups. We do not want to reinvent wheels that are already there, but we need the capacity to draw that in and apply to it to the relevant land transport work that we will be doing. So I think there will be a whole-of-government element as we develop it.

Senator O'BRIEN—Sorry for interrupting, Mr Elliott. You were taking me down the path of the spending of this \$12.4 million.

Mr Elliott—I think I had more or less finished, unless you have further questions.

Senator O'BRIEN—How much of the \$8.4 million in expense money will remain in the Policy and Research Group? Has that been decided?

Mr Elliott—Can I take that on notice? I think that is something that might need a little more explanation than a simple answer.

Mr Mrdak—Perhaps I can clarify that a little. The bulk of the funding for 2004-05 will be provided to the programs area. There is an amount of money which was unspent in this financial year which has been rolled forward into the next financial year for AusLink. That will fund the development of the legislation and the like, which will be done by the policy group. We can give you an exact figure on that, but essentially the bulk of that money will be in the programs area to cover their program establishment costs and the launch of information on AusLink.

Mr Matthews—The reason for that is that, with the government's major decisions, AusLink has now reached a critical stage. It has been developed through research and policy advice—that is the Policy and Research Group. The government has taken a decision to proceed to implementation, and the department is organised so that the implementers are in the Programs Group. It now becomes a program and it moves from the responsibility of people such as Mr Mrdak and Mr Elliott, who have been developing advice to the government on the idea, to the implementers, who are the program people you will be talking to shortly.

Senator O'BRIEN—You talk about some money going to BTRE. How much of the \$8.4 million will go to BTRE?

Mr Mrdak—\$500,000.

Senator O'BRIEN—Will any of the \$8.4 million go to the IT program or will that come out of the capital fund?

Mr Mrdak—That will be funded through capital.

Senator O'BRIEN—In 2005-06, is the \$4.5 million IT expenditure again?

Mr Mrdak—For capital, yes.

Senator O'BRIEN—It is the same project?

Mr Mrdak—Yes.

Senator O'BRIEN—Will any of the other groups receive funding from this expenditure in the four out years?

Mr Mrdak—There will be a small amount for the policy group. The Programs Group gets the bulk of it. There is some for capital expenditure next year and this year, and then there is a small ongoing amount for BTRE for research support for AusLink. There is also a small allocation for corporate overheads, which goes to the central corporate area.

Senator O'BRIEN—Can you give me a breakdown of those expenditures out of the program over the out years?

Mr Mrdak—Yes. Do you mean the budget allocation?

Mr Elliott—Can we take that on notice?

Senator O'BRIEN—Yes, I was expecting that you would. The PBS also outlines additional administered funding for AusLink over the allocations in the previous forward estimates for existing transport programs. Is any of this additional money being diverted from other programs in this portfolio?

Mr Mrdak—No, it is new funding.

Senator O'BRIEN—Can you tell me how much state or private sector money is expected to go into this AusLink funding pool to supplement the Commonwealth's allocation?

Mr Elliott—That is a matter that we will have to negotiate with the states and the private sector as we go through the AusLink process.

Senator O'BRIEN—Has the package of projects been finalised?

Mr Elliott—The package is in the process of being finalised.

Senator O'BRIEN—When will it be finalised?

Mr Elliott—It will be finalised in time for the white paper, which will be launched, I understand, in June.

Senator Ian Campbell—It may or may not be launched on 7 June.

Senator O'BRIEN—It will be June?

Senator Ian Campbell—We are very hopeful that it will. If you look at your parliamentary timetable, which is like mine, we are aiming for that week, but it is—

Senator O'BRIEN—Regarding that package of projects, does finalisation involve full consultation with states and territories about them?

Mr Elliott—Yes. There has been quite a degree of consultation with the states and territories over the last month or so. That process is still continuing.

Senator O'BRIEN—What criteria are being used to allow proposed projects to be compared on their merits in an open and transparent way?

Mr Elliott—Essentially, the approach that we have taken is to look at the strategic merits and the benefits and costs of projects, to reach some conclusions of our own, to discuss them with states, to discuss their priorities and our priorities and to try to work out the best solution for the transport network.

Senator O'BRIEN—Can you tell me about the actual process for selecting the projects?

Senator Ian Campbell—The white paper will go into a lot of detail about that, but the process that has taken place over the past six or so months has been to ask the states to give us their priorities and then to work through those. The core of the white paper is the process not only of determining the first five-year plan but also of putting in place a better quality system for determining the future shape of the network in subsequent plans. It is a rolling five-year plan, as I think you know.

Senator O'BRIEN—It is the reemergence of the five-year plan, is it?

Senator Ian Campbell—I think the trouble with transport planning in Australia in the past has been that we have worked almost on a year by year basis. Everyone has waited for budget

night to find out whether a little project on their nearby road is going to be funded. The concept of AusLink is to say, 'Let's try to create much longer term programs and processes for determining what our corridors should look like'—working on them cooperatively with the states and creating a network and devising investment strategies over the long term to put relevant investment into them. That has meant a significant change of culture, which is occurring as a result of this process.

Senator O'BRIEN—Therefore, the culture that will be engendered by the process is critically important, which is why I am asking questions about open and transparent processes—lest the credibility of these so-called five-year plans be undermined from the start

Senator Ian Campbell—I think this is a very important line of questioning.

Senator O'BRIEN—You say that the white paper will detail that process. What do you mean, Mr Elliott, by 'conclusions of our own' being one of the criteria? It sounds delightfully as if the minister will pick those he thinks should be the winners.

Mr Elliott—No, I did not mean to imply that at all. What I meant by that was to say that we apply our own knowledge, analysis and commonsense to what are sometimes state priorities. You would not expect us as representatives of the Commonwealth government to simply accept state priorities. Very often we do, but at the same time we have to take a national perspective.

In doing that, we might look at the degree of interstate connectivity, for example, and whether we consider that appropriate links to ports are being maintained. If you think about the national perspective in terms of national economic growth and aiding the economy in general, that is our national perspective as opposed to, say, a state-centric perspective, which may be a bit different from that—not necessarily congruent anyway.

Senator O'BRIEN—I am still struggling to understand why you think the states would have a different approach on the basis of the strength of their economies. They would certainly have an approach based upon the success of their state.

Mr Elliott—Yes, I agree with that, but each state will have an approach that is based on the success of its state. For example, it will try to encourage the maximum amount of freight to be exported or imported through its particular port. The national perspective may not always be congruent with that.

Mr Matthews—I will give you two examples. At a minor level, there are issues that come up when states do independent planning at the border. This is a contrived example, but there might be a road or rail link that leads to a border completed in one year but the other states' plans do not carry it beyond the border until a few years later. From a national point of view, that is a nonsense. The more important point is a variant of Mr Elliott's—that is, the national transport network, which is what we are trying to develop now, needs to have some picture of our international linkages and flows of goods and freight across Australia to export and import points. The best ones are not necessarily always seen from state capitals, so we try to integrate the views of different states into a national perspective.

Senator O'BRIEN—They are not always seen as state capitals. I understand in general what you are saying. If I am following you, port intermodal facilities and urban public transport projects will be eligible for funding under the AusLink program.

Senator Ian Campbell—Urban public transport?

Senator O'BRIEN—Yes.

Mr Elliott—We would very much see port and intermodal facilities as being part of the national economic perspective. Public transport is very much a city or state perspective.

Senator Ian Campbell—It is worth noting though as it highlights the issue that you are homing in on. In a way you are asking, 'Why shouldn't the states just say what the priorities are and the Commonwealth just effectively give the money?' That is probably exaggerating what you are saying, and you are probably being a bit of a devil's advocate, but if the Commonwealth puts a poultice of money over the years into an urban part of the national highway, for example, it is easy for a state and a local council to build developments all around that road and use that multimillion dollar Commonwealth infrastructure to effectively move local residents from suburb to suburb. I do not think anyone from either side of the parliament would think that is the real concept of a national highway or even an AusLink network. So, to the extent that Commonwealth investment could delay state government investment in urban transit systems, that is why the AusLink concept of trying to integrate this thinking and get a truly cooperative approach to transport planning is a more enlightened way to go. In a way, you have raised the question about urban passenger transit. I cannot remember the exact words.

Senator O'BRIEN—I think it was 'urban public transport'.

Senator Ian Campbell—Urban public transport is clearly important to the AusLink network, because we do not really want state governments to be let off the hook in terms of providing good public transport systems because the Commonwealth comes along and builds a multimillion dollar road through an urban area. The two need to be integrated, and that is what AusLink will seek to do. Should the Commonwealth then start building passenger railways around the cities of Australia; the answer is clearly no.

Senator O'BRIEN— If they are not there now it is going to be pretty hard to put them in. But incremental changes to those could impact on the volume of traffic on the roads that you are trying to build to carry the freight from point A to point B within cities to link the modes of transport. I am not trying to argue the case; I am just saying that it is certainly the case that the intersection of the commuter with the road and rail systems will ultimately have an impact on all modes of transport and the efficiency of the system and how much you have to invest to make it work.

Senator Ian Campbell—We agree on that.

Senator O'BRIEN—Has a formula been developed to allocate funds between states and territories under AusLink?

Senator Ian Campbell—Under parts of AusLink, yes—under the Roads to Recovery part of it, yes; for the maintenance part of it, yes. That will all be in the detail of the white paper when it is released.

Senator O'BRIEN—But there will not be a formula for new expenditure?

Senator Ian Campbell—No, but it will be well described. There will be a strategy and it will be very clear. It is some hundreds of pages long and I think it is fair to say that strategy will be very transparent.

Senator O'BRIEN—How will the finalised package affect moneys currently allocated to the national highway program and the Roads of National Importance program?

Senator Ian Campbell—All the existing commitments continue. AusLink projects come in over the top of them and there is a transitional period for two or three years with the existing commitments to the national highway and the Roads of National Importance program. Most of the remaining parts of that were announced in the budget. The new AusLink projects will be announced when the white paper is released some time in June.

Senator O'BRIEN—The regional business development analysis recommended that an independent national advisory group be established to 'set priorities for national infrastructure development in an integrated and transparent fashion'. Is the establishment of such a body going to be included in the white paper?

Senator Ian Campbell—We will have to wait to see what the white paper says. If we were to go through every chapter of the white paper now we would probably save a lot of energy in June, but it would be better to wait for the integrated package to be released.

Senator O'BRIEN—I understand what you are saying. It is obviously critically important to understand how transparency is going to work.

Senator Ian Campbell—Yes. That will be very obvious when it is released.

Senator O'BRIEN—In relation to legislation arising from the white paper, when would the parliament expect to see that legislation?

Senator Ian Campbell—We would want to have the legislation in the parliament during the sittings that commence in August. I think it is the spring or winter session.

Senator O'BRIEN—It is still pretty cool in Canberra then, even for a person from Launceston.

Senator Ian Campbell—I think they are technically called the spring sittings but, anyway, they are after July.

Senator O'BRIEN—Have drafting instructions for the legislation commenced?

Mr Mrdak—Yes, Senator. Drafting instructions have been prepared and preliminary work is now starting on drafting the legislation.

Senator O'BRIEN—Will the legislation replace the current ALTD Act or will it seek to amend it?

Mr Mrdak—It will replace the act and will provide transitional arrangements for projects already approved under that act, as Minister Campbell has outlined.

Senator Ian Campbell—I understand the Labor Party have indicated that, without seeing the white paper or the draft legislation or even the drafting instructions, they intend opposing the legislation. I hope they will reconsider. I hope I have got that information wrong.

Senator O'BRIEN—Will separate legislation be presented to parliament relating to the new Roads to Recovery program or will the AusLink legislation deal with both funding programs?

Mr Mrdak—The AusLink legislation will have a component for the new Roads to Recovery program.

Senator O'BRIEN—How will the existing Black Spot Program be treated under the legislation?

Mr Mrdak—The existing Black Spot Program still has a number of years to run, then decisions will be taken in relation to that in the course of normal government deliberations.

Senator O'BRIEN—Does that mean it will not be dealt with in the legislation?

Mr Mrdak—No, it will not be in the AusLink legislation.

Senator O'BRIEN—The budget includes \$1.7 million for conditional business credits—heavy vehicles. Can you give me the precise amount of money that is allocated to this activity? There are two amounts in the budget paper. The table says \$1.6 million; the text says \$1.7 million. Is it somewhere in between?

Mr Mrdak—I think it relates to rounding, but we are working on the base of \$1.7 million, we would hope.

Senator O'BRIEN—This could be critically important given the finely tuned budgeting process you go through.

Mr Mrdak—That is why I say I will be strongly arguing to the Department of Finance that it is \$1.7 million.

Senator O'BRIEN—Do you think they might agree to split the difference?

Mr Mrdak—It is not their usual form, Senator.

Senator O'BRIEN—What exactly will the money be spent on?

Mr Mrdak—The details of this will be announced in a statement by the government in the near future. Essentially it reflects a desire to improve the performance of emissions from the heavy vehicle fleet. The funding that has been provided to this department is to design measures to do that. The detail of that will be announced in a forthcoming statement on energy and environment by the government.

Senator O'BRIEN—So the money is announced in the budget but no-one can tell us exactly what it is for yet.

Mr Mrdak—Apart from the description which is currently there, which is for the department to design some performance measures into the future for this, the details of the package—it is a broad ranging and encompassing package in relation to a whole range of energy and emissions matters—will be further announced by the government.

Senator O'BRIEN—Does that mean new emission standards are being developed?

Dr Ockwell—No, it does not. These criteria have yet to be developed in terms of building upon the current processes to improve emissions performance with vehicles currently in service.

Senator O'BRIEN—Budget paper No. 2 indicates:

Operators of these vehicles will be required to meet these emissions performance benchmarks to gain access to on-road business credits.

What does the term 'emissions performance benchmarks' mean?

Mr Matthews—I appeal again: it is difficult for the officers to answer this given that the government has not yet made the package announcement.

Senator O'BRIEN—So it is developed, but you cannot tell us because the government have not announced it?

Mr Matthews—It is not yet available. We certainly request that the details be provided in the context of the larger package.

Senator O'BRIEN—I think you said what I said.

Mr Matthews—But I said it differently.

Senator O'BRIEN—It has been developed, but the government have not announced it, so you cannot tell us?

Mr Matthews—Because it has not yet been announced?

Senator O'BRIEN—Yes.

Mr Matthews—I think the correct situation is that it has not been finalised yet, so it is work in progress. I am not making a theological point to you; I am simply saying it is difficult for the officers to answer these questions if the government's announcement is not yet in the public domain.

Senator O'BRIEN—The emissions performance benchmarks have not been finalised; is that how I should understand your answer?

Mr Mrdak—That is correct. The funding is for the development of criteria and the like. That work will take place. The context in which that work will fit in terms of the broader government position will be announced in this forthcoming statement.

Senator O'BRIEN—When will this statement be made?

Mr Mrdak—I am not aware that a date has been set as yet, but we anticipate some time in the next month or so.

Senator Ian Campbell—No date has been set.

Senator O'BRIEN—Do I take the statement to mean, as I said, that operators of heavy vehicles that meet the emission performance benchmarks will be eligible to receive business credits of some sort?

Mr Mrdak—Yes. As the secretary has indicated, the description provides the task which the department has been given for the coming year. How that sits within the whole government's energy and environment framework is going to be announced.

Senator O'BRIEN—Do you know if this has an urban or a non-urban focus?

Mr Mrdak—Again, the details will be announced in the government's statement.

Senator O'BRIEN—The PBS shows \$1.2 million as an expense measure in the coming financial year and \$0.4 million in the subsequent financial year. Does that mean there is another \$100,000 somewhere?

Mr Mrdak—As I said, I will be looking to find another \$100,000 to make sure it is \$1.7 million.

Senator O'BRIEN—So all of the funds will be expended within the department?

Mr Mrdak—That is correct—by the department.

Senator O'BRIEN—And which group will receive the money?

Mr Mrdak—The Policy and Research Group. To clarify the point on funding, I have just been advised that it is a rounding issue as to the \$1.6 million or the \$1.7 million. When you break it down into detail it becomes a rounding issue.

Senator O'BRIEN—Could you explain it? Does that mean it is \$1.2-something less than \$5 million and \$0.4-something less than \$5 million, which brings it up to close to \$1.7 million overall?

Mr Mrdak—Yes. My understanding is that it is \$1.235 million and \$0.427 million.

Senator O'BRIEN—So it does just about split in the middle.

Senator ALLISON—I would like to ask about the sum in the budget for conditional business credits for heavy vehicles. Is this as good a time as any to ask about that?

Mr Mrdak—Yes.

Senator ALLISON—Is that the matter that the minister is going to make an announcement on?

Mr Mrdak—Yes. In the near future the government will be making a comprehensive statement on a range of energy and environmental matters.

Senator ALLISON—Who will actually be involved in developing the program—or who is involved in developing the program now?

Mr Mrdak—This particular work, set out in our portfolio budget statement, will be done by the policy group within DOTARS.

Senator ALLISON—How are the criteria for these business credits being established?

Mr Mrdak—That is work that we are about to commence, but as I said the framework of that and the details of it will be announced by the government shortly.

Senator ALLISON—Which sectors and which other departments will your consultation be with?

Mr Mrdak—It will be broad ranging—with industry, interested groups, environment groups and the like, and with state governments and the like. So quite a broad comprehensive consultation process will need to take place.

Senator ALLISON—Is there any document that outlines a bit more detail than we have in the budget?

Mr Mrdak—No, I am sorry.

Senator ALLISON—I will move on to the question, unless it has been covered as well, of depreciation standards for buses and trucks. I understand there is a proposal to change the standards for buses and trucks so that they are depreciated over a 15-year lifespan. Currently buses are depreciated over six years and eight months and trucks are depreciated over five years. Can you perhaps indicate from a transport perspective what policy objectives there were behind this proposal?

Mr Mrdak—It is my understanding that this came out of changes to a whole range of business tax. They were undertaken as part of the new tax system arrangements, which involved changes such as reducing the company tax rate and the like. Consideration of the depreciation of vehicles forms part of that. My understanding is that the Australian Tax Office has issued a draft determination. The aim of that was to try to get some consistency across sectors in relation to depreciation treatment.

Senator ALLISON—I understand why Treasury wants to do it, but what is Transport's input into this, and what is the impact, if you like, from a transport perspective.

Mr Mrdak—Certainly the operators of heavy vehicles and buses are very concerned about the impact of changes to the depreciation rate on themselves and their capacity to fund—and on how they currently deal with new vehicles. The road haulage industry is particularly concerned—there is the question of high kilometre usage and what happens to those vehicles after that kind of usage, when they move into other sections of the industry. So they are very concerned, and Minister Anderson has taken those concerns up with the Assistant Treasurer. There is a process now being undertaken by the Australian Tax Office. My understanding is that they have deferred a decision until 1 January in relation to that draft determination.

Senator ALLISON—I wonder if that is so as to get it beyond the next election. What sort of consultation was DOTARS involved in? Were you invited to make a submission or do a paper on the impact of this?

Mr Mrdak—We have certainly been quite heavily involved in discussions with groups such as the Australian Trucking Association and the Bus Industry Confederation and with other affected parties. They put their views strongly to us and to the minister. We have briefed the minister on these issues, and the minister has also received representations from those groups and has made representations on their behalf to the Assistant Treasurer about the impact on the transport industry.

Senator ALLISON—So the department would accept that there are implications for safety in relation to buses? The industry suggests that this will mean older buses will be retired into school bus use and out into country areas. Do you agree with that proposition?

Mr Mrdak—We would obviously be strongly concerned, if it had any implications in terms of an ageing fleet of vehicles, both for road haulage and—

Senator ALLISON—I know you would be concerned if that were so, but is it your view that it is likely with this proposal?

Mr Mrdak—I do not know if we have reached a firm position on that. We have noted the views of industry. I do not think we have established our own views on it.

Senator ALLISON—Do you think there are safety implications with regard to buses?

Mr Mrdak—I could not give you a view on that. The safety standards that the bus operators must meet are there, and they are set by various regulatory agencies. I could not give you a definitive opinion one way or the other, and I do not think any officer at this table could.

Mr Matthews—Could I make a point that builds on Mr Mrdak's points? The role of the department that we adopt in relation to carrying forward the views of industry is that we think it is important that the views of industry be heard in government decisions. We do not necessarily accept the views of industry—this industry or any other—but we do think it is important that the views be heard. In forming our departmental advice, which of course is something between the department and the ministers, we take account of all sorts of things. One of our responsibilities is safety. Other responsibilities might be legislative or regulatory responsibilities, and so on. So, yes, we do take the views of industry but we do not uncritically regurgitate them.

Senator ALLISON—So have you done work on the safety implications of this proposal?

Mr Matthews—No, I am not aware that we have done work on the general safety issue.

Senator ALLISON—Mr Mrdak, have you done work on the safety implications? Has there been a study? Has there been any investigation into the safety implications? That is all I am asking.

Mr Mrdak—Not that I am aware of, but I can take that up with the ATSB—

Senator ALLISON—Maybe Dr Ockwell is more aware than you?

Dr Ockwell—No, I am not aware.

Senator ALLISON—Would you be, if there had been one?

Dr Ockwell—I think I would be.

Senator ALLISON—So we can safely assume that there has not been an independent of industry study on the safety implications of this proposal. Is that reasonable?

Dr Ockwell—I do not think I—

Mr Matthews—Yes, but Mr Mrdak said it needs to be taken up with the ATSB, the Australian Transport Safety Bureau, which is appearing here later. I think the people at this table would be aware of it, but it is something that we will check with them, and they will be in a position to answer that by the time they arrive at the bench.

Senator ALLISON—Has the department looked at the greenhouse implications of this proposal?

Dr Ockwell—We have discussed the issues that you refer to—safety and greenhouse—with the industry associations which Mr Mrdak referred to, and we have made comment on their analysis. But that is as far as we have looked at it.

Senator ALLISON—We are all receiving representations from the bus and trucking industries over this issue. It would be useful if you could share with us what you think about those proposals. This is really what I am trying to get at. You must have a view. You have shared a view with someone. It seems appropriate that you should share it with us too.

Dr Ockwell—I do not have a specific view. I think, in looking at the ATA submission, I made certain comments on them. Some of those related to analysis of their work.

Senator ALLISON—So did you find any problems with the analysis of their work? Are they wrong?

Dr Ockwell—I do not think it is for me to judge that they are wrong—

Senator ALLISON—You just said you did.

Dr Ockwell—in terms of the assumptions which they have used to undertake their analysis. I may have undertaken the analysis in a different way or used different assumptions.

Senator ALLISON—So what were your assumptions? What was the result of your analysis? You did one—what was the result of it?

Dr Ockwell—I did not do any analysis. I had discussions with the industry in terms of the work which they presented to us.

Senator ALLISON—So there was nothing on paper?

Dr Ockwell—Nothing on paper.

Senator ALLISON—You did not discuss it with anyone else? You did not offer your view to the minister or Mr Matthews or anybody else?

Dr Ockwell—Nothing beyond any advice that we may have provided to the minister.

Senator ALLISON—I can say that this is unsatisfactory. Suppose this were to proceed and your analysis was that there is a likelihood that we will see older vehicles on the road and that there would be safety issues. Should you come to that view, would you suggest that there would need to be some other incentive for bus and truck organisations to shift to more efficient vehicles in good time? It is the case that this country's bus and truck fleet is one of the oldest in the OECD, as I understand it. Suppose this measure were put in place and our fleet became even older. Minister, you might like to be involved in this discussion. Is it appropriate to look at other means of seeing that our bus and truck fleet is upgraded?

Dr Ockwell—I think it is also important to understand the lifecycle of vehicles in those industries. It is important to understand how they move from task to task in line haul, and how they may be used in urban distribution or around ports and terminals. Many of these vehicles do finish up on farms, being used for grain and stock cartage, where they do minimal distances.

Senator ALLISON—What about buses? Let us focus on buses for a moment.

Dr Ockwell—If we talk about trucks, I think that is pretty well understood. My understanding is that some buses do finish up in regional areas, being used as school buses and for local activities.

CHAIR—I will just make an observation. If the implication is that because they are old they are not safe, that is rubbish. I have trucks that are 20 years old. Every year they have to go over the RTA pits. They shake the hell out of them and find anything that is loose. It does not follow that because something is old it is less safe or that you are putting anyone's life at risk.

Senator ALLISON—If you are happy for schoolchildren in regional areas to be the ones with the old buses—

CHAIR—I am quite happy, if the RTA passes the bus as a safe bus. I know that when I put a truck over the pits in February they found a lot of things that I did not know were there. I have to say that the same thing happens to the bus. The assumption you are making, and the emotional chord you are plucking, is rubbish.

Senator ALLISON—Maybe the department can tell us: are the new buses safer than those that might be 15 years old? Are they more or less fuel-efficient? Are they likely to be better for the environment in terms of air emissions?

Senator Ian Campbell—That would be a fantastic study for either the private sector or academic analysts to do, but you would have to determine all the criteria for the study. Over what distances are they travelling? Are the children wearing seatbelts? Do the buses have seatbelts fitted or retrofitted? What sort of engine do the buses have? Are they turbo-diesels? Are they diesels? What sort of transmission do they have? How many seats are you talking about? Are they driving on dirt roads? Are they driving on the national highway or other sealed roads? That would be a fascinating study, but this is not the place to do it. I do not think anyone could possibly expect the officers at the table to give you those answers.

Senator ALLISON—I am asking the question because the chair suggests that it does not make any difference if a bus is 15 years old, 25 years old or new.

CHAIR—Sorry, I did not say that. I said it does not necessarily follow that they are unsafe because they are old.

Senator ALLISON—I did not say it did.

CHAIR—You have just put words into my mouth. I am just keeping you honest.

Senator Ian Campbell—I would be happy to provide the senator with information about school bus safety, because the Commonwealth and many of the states have put enormous effort into studying school bus safety. It is an issue I raised at the transport ministers' meeting in Perth about three weeks ago. A hell of a lot of research has been done on that. I am happy to get our officers to supply you with that.

Senator ALLISON—Thank you.

Senator Ian Campbell—You will find that many school buses around the country are older buses, but you will also find generally that the safety records of school bus services in Australia show that they are phenomenally, fantastically safe.

Senator ALLISON—How many buses are imported each year that are older than 15 years?

Senator Ian Campbell—We will take that on notice.

Senator ALLISON—Is it the case that they are exempt from vehicle emissions standards that apply to new vehicles?

Mr Mrdak—Again, I will take that on notice, if you do not mind.

Senator ALLISON—You do not have anyone who knows the answer to that question?

Mr Mrdak—Not within this area.

Mr Elliott—It is not in our group. The regulatory people might be able to help you out.

Senator Ian Campbell—They are coming up. We will find you the program number for that one. That is the Australian Transport Safety Bureau.

Senator ALLISON—Is there anybody from the policy group on the Prime Minister's confidence building committee for ethanol?

Mr Mrdak—No.

Senator ALLISON—Anybody in the whole department?

Mr Mrdak—No.

Senator ALLISON—To whom should I ask this question?

Mr Mrdak—We look after issues in relation to those matters, but we are not part of any such group.

CHAIR—It being 10.30 a.m., we will resume after a 15-minute break.

Proceedings suspended from 10.30 a.m. to 10.47 a.m.

Senator ALLISON—I raised a couple of questions on notice that have not been answered yet, but you may be able to advise whether, in a policy sense, there is an interest in looking at off-road vehicle standards. I gather that a couple of states in the US have now announced that they will be phasing in emission standards for engines, road-building equipment and housing construction site vehicles that are currently not covered by emission standards.

Mr Mrdak—I am sorry. That is an area covered by the Office of Transport Safety, which is on later in the program.

Senator ALLISON—Do we still have a National Bicycle Strategy, and is that part of your policy work?

Mr Mrdak—Yes, and yes it is.

Senator ALLISON—How are we going at meeting the objectives—I think it was an increase in a certain percentage of trips over a given period? Are we online for meeting that objective?

Senator Ian Campbell—Tony Abbott has put our ratio right up with his 500 kilometre trip.

Senator ALLISON—I doubt that very much.

Senator Ian Campbell—He has. It was a good contribution.

Mr Mrdak—We are progressing with the implementation of the strategy. I can get you some more specific details on how we are going with meeting the targets.

Senator ALLISON—I had a look at the web site. There is no progress report and the Bicycle Strategy does not get a mention anywhere. Is there some reason for that?

Mr Mrdak—I will check that. We are still chairing the council and the like, so it should. I will take that on notice and get you some details on where we are up to with the strategy.

Senator ALLISON—Is there a critique of the states and the extent to which they are meeting their obligations under the Bicycle Strategy?

Mr Mrdak—I am not personally aware of it, but I will check and come back to you if I could.

Senator ALLISON—Is there somebody from your group who is on the Australian Bicycle Council, or should I ask questions on it of another group?

Mr Mrdak—An officer of the department is the current chair of the council.

Senator ALLISON—Did it meet in March?

Mr Mrdak—My understanding is yes, but I will check and confirm that for you.

Senator ALLISON—He is not here?

Mr Mrdak—No, I am sorry.

Mr Elliott—I think the Bicycle Council meets quite regularly.

Senator ALLISON—It met in November according to its web site and then again in March. Is that regularly?

Mr Elliott—We have about 1½ people devoted to implementing the Bicycle Strategy and looking after the ABC. They work quite hard. There are two people, but one of them is part time, so it may be that they just have not had time to update the web site.

Senator ALLISON—Is there any funding for the Bicycle Strategy in this budget apart from what we had before?

Mr Mrdak—No. We fund our contribution to the council through departmental expenditure. It is an internal resource allocation by the department. There is no specific budget-funding program.

Mr Matthews—To say that in different words, there was no additional and new money provided in the budget for the Bicycle Strategy, but it is resourced within the department on a continuing basis.

Senator ALLISON—What is the budget each year?

Mr Elliott—Roughly the equivalent of 1½ ASLs.

Senator ALLISON—That is persons. There is no budget for infrastructure?

Mr Elliott—We have funded from our own resources small projects to help the Bicycle Strategy along. I would expect that we would continue to do so.

Senator ALLISON—What is the annual expenditure on what you have funded out of your resources?

Mr Elliott—It is not huge, but I will get you the details.

Senator ALLISON—I think there is some suggestion that that strategy is currently under review and will possibly be revised. I think I saw a press release to that effect. Can you indicate what sort of revision you have in mind?

Mr Elliott—It is due to be revised and the process of revision would involve consultation with the interested stakeholders. That consultation is only just beginning.

Senator ALLISON—When will the consultation and the review period be finished?

Mr Elliott—We have not set a particular deadline for it, but we would hope to do that over a reasonably short period like a number of months and then put something up for the minister again.

Senator ALLISON—Are you going to consultation with a review in mind? Is it like you are saying: ‘This is what we think we’d like to do. What do you think?’ or is it more like ‘Here is the strategy. Do you want to tell us how to change it?’

Mr Elliott—More of the latter. We will say, ‘This is the existing strategy. What can we do to improve it?’

Senator ALLISON—Are you confident that the strategy objectives are being met progressively?

Mr Elliott—Yes.

Senator ALLISON—Is somebody in this group working on the biofuels study, or should those questions come up in another section?

Mr Mrdak—That is the work of the Bureau of Transport and Regional Economics.

Senator ALLISON—Does the department have a representative on that study? Can you bring me someone?

Mr Mrdak—The CSIRO, ABARE and the BTRE did undertake a biofuels report for the government late last year. We can try and answer some questions here today or we can go back to the bureau and get further information on that if you would like.

Senator ALLISON—I thought there was a study still under way. Has that been completed?

Mr Mrdak—It has been completed. That report was released publicly by the government earlier this year.

Senator ALLISON—I seem to recall seeing somewhere that there was some work still being done on it but that is not the case?

Mr Mrdak—Not from the bureau’s perspective.

Senator O’BRIEN—Has the ‘Green Vehicles Guide’ which Senator Allison was asking questions about last night already been developed?

Mr Mrdak—Yes, much of the work to develop the guide has been done.

Senator O’BRIEN—And who has done that work?

Mr Mrdak—It has been done by our department in conjunction with the Australian Greenhouse Office.

Senator O’BRIEN—Was it mostly the department or was it fifty-fifty?

Mr Mrdak—The department in conjunction with the industry has put together most of the data on the web site and the like. The Greenhouse Office provided funding and support in relation to development of the web site and the information that went into it.

Senator O'BRIEN—How much funding did the Greenhouse Office provide?

Mr Mrdak—I will check that. I do not have that with me, but I will get that for you.

Senator O'BRIEN—Apart from the web site, what form will the promotional activity take?

Mr Mrdak—That is yet to be finally determined. What we would like to do is launch the web site and then have a campaign which makes people aware of it and to broaden the understanding and use of it. The details of that are yet to be settled.

Senator O'BRIEN—Will that require more money?

Mr Mrdak—The funding in the budget is designed to cover all of that.

Senator O'BRIEN—So it will not require any more money if you decide on other promotional activity?

Mr Mrdak—No, we will fund that from within the budget allocation.

Senator O'BRIEN—Following the consideration of additional budget estimates in February this year an answer to a question taken on notice was supplied in relation to the Morris-Sharp independent review of shipping—it is PRTP12 from output 2.2. The answer indicated that a speech addressing shipping related issues was delivered on behalf of the Minister for Transport and Regional Services by, I believe, the absent minister—

Mr Mrdak—Minister Kemp.

Senator O'BRIEN—in February. The answer also indicated that the speech considered the issues raised in the Morris-Sharp report but that the government would not be responding in any formal way. The speech is not listed on either minister's web site. Can the committee be provided with a copy of that speech?

Mr Mrdak—Yes, certainly.

Senator Ian Campbell—It should be on the web site. There is probably confusion because John Anderson the Deputy Prime Minister was supposed to give it and pulled out at the last moment, and I did it for him. I did not deliver it word for word, but I was—

Senator O'BRIEN—I did not think there was anything sinister in you delivering it.

Senator Ian Campbell—No, there wasn't.

Senator O'BRIEN—These things happen.

Senator Ian Campbell—That could have been the cause for it not being posted. It was not really within my portfolio areas and John did not deliver it. We will make sure it is posted.

Senator O'BRIEN—If it is on the web site and it is simply a matter of hitting the right button, if you can give us that direction that will short circuit it. If not, a copy would be handy.

Mr Mrdak—We can get a copy for you today.

Senator O'BRIEN—Given we have not been able to do that, can you tell us why the government is not responding to the review in a formal way?

Senator Ian Campbell—It was a report to the government, wasn't it? It was not something we commissioned.

Mr Mrdak—That is right.

Senator Ian Campbell—If everyone writes a report about something and we are required to respond formally, we would probably do little else.

Senator O'BRIEN—It is probably one of the more prominent reviews. Nevertheless, are any of the recommendations made in the report being actively considered for implementation?

Mr Wolfe—In the speech, as you will see when we obtain a copy for you, the position of the government on a number of issues indicates that there are a number of matters that are being looked at. The other thing I should point out is that at the Australian Transport Council meeting that took place on 30 April the minister said:

Noting that the Review was an industry review, the Australian Government will advise ATC at its next meeting on its position on a number of matters raised in the Independent Review of Australian Shipping.

Senator O'BRIEN—That is what it told the council on 30 April?

Mr Wolfe—That is right.

Senator O'BRIEN—When is its next meeting?

Mr Wolfe—It is scheduled for November.

Senator O'BRIEN—Can you enlighten us on areas of that report that are being actively considered?

Mr Wolfe—In the minister's speech, I think three particular items were highlighted. One was a clarification of the guidelines in relation to coastal trading permits. A second was in relation to tax arrangements for seafarers. The final one was, in essence, an offer to progress amendments to the shipping registration legislation if all the stakeholders could agree. I think it is important to point out that there are a number of items in the independent review which clearly are in the province of the industry themselves. They really need to act on a number of those items. Those were the three main items that were covered in the speech.

Senator O'BRIEN—I take it there is no time frame in relation to the implementation of any recommendations from the government's point of view?

Mr Wolfe—I think that is a little bit unfair. What I would say is that there are a number of items under consideration.

Senator O'BRIEN—Why do you say that that is unfair?

Mr Wolfe—Just in relation to saying that there is no time frame at all. For example, the work on the guidelines for the coastal trading permits update is in fact under way.

Senator O'BRIEN—The April ATC meeting also discussed the intelligent transport systems issue. The minister has agreed to promote a multimodal approach to the development of a new national intelligent transport systems strategy. The communique from that meeting

noted that the standing committee on transport ITS subcommittee would continue work on a national strategy. Given that the work is continuing, what work has already been done?

Dr Ockwell—The issue of the national strategy follows on the first strategy which was launched as e-commerce. What we are trying to do under the revised national strategy is to take forward the concept of ITS into a truly multimodal perspective. As you may appreciate, the origins of ITS were very much in the road transport and vehicle sector. Therefore we see significant applications of these technologies across transport systems, which also fits in with the discussion on logistics we had this morning. So it is an approach to really take this as far as you can by way of application to developing an integrated transport system through the application of information and communications technologies.

Senator O'BRIEN—Have any reports been completed on this subject?

Dr Ockwell—That is a difficult question in terms of what might be available internationally.

Senator O'BRIEN—I meant from within the department.

Dr Ockwell—As far as we are concerned, what we have done so far in development of the national strategy with New South Wales, which is chairing this working group, is to consult with industry organisations across other modes beyond road transport. We are feeding that into the development of the new strategy. So that is basically the work that we have under way at the moment.

Senator O'BRIEN—So 'multimodal approach' means all of the modes of transport, I take it?

Dr Ockwell—Correct.

Senator O'BRIEN—Is it simply about the integration of the different modes, or does it relate to the integrated use of the different forms of technology?

Dr Ockwell—It relates primarily to the integrated use of these technologies to ensure interoperability of the technologies being applied across modes so that in the end you effectively have a seamless transport system in terms of these technologies. That of course raises issues of standards and how you can put that into effect so that, irrespective of what mode a container might be travelling on, you have the ability to track it through the system, for example, without having break of gauge problems.

Senator O'BRIEN—Or whatever the appropriate modern technology reference for that is.

Dr Ockwell—That is correct.

Senator O'BRIEN—It is like going from Apple to IBM, or something like that, is it?

Dr Ockwell—That is right—making sure that, if we have one system in place, we have the ability to transfer that information without having to go into the rigours of converting it, so to speak.

Senator O'BRIEN—Are intelligent transport systems now an integral component of all new transport infrastructure projects funded by the Commonwealth? That is, is it a requirement of all projects that ITS technology be used?

Dr Ockwell—I think I might leave that to Mr Elliott.

Mr Matthews—The answer is no; it is not a requirement. Having said that, the department and the government more broadly strongly support the more rapid introduction of ITS. There are a number of things that are being done, including in AusLink. The announcement will show that the possibility of encouraging dissemination of ITS will be an important part of AusLink; AusLink is not only about the physical side of infrastructure.

Senator O'BRIEN—As we see. If I understand your answer, you do not think that the integration of ITS into all projects will be ultimately essential.

Mr Matthews—No, we do not—and feel free to add something to this—but it is something that is explicitly being encouraged in the context of AusLink. The department is being very active through Dr Ockwell in both the standing committee on transport working group on ITS and as a member of the ITS Australia group.

Senator O'BRIEN—I am now ready to go to transport programs.

Mr Mrdak—Before we do, Senator O'Brien, can I clarify an answer I gave earlier in relation to the AusLink legislation. You asked about black spots. Can I indicate that the AusLink legislation will provide a transition mechanism to pick up all the elements of the ALTD Act, including black spots. That program still has a number of years to run, so it will be covered off in the transitional legislation.

Senator O'BRIEN—Thank you for that clarification.

[11.08 a.m.]

ACTING CHAIR (Senator Ferris)—We now move to transport programs.

Senator O'BRIEN—The portfolio budget statement for 2004-05 states on page 45:

The Government will provide an additional \$1.487 billion over five years (including \$432.5 million in 2008-09) for land transport projects ... through AusLink.

The appropriations state the following additional funding allocations, including both administrative and departmental expenditure: for 2004-05, \$88.4 million; for 2005-06, \$108.7 million; for 2006-07, \$421.7 million; for 2007-08, \$427.1 million; and for 2008-09, \$432 million. Additional capital expenditure of \$8.5 million for the information technology which we have already discussed in the previous program has been allocated. The additional funding includes proceeds from the abolition of the Fuels Sales Grants Scheme in 2006-07 of \$265 million in 2006-07, \$270 million in 2007-08 and \$275 million 2008-09. These figures indicated additional expenditure above that reallocated from the abolition of the Fuels Sales Grants Scheme of \$156.7 million in 2006-07, \$157.1 million 2007-08 and \$157.5 in 2008-09. Leaving aside the funding increase achieved from the abolition of the Fuels Sales Grants Scheme, can you confirm the actual amount of additional funding that will be allocated under AusLink for the years 2004-05 to 2008-09?

Mr Elliott—The additional funding is \$1.9 billion, which would include the \$450 million to the ARTC which is being paid this financial year.

Senator O'BRIEN—Can you break it down by year?

Mr Elliott—Do you have page 45 of the PBS in front of you?

Senator O'BRIEN—Yes. I am asking you to exclude what is reallocated from the abolition of the Fuels Sales Grants Scheme.

Mr Elliott—Yes. In the first year, 2004-05, against the Australian Land Transport Network there is \$80 million under 'Admin'. In the following year, 2005-06, there is \$100 million. In the year 2006-07, there is a combination of the Fuels Sales Grants Scheme and additional money. If you took the \$265 million away, that would leave you with \$150 million. Similarly, in 2007-08, if you take away the \$270 million for fuels sales grants, that would leave you with \$150 million. Again—although it is not shown on that page—\$150 million would be the net figure in 2008-09.

Senator O'BRIEN—So that is money directly from consolidated revenue and from no other program?

Mr Elliott—Yes.

Senator O'BRIEN—Will the additional \$80 million under AusLink for the coming financial year be allocated to new projects or will that be allocated to speed up completion of existing projects?

Mr Elliott—It would largely be allocated to new projects.

Senator O'BRIEN—Which existing projects would it be allocated to?

Mr Mrdak—The details of that will be released in the white paper, Senator. We are not in a position at this stage to give any project details.

Senator O'BRIEN—They are known now?

Mr Mrdak—The details are being finalised in preparation for the white paper.

Senator Ian Campbell—The new Tasmanian premier was lobbying for one in the press in the last couple of days, even though when the Tasmanian government was asked for its priorities for the AusLink corridors it did not rank in the top 10.

Senator O'BRIEN—I suppose that, if there is money floating around, every premier would be asking for some of it, if it has been decided to be spent in certain areas.

Senator Ian Campbell—They asked him for his priorities, and the project he is lobbying for now was not even in his top 10.

Senator O'BRIEN—Well, there you go. Time to think about matters sometimes is important. Can you confirm the total budget of AusLink expenditure in the next five out years?

Mr Elliott—The enhanced expenditure is \$11.4 billion on road and rail, Senator. I will break that up for you. Network funding for the AusLink national network is \$7.21 billion, and Roads to Recovery is about \$1.45 billion. In addition, there are FAGS grants—financial assistance grants—to local government of \$2.55 billion. There are other expenditures which total about \$0.146 billion. They include the black spots funding which we mentioned before, some additional money for South Australian local roads and some remaining expenditure under the Federation Fund.

Senator O'BRIEN—Can you break those amounts down over the five out years?

Mr Elliott—I think I had better take that on notice, Senator. It would involve some rapid calculation, and my brain is probably not up to it. So, with your indulgence, I will give you the detail on notice.

Senator O'BRIEN—I am sure it is up to it, but I will not deny you time to double-check it. With respect to the extension of the Roads to Recovery program from 2005-06, can you confirm that the \$1.2 billion allocated is a separate allocation?

Ms Armitage—It is a separate allocation. It is part of the \$11 billion we talked about.

Senator O'BRIEN—It is part of the \$11.4 billion?

Ms Armitage—Yes.

Senator O'BRIEN—So, in those numbers you gave me, Mr Elliott, is it in the \$7.21 billion?

Mr Elliott—No. I counted \$7.21 as being expenditure on the national network. I then added the Roads to Recovery money for the next five years, of which \$1.2 billion is new money.

Mr Doherty—I think the figure that Mr Elliott gave you was \$1.453 billion, which includes \$253 million in 2004-05 from existing allocations. So the \$1.2 billion is the balance.

Senator O'BRIEN—You told me there was about \$346 million for other projects, which include the Black Spots Roads Program. Can you confirm that \$90 million has been allocated to that program over 2004-05 and 2005-06 for its continuation?

Mr Elliott—That is the funding for black spots, I think—\$45 million in each year.

Senator O'BRIEN—So \$90 million of the \$146 million in other funding over the five years is for black spots. Is that right?

Mr Elliott—That is correct.

Senator O'BRIEN—And there is no other black spots money in that?

Mr Elliott—Not currently.

Senator O'BRIEN—The PBS 2003 forward estimate states that the national highway and Roads of National Importance expenditure for 2004-05 will be \$1,250,649, in 2005-06 it will be \$1,055,341, and in 2006-07 it will be \$1,020,271. Is it correct to say that historically funding under the ALTD Act has shown the amount of funding allocated for the national highway and RONI projects shows a peak in election years, with that contribution in real terms falling in the following two years and then peaking again?

Mr Hogan—I think you are alluding to the fact that there is a blip in the funding for 2004-05. That blip is due to the fact that there was a looming situation of underexpenditure in the two previous years and \$100 million from each of those two previous years was rolled into 2004-05.

Senator O'BRIEN—What I am suggesting is that the peaking in the election years of 1998, 2001 and 2004-05 shows that there is a pattern of these blips occurring. That is what the figures show, don't they, Mr Hogan?

Senator Ian Campbell—I do not think that is a question for departmental officers. A minister would try to get projects built as quickly as possible, regardless of which year it is. We are basically in the business of trying to build roads. I am desperately trying to get some works done in various parts of Australia, but the reality is that the process of planning a road, getting environmental approvals, letting tenders and then actually getting some bulldozers, some bitumen machines and plant and equipment out there takes a frustratingly long time. There are always delays. It would be very hard for a state or federal government to get more bitumen laid in any particular year because of political considerations. That is my assessment after six months in the portfolio.

Senator O'BRIEN—But the allocations show that in particular years that is just what is able to happen. In each of those years the funding has increased, so presumably that means you can get more bulldozers out in those particular years than you can in the years between election years. Is it just a coincidence? Should I understand your answer to be—

Senator Ian Campbell—Just from my own personal experience—it has been for only six months—I would like to find ways to get work done on the Ipswich Motorway at the moment. I announced it back in January. I am now being told by the Queensland Department of Main Roads that a lot of the work that I committed Commonwealth spending for will not be spent until December 2005.

Senator O'BRIEN—Is that because you cannot get bulldozers out because there is so much work this year?

Senator Ian Campbell—No. It is just these processes—planning, environmental approvals, geotechnical surveys, testing the soil under the land around the Logan interchange. I asked the Queensland government to do a study of the Ipswich Motorway in the middle of last year and I am told that we still have not agreed to a terms of reference to start it in the middle of this year. This bureaucratic inertia, lengthy planning studies, environmental approvals—these are all things that slow up these projects. As for the Albury-Wodonga road, which Senator Allison has a close interest in, I stood in front of the people of Albury-Wodonga in January this year and promised them I would have the tenders let by September. I got told by New South Wales main roads that we cannot do that until November and that major construction will not start until January. But that is just what happens.

Senator O'BRIEN—That may well be, and I am not here to debate particular projects.

Senator Ian Campbell—All I am saying is that my own experience is that it would be very hard for a minister to force the pace of these processes because it is an election year. Would I like to try to do so? Yes, I would. I will be trying very hard.

Senator O'BRIEN—I guess the point that I would make is that it is very easy to announce projects in an election year and to hold the flow and manage the flow so you get a bigger bang for the buck in an election year. That is what the figures seem to show is happening. I accept your statement that you cannot just turn the bulldozers on and off, because in some years there will not be enough bulldozers and bitumen to do the work. That is what a peak and valley flow will generate.

Senator Ian Campbell—Part of what we are trying to do with AusLink is really look at smoothing these projects out, making sure we get the best resources going into the best areas

at the best time and trying as far as humanly possible in a democracy to reduce the political interference in these funding decisions and project scheduling. But I will believe it when I see it.

Senator O'BRIEN—There is going to be some independent commission established, is there?

Senator Ian Campbell—If you think that—

Senator O'BRIEN—Is that what you are proposing? I am just following the logic of your statement.

Senator Ian Campbell—I ultimately think that ministers have got to take responsibility for the funding decisions and the process. That is why I did stand up in Albury and say, 'I will be responsible for getting this road built,' and that is why I will wear the flak when there is a delay. I think there should be ministerial responsibility in these things. People are pretty cynical about politicians promising to build things; they really do like seeing things getting built.

Senator O'BRIEN—There is a fair bit of cynicism out there at the moment, that is for sure. One of the questions that was taken on notice from consideration of additional budget estimates in February relating to Roads of National Importance by state and Black Spot projects by date was returned as 'awaiting minister's clearance'. I just want to know whether it has been cleared. Is there some problem with it? Has another version come out that I have not come across?

Mr Hogan—My clear recollection is that it has been put into the process, but where it has gone from there I am not sure.

Senator Ian Campbell—We will follow that up, because it sounds like if it was awaiting ministerial approval it was my fault. I will have an investigation done and report back, if that is all right with you. There should not be any problem with that sort of information. The only thing is the timing of the question, because the black spots come through in a quite haphazard way. I should not say 'haphazard'; they come through in waves. I have done South Australia, Victoria and Western Australia, and Tasmania is imminent—sorry, I have not done South Australia; South Australia is imminent. The issue would be the timing. The question would relate to how much funding went up to February, I guess. We will get you an answer.

Mr Matthews—We have just done a bit of checking. There is not an answer, but it has been completed for quite some time. We understand that it has been cleared by the minister, but that is just being confirmed now. Assuming that is the case, we should be able to table it now.

Senator O'BRIEN—Very good. We will be able to get the matter resolved quickly. Can you provide the committee with a detailed list of all ongoing projects being funded under the current national highways program, including the funding splits over the life of the projects?

Senator Ian Campbell—Yes. A lot of that information will be in the Auslink white paper, I think it is fair to say.

Ms Armitage—Yes, we can update it to give expenditure on projects to date.

Senator O'BRIEN—Can you provide the same for the Roads of National Importance program?

Senator Ian Campbell—Yes.

Senator O'BRIEN—Are they broken down by state?

Senator Ian Campbell—Yes.

Senator O'BRIEN—The current Roads to Recovery program commenced 1 January 2001 with a \$1.2 billion commitment over four years. An extension of the program was announced in January this year of \$1.2 billion over four years from 2005-06. With respect to the current Roads to Recovery program, can you confirm the date that program expires, the amount allocated under the program in each year of the program since its inception and, if any, what funding remains in the program?

Ms Armitage—The program will expire on 30 June 2005, which enables the 2005-06 new program to commence. The expenditure to date—though I have not got it by year, but we can provide that if you need it—is about \$902 million. We expect with payments made this week that that will take it up to approximately \$950 million, with the \$250 million for next financial year to take it through to the end of the program.

Senator O'BRIEN—When the program was announced by the Prime Minister and the Deputy Prime Minister on 27 November 2000, the Prime Minister stated that of the \$1.6 billion in funding announced at that time \$1.2 billion would be for the Roads to Recovery program and an additional \$400 million would be used for the expenditure on the national highway or the RONI program. That is my recollection. Is that an accurate recollection?

Ms Armitage—I would have to defer to Mr Hogan on the finances for the national highway.

Senator O'BRIEN—That was according to the PM's web site; unless the PM's web site is wrong. The Prime Minister's web site says:

The remaining \$400 million will be used for expenditure on national highway projects, which are of course the exclusive responsibility of the Commonwealth and roads of national importance, which are normally shared in partnership with the States.

In the following year on 13 May, the Prime Minister announced:

Most of the \$220 million funding will come from the additional \$1.6 billion road funding package that I announced jointly with Mr Anderson last year.

Again, that is from the Prime Minister's web site. Isn't that a reference to the \$400 million set aside for the national highways and RONI programs?

Senator Ian Campbell—I do not think you can ask officers of the Department of Transport and Regional Services about a press release from the Prime Minister, but it is fair to assume that that announcement has been reflected in the budget statements under the roads portfolio. Funding for Scoresby, for example, has been included in our budgets ever since then and remains there. The Commonwealth's commitment is to fund the Scoresby Freeway with no tolls. The other road funding sections of the Prime Minister's announcement also appear in the budget statements. I think the officer has already described the funding for Roads to Recovery. We are, basically, absolutely on target in terms of spending that money under the

program announced by the Prime Minister in 2000. The other sections of the announcement are in the budget as well.

Senator O'BRIEN—When the Prime Minister said that most of the \$220 million for Scoresby would come from that funding, was there any other funding pot that Scoresby money was allocated from at that time?

Mr Hogan—It may be useful just to say where the \$445 million came from, without worrying too much about the \$220 million. The amount of \$150 million came from—

Senator O'BRIEN—We are worried about where the \$220 million is allocated from; you may not be, but go on.

Mr Hogan—Thirty million dollars came from within the program and \$40 million came from additional funding provided by the government. Also, \$150 million came from the \$400 million and went towards the \$220 million.

Senator O'BRIEN—That means that \$250 million of the \$400 million is not accounted for by that expenditure.

Mr Hogan—That is right.

Senator O'BRIEN—Where has that money been expended?

Mr Hogan—That money was allocated against a number of other different projects. There has recently been a parliamentary question on this, and I think a reply has been put into the process, outlining the break-up between projects. We can certainly provide that to you.

Senator O'BRIEN—Is it with Minister Anderson or Minister Campbell? Who is going to sign it off?

Mr Hogan—You are testing my memory there.

Mr Matthews—Just while they are finding the answer to that, I would like to come back to the missing answer that you referred to before. The answer, which is 53 pages long, was indeed approved by the minister and was delivered in hard copy to the committee on 16 April.

Senator O'BRIEN—It has gone astray in the process. Thank you for that information. It is not something that you would easily miss, by the sound of it.

Senator Ian Campbell—Back to your previous question, Minister Anderson is signing it. The question was apparently from the member for Batman.

Senator O'BRIEN—So we do not know when that information will be supplied or if it will be supplied?

Mr Hogan—I think we could say that it will be supplied imminently. We would also be happy to supply it to you.

Senator O'BRIEN—Thank you for that. The government increased its commitment to Scoresby to \$445 million, and I understand that that has again been allocated in the 2004-05 budget. Can you explain to me where the additional moneys came from? Is that all new money?

Mr Hogan—Again, not having the answer to that question in front of me, my understanding is that, apart from the \$30 million being found within the program that I have already talked about, it is additional money.

Senator O'BRIEN—So the moneys already allocated to the Scoresby project will not impinge on the available funds under the AusLink additional funding?

Mr Hogan—There is money allocated to Scoresby. It is a matter of interpretation, I suppose, as to whether it impinges or not.

Mr Elliott—Perhaps I could elaborate. The money for Scoresby is included in the total allocation of funds for the forward years.

Senator O'BRIEN—Under the AusLink additional funding?

Mr Elliott—No.

Senator O'BRIEN—But you said that the money—

Mr Elliott—It is included in the \$7.21 billion figure that I mentioned previously.

Senator O'BRIEN—All of the Scoresby money is in the \$7.21 billion?

Mr Elliott—Yes. There may have been some—

Senator O'BRIEN—Can you confirm that? I just want to understand whether money previously committed from other programs has now rolled into the AusLink program. Or is it being treated as separate?

Mr Elliott—The way it works is that there is an existing forward estimate and the additional funds have been added onto the top of that. So where there was an existing forward estimate and that included money for Scoresby, the new money has been added onto the top.

Senator Ian Campbell—As for all other Roads of National Importance. I think it is important to note in your calculations that of the \$445 million that the Commonwealth allocated for the project, based on an agreement to build a freeway without tolls, \$25 million was in fact spent by the Victorian government prior to the breaching of the agreement. I would say that was money spent under false pretences.

Senator O'BRIEN—With respect to the extended Roads to Recovery program, in a media release of 22 January, Senator Campbell, you said:

... in designing the new arrangements, equitable funding distribution across the states and territories would be examined.

What examination has been done?

Ms Armitage—The final arrangements for the program that commences in 2005-06 have not been made. The government has not made a final decision on it. The department has consulted with all local government associations on both the formula component and the strategic component, and those consultations will be reporting to the minister some time this week.

Senator O'BRIEN—How does the announcement by the Prime Minister on 15 March of an additional one-off allocation to South Australia of \$26.25 million over three years fit with this process of formula and strategic consultation awaiting a decision?

Mr Doherty—The \$26.1 million for South Australia is not actually part of the Roads to Recovery program: it relates to an adjustment in relation to the local roads funding that councils receive through the financial assistance grants process.

Senator Ian Campbell—It is a recognition of an historical anomaly in South Australian local roads funding under the financial assistance grants. It is an interim response to the Hawker report, which identified that. Rather than wait for the government's response to the Hawker report, where we would want to address that anomaly, we have indicated our bona fides by seeking to bring South Australia to parity in the interim.

Senator O'BRIEN—Not awaiting a response but seeking to act before responding to a report is a new approach from the government, isn't it?

Senator Ian Campbell—It is a very clear anomaly, which I am sure Senator Buckland would agree with. It has not been acted on in the past by any government. Minister Tuckey actually went to the cabinet the previous year and sought an increase on the basis of the anomaly. The cabinet said, 'Let's wait until Hawker's reported.' The Hawker report was delayed. The response is being delayed for a number of reasons and I thought it was unfair to South Australia to make them wait any longer.

Senator O'BRIEN—It is easier to get a win in an election year, isn't it?

Senator BUCKLAND—Which projects receive this money?

Senator Ian Campbell—It goes to local government via the state government, and it goes to the state government through the Hon. Rory McEwen. In a letter I sent to the Premier of South Australia we agreed that the money will go based on the existing formula distribution to local governments around South Australia. They will be getting that from 1 July.

Mr Doherty—That is correct. In the hands of local government it is untied, so they can choose the projects that they apply that to.

Senator O'BRIEN—Is this additional money on top of the current program expenditure?

Mr Doherty—That is correct.

Senator O'BRIEN—What program has the funding been allocated from?

Senator Ian Campbell—It is new money, out of the financial assistance grants program.

Senator BUCKLAND—In relation to that \$26.25 million, how does that sit with the \$42.35 million that the state government asked for? The budget only allocated \$8 million of that for the upgrade of the highway between Bordertown and the Victorian border. Will the \$26 million be used to cover those costs or those projects that the state government bid for?

Mr Doherty—In my understanding there is no connection between those two. This is a process for supplementing the assistance that has been provided over a period of time to local councils for their local roads—for the maintenance of local roads. The sort of project that you are talking about sounds to me like a state project for a main road. The funding would have come through ALTD or, if it is assisted by the Commonwealth at all, through the new AusLink package.

Senator Ian Campbell—Senator Buckland, what is the project in particular? You mentioned Bordertown.

Senator BUCKLAND—That is just a highway upgrade.

Senator Ian Campbell—What highway is that on?

Senator BUCKLAND—The Dukes Highway, which is federally funded.

Ms Armitage—That is the reconstruction of a number of kilometres of pavement. There is \$8 million allocated for that in the 2004-05 budget.

Senator BUCKLAND—But that is the only additional money in the budget that was allocated for what the state government sought. As I understand it, a lot of money was sought for the upgrade of the Sturt Highway, but no money has been given. The only money I can see that goes towards that would be \$0.2 million for a planning study.

Senator Ian Campbell—I think the confusing issue is that the Commonwealth government made it clear that in the budget we would be announcing two things. Firstly, we would be announcing the entire new funding envelope for AusLink. It is slightly confusing, because we are moving from the old national highway and Roads of National Importance programs to a new program called AusLink. Senator O'Brien has been skilfully working his way through how we make the transition, which is not a simple process.

Senator BUCKLAND—Yes, I am following that process.

Senator Ian Campbell—In the budget we announced the funding for the existing projects under the old policies, but we also said that in June, when the AusLink white paper is announced, we will announce all of the projects, all of the corridors, on AusLink. That will ostensibly include the existing national highway, most of the Roads of National Importance and some new roads. To be frank, I think some of the state Labor governments have chosen to say, 'This is the only project we have in our state. This is a fizzer. Where is the money?' when in fact they all know that specific projects, highways and roads will be announced in June with the release of the AusLink white paper.

That is the case for South Australia. We have consulted with the South Australian government. They have given us their list of priority projects, roads and works. We have had a very constructive relationship and dialogue with the South Australian government. The projects that we will be funding over the next five years in South Australia, as in every other state, will be announced with the launch of the AusLink white paper in June. So, really, the only items in the budget that we can refer to now are existing commitments under the existing programs. They are going to be massively increased in terms of the funding allocated and the number of projects, because of the many hundreds of millions of dollars of new money we are putting into roads around Australia under AusLink.

Senator BUCKLAND—Ms Armitage was just going to refer to one allocation that is in the budget—\$0.2 million for the planning study of the Sturt Highway extension.

Ms Armitage—Yes. I think you mentioned that that was one of the things that was announced. What was announced was a \$7.3 million allocation, particularly for some passing lanes on the Sturt Highway. That is part of the commitment the government has had to doing overtaking lanes on that highway.

Senator O'BRIEN—On 31 March Senator Ian Campbell announced a one-off allocation to the Northern Territory of \$1 million in the next financial year. Can someone confirm that this is additional money on top of the current program expenditure?

Ms Armitage—Yes, it is additional money on top of the current R2R program. It is particularly for roads in unincorporated areas.

Senator O'BRIEN—The Northern Territory allocation is itemised as an expense item in the budget at page 46 of the PBS. Where do I find the South Australian item—that is, the \$26.25 million?

Mr Doherty—Can we check that out and come back to you later today?

Senator O'BRIEN—Yes.

Mr Doherty—I am sorry, Senator; I can see it here. On page 27, in table 1.2, there is a line item under outcome 2—South Australian local roads: \$4.3 million 2004-05, \$9 million in 2005-06 and \$13 million in 2006-07.

Senator O'BRIEN—Sorry, you have lost me.

Mr Doherty—It is on page 27: expense measures under outcome 2.

Mr Yuile—There is a summary table. Then the further detail of it is on page 69, under the summary of measures related to outcome 2. That is for South Australia, whereas the Northern Territory is under outcome 1.

Senator O'BRIEN—Thank you. According to the Australian Local Government Association weekly newsletter dated 21 May, Commonwealth consultations on the format of the reviewed Roads to Recovery program concluded on 19 May. I take it that that is accurate.

Ms Armitage—We are just checking the dates, but we did speak with the Local Government Association last week.

Senator O'BRIEN—Is there any formal record of those consultations?

Ms Armitage—There are just some notes that were taken for internal purposes and an agreement with the Local Government Association that they would put in their newsletter what you have referred to, which was on their web site.

Mr Doherty—I may need to clarify that. We envisage that as the consultation which allows us to finalise our advice to ministers about that process, but it certainly would not rule out any request for ministers or others to reopen a consultation process if they wished to before that process is finalised.

Senator O'BRIEN—How long have they got to do that?

Senator Ian Campbell—Until we announce it. It is currently before us as to exactly how we do it. There are still a number of options.

Senator O'BRIEN—Who was involved in the consultations between the department and the ALGA?

Ms Armitage—I was the departmental representative, supported by the director of the section that works with Roads to Recovery, plus an officer in that section. There was Ian

Chalmers, who is the president of the Local Government Association, and Robin Anderson, who works there too. The third person was John Pritchard.

Senator O'BRIEN—The ALGA's statement says that department officials also held discussions with state and territory local government associations and state governments. Is that also accurate?

Ms Armitage—Yes.

Senator O'BRIEN—Who was involved in those consultations, how many meetings were held and over what time were they held?

Ms Armitage—We would have to get back to you with that detail to make sure that it is accurate, but the approach was that I undertook the ones with Western Australia and the Northern Territory. Mr Elliott was part of the ones with Queensland. Mr Hogan took the ones with New South Wales and Tasmania. I did Victoria as well. And there was another officer, who was heading up the section. There were other officers with them, but we had an approach so it was across—

Senator O'BRIEN—Was there a face-to-face meeting in their territory or in Canberra?

Ms Armitage—In their territory.

Senator O'BRIEN—That same newsletter states:

Mr Anderson—

that is, the Deputy Prime Minister—

has said that the guidelines for assessing strategic projects would be distributed to councils for comment after the Budget.

Is that still in the future or has that distribution occurred?

Ms Armitage—No, it has not. The issue of the new program for Roads to Recovery will be dealt with in the AusLink white paper.

Senator O'BRIEN—So there will be no distribution until that has been announced?

Ms Armitage—No.

Senator O'BRIEN—Is it ready to go, otherwise?

Ms Armitage—As I stated earlier, we are still finalising our advice to government. We expect that to be finalised by the end of this week.

Senator Ian Campbell—I still have local government associations wanting to talk to me directly about it, which I am facilitating.

Senator O'BRIEN—When will applications be called for with respect to the strategic component of the renewed Roads to Recovery program?

Senator Ian Campbell—That is a matter for decision by me and the Minister for Transport and Regional Services at the moment. We are looking at all the options.

Senator O'BRIEN—Do you know whether strategic projects will be considered on a year by year basis?

Senator Ian Campbell—That is one of the issues before us. One of the options I have publicly said I want to have a good look at is whether we should consider projects that run over the entire four years. I think there is a lot of merit in that. Local government agrees with me. When you are looking at projects that cross council boundaries, you are looking at bigger projects than have been funded in the past and it may well be in the national interest to have projects that span the four years of the program. It may well be that there are other projects within the strategic fund that can be funded in one or two years.

Senator O'BRIEN—That is suggesting to me that you are contemplating a lock-in/lock-out process—that is, you lock in the funding for the next four years early in the process and therefore lock out any alternatives for that period.

Senator Ian Campbell—I would not call it a lock-in/lock-out process. Because it is a new program and there is a lot of interest around the country, we would like to see what sorts of proposals come forward.

Senator O'BRIEN—Yes, but the phasing of the funding, if it is a four-year program but you intend to commit—

Senator Ian Campbell—I suppose the question is: do we intend to commit it all in year 1?

Senator O'BRIEN—Commit to projects for the life of the program in the first year—that is, spend it over four years but commit it in the first year.

Mr Doherty—The practicalities mean that you have to front-end the process to an extent. If you allocate projects in the fourth year, there is the clear possibility the funding will not be spent in that year and that you will end up with unused funds from the allocation. But these are the practicalities that need to be worked through.

Senator Ian Campbell—It is a very new program. It has given local governments the opportunity to think about projects that, in many respects, they have not been able to think about seriously before. So we want to really have a look at the sorts of projects that are coming forward and create the best outcome and get the best value for our money.

Senator O'BRIEN—With respect to the eligibility of projects to be funded under the Roads to Recovery program, the ministerial statement gives examples such as tourist routes and forest roads as eligible. Are we talking only about vehicular routes?

Senator Ian Campbell—For forests, you would expect that you would be thinking about roads that might carry logging trucks.

Ms Armitage—The intent is that it is for transport infrastructure, in which strategic regional roads will obviously play a big or important role.

Senator O'BRIEN—I suppose a whole range of issues arise. A tourist route is not a tourist footpath in this context: is that how I should understand it?

Ms Armitage—We have not gone down to that fine detail, but I would not expect that a footpath would be of regional significance. But, if it could be proved that it was of regional significance, then it could be—

Senator O'BRIEN—There are plenty of walking routes that would be of regional significance, for reasons other than the need for transport infrastructure.

Senator Ian Campbell—This program is for local roads.

Senator O'BRIEN—But it also covers other things like footpaths.

Senator Ian Campbell—Under the formula based funding, there has been some funding for footpaths, but they are generally next to roads.

Senator O'BRIEN—I know that.

Senator Ian Campbell—They are not always next to roads.

Senator O'BRIEN—I am just wondering what the limits are, if this is money to be expended by local government. It may or may not be a strategic proposal. It might be money they pay under the general program.

Senator Ian Campbell—If it is under the formula, then it is pretty much up to them. We have not ruled out footpaths from the formula. I remember that possibility being investigated under the previous estimates. But the strategic fund has a different focus. There is quite an obvious need to have such a fund.

The timber industry is one of the industries that came forward. An example they gave us was this: in many parts of Australia for many years they have been encouraged to go into plantations and so we have had plantations being established all around the country, encouraged by state governments of both political persuasions over the last few years. All of a sudden the plantations are maturing and the road infrastructure to get the harvest out of many of those places is below par. The industry has been talking to state governments about getting funding; in some cases the states are doing the right thing and in others they are not. That is one of the demands we have had. We think that this fund could help that industry and local communities. There is a lot of pressure on local councils from that industry, and there is a lot from the tourism industry. Those were two very obvious examples to quote in the press release—and that is why we did.

Senator O'BRIEN—The phrase 'forest roads' can mean a number of things: it can mean logging roads; it can mean roads from what were once agricultural areas but are now forested areas—in the south-west of Western Australia in particular and, I suppose, in the green triangle as well.

Senator Ian Campbell—There is a lot of forest around this district as well. But you have this emerging pressure on local councils in many of those regional areas, and they have a limited rate base quite often. That is why Roads to Recovery has been such a popular success and such a success in terms of delivering good infrastructure. In many cases, the funding from state governments for roads is diminishing and the local councils have limited ratepayer bases while also having increasing demand for road infrastructure. That comes from the pressures I have told about and also as a result of the sea change phenomenon that is occurring, with people moving out of the city to the coast, burdening local councils that have small ratepayer bases, putting more demand on infrastructure. So there are quite a number of pressures there, and we think this program will help meet those, to a limited extent—it is only \$400 million over four years across the whole of Australia.

Senator O'BRIEN—The question I was asking was about the extent to which those funds will be able to be stretched for particular projects. I understand what you are saying about

forest roads and the issues about how they are going to be paid for, but off-road tourist trails was an issue that has been a question mark in the context of the ministerial statement's mention of tourist routes, and I wondered whether, by some stretch of the imagination, that would include off-road tourist trails. Have you ruled that in or out?

Senator Ian Campbell—The likelihood is that I would rule that out because we are looking at building roads which, in most cases, probably means some will have sealing on them—though not always. The other thing we have to avoid, and I am sure we would have bipartisan agreement on this, is cost shifting. For example, we do not want the Commonwealth to be upgrading roads that should be the responsibility of the states. We need to ensure that is the case, and that is why focusing it purely on local roads is very important. We also have to make sure that, when we increase our funding to local government roads, the states do not take their funding away. That has occurred in some parts of Australia; I do not think it has occurred in Tasmania—I hope it has not. I think it is in the interests of both the major parties to ensure that that does not take place.

Senator O'BRIEN—Can someone tell me what the allocation for the Black Spot Program was for the current financial year?

Mr Hogan—It is \$45 million.

Senator O'BRIEN—That is for 2003-04? Has all of that money been committed?

Mr Hogan—Not as yet, in the sense that there is still one program to be announced for 2003-04—namely, the ACT.

Senator O'BRIEN—That necessarily means that the expenditure will roll into the next financial year for that part of the program?

Mr Hogan—I am not absolutely certain of that. We would expect sufficient progress this year to be able to pay them their allocation.

Senator O'BRIEN—So the cheque will be drawn this year but the work done next year?

Mr Hogan—Some work perhaps next year.

Senator O'BRIEN—Is there much work outstanding that has been funded?

Mr Hogan—Across the whole program?

Senator O'BRIEN—Yes.

Mr Hogan—There is still quite a bit of work yet to be done. I think it is a fairly normal pattern that there is a large amount of the black spot work undertaken in the last two or three months of the year.

Senator O'BRIEN—Can you confirm how much each state and territory will receive in funding in the coming financial year under the Black Spot Program?

Mr Hogan—In 2004-05, \$14.287 million for New South Wales, \$10.428 million for Victoria, \$8.923 million for Queensland, \$4.982 million for Western Australia, \$3.49 million for South Australia, \$1.116 million for Tasmania, \$602,000 for the ACT and \$672,000 for the Northern Territory, which comes to a total of \$44,500,000—there being \$500,000 for administration costs of various kinds.

Senator O'BRIEN—Give or take some. That goes into the programs budget, does it?

Mr Hogan—Yes.

Senator O'BRIEN—Is that the usual amount that goes into the departmental budget from the Black Spot Program?

Mr Hogan—That is correct.

Senator O'BRIEN—Have any projects funded under the Black Spot Program for 2004-05 been announced yet?

Mr Hogan—Yes, they have. The programs have been announced for a number of states.

Senator O'BRIEN—Are they on the departmental web site?

Mr Hogan—They normally are, but if they are not we can certainly make them available to you.

Senator O'BRIEN—I would appreciate it if you could. When will projects be announced for the remainder of the states and territories?

Senator Ian Campbell—For 2004-05?

Senator O'BRIEN—Yes.

Senator Ian Campbell—I have done New South Wales and Victoria, and I am planning to do South Australia.

Mr Hogan—I think you have currently got two or three with you.

Senator Ian Campbell—Yes, they have just arrived.

Mr Hogan—And we are still awaiting the final submissions from a couple of states. We are still waiting for the Queensland submission.

Senator O'BRIEN—You have allocated funding to each of the states and territories in accordance with the list that we discussed. For which states have those funds been allocated to projects, in total?

Mr Hogan—New South Wales, Victoria and Western Australia.

Senator O'BRIEN—Is it anticipated that there will be any additional funding for black spots over and above the \$45 million as announced in the budget?

Senator Ian Campbell—I do not think those are matters for the department. Those are really matters for the government. The department has just been given \$45 million for this year and \$45 million for next year. Obviously the future of the Black Spot Program is something that will be before us and is before us.

Senator O'BRIEN—Is money allocated for 2005-06 or do I have that wrong?

Senator Ian Campbell—I think there is \$45 million for this year and \$45 million for next year. We quite obviously have to think about what happens to it after that. It is a program that I am responsible for. Obviously, once the AusLink policy process—which has been quite intense, as you can imagine—is out of the way, that will be something that I want to turn my mind to, and I am already turning my mind to it.

Senator O'BRIEN—So when does the funding end—in the coming financial year or the one after?

Senator Ian Campbell—The one after. There are two more years guaranteed. But it is obviously a very good program. It was chopped by the previous Labor government in 1993. We re-introduced in 1996. I think it is one of the really good programs that delivers great results in terms of safety and better infrastructure. As a selfish roads minister, it is something that I would like to put extra money into.

Senator O'BRIEN—Is it expected that any funding will be brought forward from the 2005-06 allocation to be spent in the coming financial year?

Senator Ian Campbell—No, it is not expected.

Senator O'BRIEN—An announcement was made by the member for Gilmore last week, as reported in numerous media outlets along the south coast of New South Wales, about securing federal black spot funding for a stretch of the Princes Highway. In the *Illawarra Mercury* on 20 May she is referred to as saying that the Prime Minister had assured her that new black spot funding would be available to upgrade some parts of the Princes Highway. That article says that the funding would be 'in the millions'. ABC Illawarra, on the same day, advised that the member for Gilmore said the Prime Minister and the Minister for Transport and Regional Services had agreed to fund millions of dollars worth of black spot improvements between Nowra and the Jervis Bay turn-off on the Princes Highway. The *South Coast Register* on 21 May reports her as saying that she had received a guarantee that money would be made available through the federal government's black spot funding program to start immediate repairs on the Princes Highway. It went on to say that the funding was new funding out of the Black Spot Program. Can someone give me some details of the matters referred to by the member for Gilmore and where that money is coming from?

Senator Ian Campbell—I have visited the Princes Highway with the member for Gilmore. I have met with the local councils along that road with both the member for Gilmore and the member for Eden-Monaro, Mr Nairn. Both of those members have been working very hard to try to solve the crisis situation on a New South Wales government road. I went to Gilmore to announce black spots funding only a few weeks ago, when I announced the New South Wales funding. Joanna Gash's seat did very well out of that, through a competitive process. There is no greater advocate for fixing black spots on the Princes Highway than Mrs Gash. I am currently working with her on that issue, but the core issue is that the Princes Highway needs a massive injection of capital by the New South Wales government.

Mrs Gash is very constructively suggesting—and it is a bipartisan view, as I understand it, because Mr Ferguson, to his great credit, went there recently and said the same thing—that it is a state road. The Commonwealth are putting in enormous amounts of money to both national highways and roads of national importance in New South Wales. We are putting hundreds of millions of dollars into the Pacific and hundreds of millions of dollars into the Hume and into many other roads. At some stage the states have actually got to bear responsibility for their roads. The Princes Highway is a state road. There is a recognition of that. There is a recognition of that by Martin Ferguson. There is a recognition of that by many of the local councils along the road. What Mrs Gash is doing is saying, 'Right. Let's accept

that, but what can the Commonwealth do to address some of these bad intersections and so forth along the road?' She is lobbying very hard to get black spot funding for some of the worst black spots on the highway.

Senator O'BRIEN—I am just wondering where the new black spot funding would be coming from. The 2004-05 New South Wales black spot funding has been announced, and you said that 2005-06 would not be brought forward. So where is this new black spot funding that Mrs Gash referred to in the article by Megan Levy in the *Illawarra Mercury* last week coming from? You do not know about it, obviously, Minister.

Senator Ian Campbell—I do. I know all about it, because Joanna Gash is one of the most effective local members in Australia who is working very hard to fix a problem created by the neglect of the New South Wales Labor government. It is to her great credit. I am working with her constructively; so is the Prime Minister. As to funding for the projects that Mrs Gash wants, when decisions are made about how we resolve those problems in a proper way within the Commonwealth, announcements will be made.

Senator O'BRIEN—So there will be new black spot funding.

Senator Ian Campbell—In the meantime, we are going to work in a bipartisan way with your transport spokesman, who has supported a very sound bipartisan position that the long-term solution to the Princes Highway is for the state government to invest where their responsibility lies, while the Commonwealth invests where its responsibilities lie—mainly along the Hume and in a number of other projects, including the massive funding involved in the upgrading of the Pacific. I think there is a quite strong unanimity between our two parties on that, which is to be applauded.

Senator O'BRIEN—I am trying to find out if a decision has been taken to fund millions of dollars of black spot funding for that highway. It was not announced in the budget. It was not announced in the New South Wales black spot funding. Mrs Gash has told media outlets, apparently, that it is an assurance that she has. We are talking about the financial commitments of the Commonwealth. We are talking about the Black Spot Program. I am drawing to your attention statements that have been made and trying to rationalise those with the evidence that we have just taken. Can you help me any further with this? Is there going to be another announcement on black spot funding?

Senator Ian Campbell—There is no difficulty, Senator. The member for Gilmore is working very hard to get funding for black spots along the Princes Highway.

Senator O'BRIEN—I am sure she is.

Senator Ian Campbell—She is working very hard to get funding for black spots along the Princes Highway. She is doing a very good job; I am here to help her and so is the Prime Minister.

Senator O'BRIEN—Has the Prime Minister assured her that this money will be available?

Senator Ian Campbell—This committee does not look at the Prime Minister's department.

Senator O'BRIEN—That is right, but it is looking at road funding, it is looking at the budget and it is looking at the out years. We have had some questions answered about the

budget and the fact that New South Wales black spot funding has already been committed, that the moneys for it in 2005-06 will not be brought forward and that you are considering the future other than that. Is that a correct recitation of the evidence so far?

Senator Ian Campbell—We believe that Mrs Gash has come forward with what is a sound proposal in the face of the New South Wales government's stubborn refusal to fix the Princes Highway. She has come forward with a sound proposal which I am now looking at, and I have been encouraged to do so by the Prime Minister. When we have something to add, we look forward to informing you and the rest of the world.

Senator O'BRIEN—When did Mrs Gash commence to seek the black spot funding for the Princes Highway?

Senator Ian Campbell—Mrs Gash came to visit me to discuss the Princes Highway and safety on school buses within about 12 hours of me walking into my ministerial office. Very rarely do two days go by—even one day—when she is not in contact with either me or my office. She cares passionately about her community, she cares passionately about what is happening on the Princes Highway and she cares passionately about the safety of children on school buses.

Senator O'BRIEN—As do many other people.

Senator Ian Campbell—Of course they do. It is to her great credit. When did she start raising this with me? We have been actively working on how we handle the issue of the Princes Highway ever since the day I became a minister.

Senator O'BRIEN—Was there some commitment from this government to handling problems on that highway before you became a minister?

Senator Ian Campbell—There has been a lot of work on that highway by this government. We have been working desperately to try to find ways of doing it. The great thing about what has occurred in the last few months is that your transport spokesman, Mr Ferguson, has very sensibly matched the Commonwealth's position that, ultimately, states have to take some responsibility for their roads. It is so easy for states to say, 'It is all too hard. We'll go to the Commonwealth. We'll only fix it if they pay half.' They are doing that all around the country. I am very pleased to see that someone like Martin Ferguson has decided that we can draw a line on that.

Senator O'BRIEN—Martin Ferguson can speak for himself. The purpose of my question is to ascertain whether there is some change to what has already been announced in the announcement about black spot funding for New South Wales roads and whether funding from 2005-06 is to be brought forward. I thought you said that it would not be.

Senator Ian Campbell—No. You said, 'Could we expect funding from 2005-06 to be brought forward?' My answer is, no, you should not expect that.

Senator O'BRIEN—Despite that answer, is it possible that it will?

Senator Ian Campbell—You said, 'Do you expect it to be?' I do not expect it to be.

Senator O'BRIEN—But it is possible that it will?

Senator Ian Campbell—It is possible you could bring funds forward from the NASA space program to fund a new radio telescope in Canberra. I would not want to dash your expectations.

Senator O'BRIEN—I do not know that it is, but that is interesting. Mrs Gash is raising the expectations of the people of the South Coast of New South Wales.

Senator Ian Campbell—She is holding out some hope for them that a government will find some way of giving assistance to the people who are sick and tired of tragic accidents on the Princes Highway in the vacuum created by a New South Wales Labor government that does not seem to care less about what happens down there. She is working very hard as a local member to see what she can do. She has come to the roads minister, she has come to the transport minister and she has come to the Prime Minister and asked, 'Can you please help?' We are saying, 'We'll try to find a way to help.' If you would like me to say that a senator from Tasmania suggests that a good way to do it is to bring money out of 2005-06, I will put that on the table.

Senator O'BRIEN—According to the report, she is saying that the Prime Minister, Mr Howard, had assured her that new black spot funding would be available to upgrade some of the highway's most dangerous sections and that the amount would be in the millions. We ascertained that there is \$14.287 million next year for New South Wales and that that has already been allocated—

Senator Ian Campbell—Much of it in Gilmore.

Senator O'BRIEN—So we know that there is no additional money from New South Wales available that has not been allocated. Are you aware of a commitment to further black spot funding in the electorate of Gilmore?

Senator Ian Campbell—I have read the same newspaper as you have, and I have spent six months working with Joanna Gash to try to get a good result for the people who live along the Princes Highway, and I will continue to do so.

Senator O'BRIEN—So are you aware of a commitment or are you not aware of a commitment to fund that? You should know, as the roads minister.

CHAIR—Is this the road between Nowra and—

Senator Ian Campbell—It is the road that runs from the Victorian border all the way up to Sydney.

CHAIR—It needs a bit of money spent on it.

Senator Ian Campbell—It does.

Senator O'BRIEN—So has the commitment been given?

CHAIR—Why are we going around in circles here?

Senator O'BRIEN—Because I am asking questions about it. I am asking the roads minister whether Mrs Gash's statement that there has been a commitment is accurate. Either it is accurate or it is not.

Senator Ian Campbell—We are committed to finding a solution.

Senator O'BRIEN—So you are not prepared to confirm that a commitment has been given?

Senator Ian Campbell—I have answered all the questions. We know we have a committed local member, we know we have a committed Prime Minister, we know we have a roads minister seeking to find solutions. If you are asking whether there is commitment, the answer is that there is very strong commitment. I just wish the New South Wales state Labor government would show a similar sort of commitment, because it is the only long-term fix.

Senator O'BRIEN—How much is committed? You said that there is a strong commitment, but how much is committed?

Senator Ian Campbell—We are committed to trying to find a solution for the people who live along the Princes Highway. Part of our commitment is to try to ensure that the New South Wales government takes responsibility, and I am very glad that your shadow transport spokesman is helping in that. The Commonwealth is spending many hundreds of millions on the Hume Highway, many hundreds of millions on the Pacific Highway and many hundreds of millions on other roads around New South Wales. Is there a road that the New South Wales government will actually take responsibility for? Will they take some responsibility? That has got to be part of a responsible approach to helping the people along the Princes Highway. Are there black spots along the Princes Highway? Experts will determine that, and I am sure the answer will be yes. Can the Commonwealth make a contribution to helping to fix those black spots? That is what we are seeking to determine. That is our commitment.

Senator O'BRIEN—And when you have made that commitment, it will be announced?

Senator Ian Campbell—When we have found a solution, yes.

Senator O'BRIEN—But at this stage it has not been announced, because it has not been made?

Senator Ian Campbell—If it was announced, you would have a press clipping saying, 'Government announces X programs for \$X million.' Then your frustrations would be totally resolved.

Senator O'BRIEN—I agree. We would have your press statement saying that it had been announced that there had been this commitment. If the commitment had been made, we would have your media statement.

Senator Ian Campbell—If we can find resolutions to this problem, you will have press releases—

Senator O'BRIEN—If I got an answer to the question, this would be over.

CHAIR—This is a bullshit argument, with great respect.

Senator Ian Campbell—I know. It is just going around in circles. It is like being stuck on a turnpike.

CHAIR—You have said there is a commitment, the local member has said there is a commitment—

Senator O'BRIEN—No.

CHAIR—the shadow minister says there is a commitment and we had an inch of rain at Junee last night, which is wonderful.

Senator O'BRIEN—I do not think you are accurately stating what has transpired, but I understand you were in the back room while it was going on, so I forgive you for that. The article I referred to from the *Illawarra Mercury* states that the Shoalhaven City Council were still deciding which spots would be targeted. Do they decide which spots should be targeted or does the minister do that?

Senator Ian Campbell—They do not make the decision. Under the Black Spot Program, councils nominate projects which they regard as black spots. They then go through a process of being assessed generally by the state road authority. They all have different names. In the case of New South Wales, it is called the RTA. There is then a committee comprising the local council, engineers and the RTA; I think in New South Wales it is chaired by a government member. Then, based on cost-benefit analysis and a range of other measures, they may make a determination of which projects should get funded. In the first instance, the local shires would be instrumental in identifying black spot sites.

Senator O'BRIEN—It would be overseen by the RTA, if I understood you correctly.

Senator Ian Campbell—The RTA does oversee that process in terms of the technical assessments. They have the history of the road, they have their crash records, they have the fatality records, and they have all engineering records on the design. You generally find with black spots and potential black spots that these intersections and other parts of roads have a history of improvement and works. They have all that information, so it is entirely appropriate that the relevant road authorities in the states are a part of that process. Some state governments—I think most state governments—have their own black spot programs as well, which are administered by their road authorities, which I presume work in a similar way.

Senator O'BRIEN—Are the guidelines still operative that say that, where the Commonwealth contribution is estimated to cost less than \$750,000, the project will be given priority?

Senator Ian Campbell—That is right.

Senator O'BRIEN—The web site says:

To achieve maximum effect from the Program, the emphasis will be on low-cost, high-return projects.

Senator Ian Campbell—With \$14 million, you would only get 14 projects across the whole of New South Wales.

Senator O'BRIEN—That is exactly right. Is it normal that the Black Spot Program funds things like roundabouts, shoulder sealing, upgrading traffic signals and other safety devices?

Mr Hogan—Yes.

Senator O'BRIEN—So it would be in that regard that we would be looking at upgrading the Princes Highway under this program. Do I understand that correctly?

Senator Ian Campbell—Under the Black Spot Program, the priorities are determined in the way that I have described to the committee. The councils along the Princes Highway would bring forward projects and they would be assessed under the guidelines. We can give

you an endless list of the sorts of projects that have been funded around New South Wales and in every other part of the country. There are shoulder treatments; there are a range of measures that can be taken to fix black spots.

Senator O'BRIEN—It just seems extraordinary that it is sensible to suggest that there would be millions of dollars worth of black spot improvements between Nowra and Jervis Bay out of the project. It just seems incredible.

Senator Ian Campbell—I do not think it is extraordinary to suggest that there are black spots on that road. Is there an extraordinary situation on the Princes Highway? Yes, there is, due to the neglect of the New South Wales government. Are the local federal members seeking to find whatever means are at their disposal to resolve that extraordinary situation? Yes, they are.

Senator O'BRIEN—How many projects of a value exceeding \$500,000 have been funded so far for the year 2004-05 out of projects allocated?

Senator Ian Campbell—Across Australia?

Senator O'BRIEN—Yes.

Senator Ian Campbell—We can get you those figures. That is very easy to put together—sorry, it is not easy, but the data are there.

Senator O'BRIEN—That is from the three states that you have approved projects for.

Mr Hogan—That is right. We can do that.

Senator O'BRIEN—Can you tell us what types of projects they are, what sorts of works have been involved—or will be involved, I should say?

Mr Hogan—The large cost ones?

Senator O'BRIEN—The ones that are over \$500,000.

Mr Hogan—I could not, without seeing the list.

Senator Ian Campbell—But we can actually give you a print-out of all the projects over \$500,000, and it will say what they are. My own recollection, after a short time in the portfolio, is that roundabouts and traffic lights are generally the more expensive ones. If you are doing work on shoulders and that sort of stuff, they are actually a bit cheaper.

Senator O'BRIEN—The budget included an announcement that the Tasmanian Freight Equalisation Scheme would be extended to include wheat shipments. An additional \$8 million over four years was provided to cover the costs of this extension to the program. Is this simply a transfer of responsibility for the wheat component from AFFA to the department of transport?

Mr Hogan—I am sorry, I missed the last part of that question.

Senator O'BRIEN—Is this essentially a transfer of responsibility for wheat freight subsidies from AFFA to the department of transport? There has been some change, but nevertheless the money has been transferred from one portfolio to another: is that right?

Mr Hogan—The budget announcement did include an announcement to the effect that wheat would be brought into the Tasmanian Freight Equalisation Scheme. There have since been statements by Senator Abetz to the effect that that decision was going to be reversed.

Senator O'BRIEN—So what happens to the money that is in the budget of the Department of Transport and Regional Services—the \$8 million over four years?

Mr Hogan—There are two points in relation to that. The first is that, while Senator Abetz has indicated that the decision will be reversed, at this stage we do not know the exact mechanisms by which that will occur—whether the current wheat scheme will be renewed or whether the wheat arrangement will somehow be brought into the Tasmanian Freight Equalisation Scheme. So it is premature to speculate.

Senator O'BRIEN—So what was the basis of the announcement?

Mr Hogan—The basis of the announcement was, as I understand it, further information that was provided by affected sectors and lobby groups in Tasmania to Senator Abetz.

Senator O'BRIEN—When did officers of the department know about the change to the funding arrangement—before or after the announcement?

Mr Hogan—We became aware of the reversal when we read it in the newspapers.

Senator O'BRIEN—So we think that the existing subsidy for bulk wheat will continue?

Mr Hogan—That is the import of what Senator Abetz has said.

Senator O'BRIEN—I think there is \$100,000 per year out of the \$8 million that goes toward departmental expenses. Is that your understanding?

Mr Hogan—That is right.

Senator O'BRIEN—I take it that you are not getting that now.

Mr Hogan—At this stage it is premature to speculate on that when we do not know what final arrangements there will be for wheat in the future.

Senator O'BRIEN—So the outcome remains uncertain as to what will actually happen, if I am reading you correctly.

Mr Doherty—It is right to say that the detail remains uncertain. The thrust of Senator Abetz's comment was that the scheme had been saved—the Tasmanian wheat freight equalisation scheme. From that I understand—

Senator O'BRIEN—But there was not a wheat freight equalisation scheme until the budget announced it. It relates to bulk wheat. What I said may not have been completely accurate. There is a bulk wheat scheme, not a containerised wheat subsidy scheme, for this year, which the budget was changing—cutting out the bulk subsidy and creating a containerised subsidy.

Mr Doherty—That is as we understood it. I understand the import of Senator Abetz's comment to be that there will be a continuation of a subsidy for bulk shipments and that at this stage it is yet to be worked out whether there will continue to be a subsidy under our scheme in relation to containerised shipments—and just what the details will be.

Senator O'BRIEN—Was it the intention that the additional money would have provided for a capped scheme for containerised wheat?

Mr Hogan—No, not at all. The additional money was to provide for the higher rate of subsidy to be paid for containerised wheat under the Tasmanian Freight Equalisation Scheme.

Senator O'BRIEN—Was the indication of the funding for the next year and three out years an indication of the limit to the freight subsidy for containerised wheat? In other words, was it to be sunsetted at that point or would the wheat component of the Freight Equalisation Scheme cease at the end of four years? Was that the intention?

Mr Hogan—No. There was no notion of either a sunset in terms of a date or a cap. If additional funds are ever required in respect of the Tasmanian Freight Equalisation Scheme, that would be normally handled through additional estimates processes. Wheat was to become, like any other grain, subject to the Tasmanian Freight Equalisation Scheme: a subsidy would be paid on all shipments as long as they were in containers.

Senator O'BRIEN—Does the scheme currently apply to containerised grains other than wheat?

Mr Hogan—Yes, it does.

Senator O'BRIEN—How does that work? What is the rate of subsidy?

Mr Hogan—It is \$34 per tonne.

Senator O'BRIEN—Containerised?

Mr Hogan—Yes.

Senator O'BRIEN—Page 48 of the PBS states:

The Government will cap funding under the Bass Strait Passenger Vehicle Equalisation Scheme for services on the Sydney-Devonport route at a total of \$8 million per annum ...

On 23 March, I placed some questions on notice about this scheme. I have not seen an answer yet. Do you know if that has been processed?

Mr Hogan—It has very much been processed. It was referred to the department for some amendments and it has been resubmitted.

Senator O'BRIEN—When was that?

Mr Hogan—During the last week. It has been resubmitted to the minister's office.

Senator O'BRIEN—So all the information is effectively now available?

Mr Hogan—That is right.

Senator O'BRIEN—For each of the financial years from 2001-02, 2002-03 and 2003-04 to date, how much has been spent under the scheme for vehicles in passenger vehicle, motorcycle, caravan, bicycle and motorhome categories?

Mr Hogan—Expenditure for the various types of eligible vehicles in 2001-02 was: \$16.62 million for cars; \$0.04 million for buses; and \$0.039 million for motorcycles. There was nothing in respect of caravans, motorhomes and bicycles because they were not eligible at that stage. In 2002-03 the expenditure was: \$28.7 million for cars; \$0.07 million for buses;

\$0.52 million for motorcycles; \$1.1 million for caravans; \$1.4 million for motorhomes; and \$0.02 million for bicycles. In 2003-04, as at 30 March, the expenditure was: \$21.27 million for cars; \$0.05 million for buses; \$0.65 million for motorcycles; \$1.32 million for caravans; \$0.99 million for motorhomes and \$0.01 million for bicycles.

Senator O'BRIEN—Do you have the numbers of vehicles that fell into each of these categories?

Mr Hogan—Yes, I do. Do you want me to give them to you?

Senator O'BRIEN—If you could, please.

Mr Hogan—The 2001-02 figures are: 132,001 cars, 326 buses and 6,380 motorcycles. Again, for caravans, motorhomes and bicycles the figure was zero. The 2002-03 figures are: 196,846 cars; 475 buses; 7,023 motorcycles; 7,359 caravans; 5,991 motorhomes; and 1,188 bicycles. The figures for 2003-04, to 30 March, are: 141,817 cars; 306 buses; 8,658 motorcycles; 8,804 caravans; 4,340 motorhomes; and 636 bicycles.

Senator O'BRIEN—Do you have projections for the expenditure on the scheme for the current financial year and the next three financial years?

Mr Hogan—Yes. The projected expenditure for 2003-04 is \$38.98 million. For 2004-05 it is \$43.15 million. The figure is constant for the next two years.

Senator O'BRIEN—Is that attributed to particular quantities of movements in each vehicle category?

Mr Hogan—Yes. I will give that to you as well. The figures for 2003-04 are: \$35.16 million for cars; \$0.08 million for buses; \$0.62 million for motorcycles; \$1.36 million for caravans; \$1.72 million for motorhomes; and \$0.04 million for bicycles. The figures for 2004-05 are: \$38.92 million for cars; \$0.09 million for buses; \$0.69 million for motorcycles; \$1.51 million for caravans; \$1.90 million for motorhomes; and \$0.04 million for bicycles.

Senator O'BRIEN—Is that the same for the next two out years?

Mr Hogan—Yes.

Senator O'BRIEN—How much of the expected expenditure for 2003-04 will be attributable to the Sydney to Devonport route? I do not think they take buses on that vessel, do they?

Mr Hogan—It will be \$3.8 million this year.

Senator O'BRIEN—What is the projected amount for 2004-05?

Mr Hogan—That is \$8 million.

Senator O'BRIEN—Is that the cap?

Mr Hogan—That is what was projected for 2004-05.

Senator O'BRIEN—So is the \$3.8 million is to the 30 March or projected for the whole year?

Mr Hogan—That is for the whole year.

Senator O'BRIEN—That is right, it only started in January. Is the \$8 million simply applying the \$3.8 million spent across a whole year?

Mr Hogan—I think that is basically it. It was a figure that was calculated from mid-January through to the end of the year.

Senator O'BRIEN—Given that the vessel obviously does not always operate at peak capacity, that appears to mean that there is scope for the demand for the scheme to overrun the cap. Is that a fair comment?

Mr Hogan—These forecasts were of course done some months ago. They are forecasts which were originally sourced back to TT Line.

Senator O'BRIEN—But they are only forecasts.

Mr Hogan—They are forecasts running well in excess of demand, and the cap is set at a level which is well in excess of current demand.

Senator O'BRIEN—But not at capacity of the current vessel?

Mr Hogan—It is not at current capacity of the vessel but it is at a very high-level capacity of the vessel. At this stage the vessel is falling well short of that.

Senator O'BRIEN—It has been interesting to see the growth in use of the other ferries and the demonstrated peak usage. When the passenger vehicle equalisation scheme was established what guidelines were put in place to limit the subsidy to particular routes?

Mr Hogan—The guidelines provided—as they do now—for the subsidy to be paid in respect of movements across Bass Strait to the mainland and the other way, subject to the additional criteria that apply in both those directions.

Senator O'BRIEN—I take it that the Tasmanian government was made aware of the guidelines at that time and that they were publicly available?

Mr Hogan—I was not about at the time, but I would certainly imagine so.

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

Mr Hogan—Yes.

Senator O'BRIEN—Prior to the latest budget announcement, what consultations occurred between the department and the Tasmanian government in relation to the capping of the subsidy on the Sydney route and the elimination of the possibility of applying the subsidy to other routes?

Mr Hogan—None.

Senator O'BRIEN—I take it that there were no consultations with the tourism industry about that matter?

Mr Hogan—No, not by the department.

Senator O'BRIEN—Who would have had those consultations if not the department?

Mr Hogan—What I am saying is that the department did not have those consultations and I am unaware if anyone else had any consultations at all.

Senator O'BRIEN—Did the department do any economic or other modelling to understand the potential impact on the Tasmanian tourism industry in the lead-up to the decision to cap and limit the subsidy?

Mr Hogan—I think it is fair to say no, but at the same time we have been well aware that the cap was unlikely to impact on service for at least some years.

Senator O'BRIEN—That is one aspect of the cap. My understanding is that the subsidy is the same for crossing Bass Strait wherever you travel from.

Mr Hogan—That is right.

Senator O'BRIEN—So whether you travel from Brisbane, Sydney, Adelaide, Perth or Melbourne, the subsidy for crossing Bass Strait is the same under the scheme?

Mr Hogan—That is correct.

Senator O'BRIEN—And it is effectively a subsidy for crossing Bass Strait?

Mr Hogan—That is right.

Senator O'BRIEN—My understanding of the impact of the decision is that, if there were to be a decision to divert one of the Melbourne-Devonport ferries to Bell Bay or to Hobart, that would not attract the passenger vehicle equalisation subsidy for that route.

Mr Hogan—The other government decision, beside the cap, announced at the time of the budget was that the subsidy would be paid in respect of no additional routes. However, I assume that it would be open to a current service, if they were planning to shift their departure or destination points, to come to government and put forward a case.

Senator O'BRIEN—If there were a significant problem at the Devonport berthing facility and it were necessary to divert the ship to Bell Bay, what would be the impact of that? I am using Bell Bay for want of another port in the general vicinity—I am not sure of its vehicle unloading capacity and the like; this is just for the sake of the argument. What would be the impact? Would that mean that the subsidy would not apply for that particular voyage?

Senator Ian Campbell—Mr Hogan has just said that if an operator wanted to shift, they could come to the government and talk about it.

Senator O'BRIEN—I am talking about an event such as fire at the terminal or something like that.

Senator Ian Campbell—That would be the very sort of event that we would welcome someone coming to talk to us about.

Senator O'BRIEN—I am taking your answer to mean that if something like that occurred then that would be a matter for the government of the day?

Mr Hogan—That is correct.

Proceedings suspended from 1.03 p.m. to 2.05 p.m.

CHAIR—We will now continue with the transport programs.

Senator BUCKLAND—I would like to go back a little and ask a few questions about the Tugun bypass. As I understand, an agreement was announced on 24 May—last Monday—

between the Queensland and New South Wales governments on the route for this bypass. I also understand that the Commonwealth government has committed \$120 million to that project, and it is a state road. Is that right?

Senator Ian Campbell—It is a road of national importance.

Senator BUCKLAND—Queensland can—

Senator Ian Campbell—So you are right, it is a state road, but it has been declared a road of national importance.

Senator BUCKLAND—Queensland's contribution is \$240 million and the New South Wales government is not contributing anything: is that right?

Senator Ian Campbell—I believe that is right.

Ms Armitage—That is correct, yes.

Senator Ian Campbell—Have the Queensland government said exactly how much it is going to cost them? I think that is still up in the air a bit, isn't it?

Ms Armitage—Yes, the last figure I heard was about \$340 million.

Senator Ian Campbell—For the total project?

Ms Armitage—Yes, but that has not been updated; that was the latest figure that was available.

Senator BUCKLAND—Did you say \$340 million?

Ms Armitage—Yes.

Senator Ian Campbell—So your figures are right roughly, Senator.

Senator BUCKLAND—This project had been initially opposed by New South Wales, and that is the route proposed by Queensland, isn't it?

Senator Ian Campbell—It might save time just to give you a one-minute summary.

Senator BUCKLAND—Yes, do that.

Senator Ian Campbell—Originally, as I understand it—and I am happy for my officers to contradict me because they have had more to do with it; I only came in late in the piece—when I came to the portfolio there was, in fact, an agreement in place for the need for a Tugun bypass. I think it is fair to say there was general consensus around the idea of having the road go to the west of the airport, because to the east of it you were effectively going through a heavily densely populated area—residential areas—and it would ultimately, I think from anyone's perspective, be seen as creating the potential for a bottleneck further down the track, whereas the ground out to the west of the Coolangatta airport is fairly clear.

I think it is fair to say that although the Commonwealth at that stage sought not to effectively choose a route, because we think that is basically something for the planners and the engineers to work out, it was obvious to anyone that the western route was by far the most preferable, because the plan on the eastern side would have meant you had to resume a couple of dozen houses. It made national news, as you would have seen, Senator. Just at five minutes

to midnight when the environmental impact study was to be released for public comment, the New South Wales government—I think this was towards the end of last year—

Ms Armitage—It was November.

Senator Ian Campbell—made a unilateral announcement that they would not be part of the bypass, that there were strong environmental objections to building the bypass. There is the unique shape of the Queensland border—it is a shame we do not have a map here to look at; if you look at the border you get a very clear picture. Have you got a map there in front of you, Senator?

Senator BUCKLAND—I have one of New South Wales—

Senator Ian Campbell—Intuitively you think the border would run to the coast and hit the coast.

Senator BUCKLAND—but it is not a map of the relevant area, though.

Senator Ian Campbell—It does not include the Queensland border?

Senator BUCKLAND—It is entirely different.

Senator Ian Campbell—The border has an almost north-south stretch in it about where we want to build the Tugun bypass. The reality is that much of the work needs to take place on the New South Wales side of the border, because of the way the border runs. There was very much a requirement for a strong agreement between New South Wales and Queensland to proceed with the process. At the time the Commonwealth made the obvious point—it is in some conflict with an editorial in today's *Courier-Mail*, which I would be happy to table—that the New South Wales government's actions were really against the national interest, that there was a strong need for a very efficient, effective, modern Pacific Highway connecting the southern states with the burgeoning state of Queensland.

We are being approached by the New South Wales government to put a very large sum of money into the upgrading and duplication of the Pacific Highway. We made the very sensible point that it would not make a lot of sense to spend hundreds of millions of dollars over the next 10 years to create a beautiful duplicated road that would effectively hit a bottleneck when you got to the Queensland border. So we said, not in a threatening way but in an obvious way, that the government, having been requested by the New South Wales government to put extraordinarily large sums into the Pacific Highway duplication, would be reluctant to agree to that unless we had an agreement to build the Tugun bypass.

Can I say for the record, since the editorial of the *Courier Mail* has said differently, that we did this with the very full support of the Queensland government. The Queensland government made it clear to me and the Deputy Prime Minister that their preferred route was the western alignment. The Queensland government and their minister, Mr Lucas, made it very clear that that was their preference. Mr Lucas was very pleased with the approach the Commonwealth had taken in using our leverage, such as it is, to say to the New South Wales government, 'Yes, we would love to help build the Pacific Motorway, to improve it, to duplicate it. It is very much in the national interest. Yes, we want to talk to you about that, but please could we get an agreement on the Tugun bypass as part of that process?'

In contradiction of the line the *Courier-Mail* has taken, the reality is that the Queensland government and the Australian government worked together totally constructively on getting a resolution to the Tugun bypass. It is to the great credit of Carl Scully and the cabinet of the New South Wales government that they saw the sense in it as well. That is the history of the matter. It is a very good outcome for a very important part of the national grid—an important part of what will become the AusLink corridors. I think the Commonwealth has played nothing other than a very constructive role. It was a very early win for the relationship I have formed with Paul Lucas.

Senator BUCKLAND—Thanks a lot for that; it saves me asking questions to find out where we are up to. Can I take it from that that the Commonwealth government, probably through you, was active in brokering this week's announcement?

Senator Ian Campbell—I think John Anderson played a part. Everyone tries to claim credit in these things. John Anderson is the person who has been running this for the longest and John played a key part. I helped to the extent a junior minister can. Paul Lucas and Carl Scully played a constructive role. It is a credit to the three governments involved, quite frankly. Everyone seeks to go out and claim credit. It is a great thing for the people who use that road. I guess most Australians, at some stage in their lives, will use it. It runs across a magnificent part of the country; it is a magnificent coastline. It is also a very vital transport route for Australia, and it was important to get it right.

There were some environmental issues. We think the New South Wales government probably exaggerated them slightly, but that is all a matter of perception. People who care deeply about those wetlands would think that we downplay those issues, but the reality is that the Queensland government was prepared to look at those issues in a sensible way and has brought to the table an environmental solution. In a meeting in my office the head of the Queensland Main Roads Department showed me some land that they had strategically purchased some years ago; they are going to turn that into a preserved wetland habitat and look after the frogs and other animals that live in that area. So it is a win for the environment and it is a win for that other special species that we often ignore in this life—that is, humans.

Senator BUCKLAND—Were there any separate negotiations with the New South Wales government over this?

Senator Ian Campbell—I know that John Anderson had discussions with Mr Scully.

Senator BUCKLAND—Were there any financial incentives offered to either New South Wales or Queensland apart from the \$120 million, which is quite significant?

Senator Ian Campbell—Not specifically around this deal, that I am aware of. The big incentive for New South Wales and for Australia generally was to get the massive investment required in the Pacific Highway upgrade. The details of that will, of course, be announced in the AusLink white paper to be launched in June some time.

Senator BUCKLAND—The Commonwealth contribution is \$120 million. That project is due to commence in the 2006-07 financial year. Over how many financial years will the contribution be spread?

Senator Ian Campbell—Joan should probably answer that.

Ms Armitage—There is \$60 million in 2006-07 and \$60 million in 2007-08, making a total of \$120 million.

Senator Ian Campbell—I think the Queenslanders would be very happy with that.

Senator BUCKLAND—The minister for transport is quoted in the *Australian Financial Review* of 13 May, in an article entitled 'Threat to funds if NSW rejects bypass'. Are you aware of that article?

Senator Ian Campbell—Yes, very much so.

Senator BUCKLAND—For the record, the article refers to the minister, who was speaking to the Conservative Breakfast Club in Brisbane on 12 May, as having indicated that the Commonwealth would link New South Wales approval to the Tugun bypass along the route proposed by Queensland, including through a frog habitat, to road funding.

Senator Ian Campbell—I am not aware of that, Senator. I have never been honoured with an invitation to the Conservative Breakfast Club in Brisbane. I am sure it is an esteemed group of people. What was published was in line with what I have just told you. The Commonwealth has made its position clear, probably really since Mr Scully announced their position back in November. I think it is a very natural line for the Commonwealth to take. I suspect it would have had bipartisan support. It was a pretty simple thing to say.

We are being asked to spend literally billions on upgrading the Pacific Highway, and it was a very sensible position for us to take, contrary to what the *Courier Mail* editorial says today. We made it clear to the Queensland government that the western route was the obvious and sensible one. They were quite keen for us to assist them in getting a resolution with New South Wales. Nothing I have read would say that the Queensland government have a contrary view as a result of the deal. I think they would be very appreciative of the position the Commonwealth took.

Senator BUCKLAND—The minister is quoted as saying—

Senator Ian Campbell—Is it the federal minister we are talking about?

Senator BUCKLAND—Yes, Minister Anderson. He says:

Let's just say it would be a bit silly to upgrade the highway and then find you had a serious bottleneck, wouldn't it ...

Then he goes on—

Senator Ian Campbell—You would agree with that, wouldn't you?

Senator BUCKLAND—I would agree, if that is the case. I do not want to be taken out of context either, as you would not, no doubt.

Senator Ian Campbell—No.

Senator BUCKLAND—The minister then refers to the AusLink announcement due on 7 June and is further quoted as saying—and I take it that it was all at the Conservative Breakfast Club:

It will be such an attractive offer that the states will be very keen indeed to resolve any petty frogging differences so they can get their hands on the dough and start the major construction work that's going to make such a difference on our rail and on our roads.

Is it the case that the minister for transport made the agreement on the Tugun bypass being resolved a condition of either New South Wales or Queensland being guaranteed additional road or transport funding under the AusLink plan to be announced on 7 June?

Senator Ian Campbell—I think it is fair to say that I do not think there was a document written saying ‘Dear Carl, we will give you X hundred million if you do this.’ It was signalled through normal political channels in the way I described it—very politely, but firmly. It would be hard to sell to the Australian parliament or the Australian people the concept of spending hundreds of millions of dollars on duplicating the Pacific Highway only to find that you are met with a bottleneck at the Queensland border. It was just a position we took, and it was a position that the Queensland government were very glad that we took, that we stuck to and that we promulgated whenever we could. It was position, I am sure, that Minister Anderson put formally and informally to Mr Scully whenever he could.

Senator BUCKLAND—What concerns me with that is that those comments are attributed to statements made by the minister on 12 May, 12 days before the announcement. I am just wondering when the agreement was actually struck with the states.

Senator Ian Campbell—Knowing what I know, which is only slightly more than what you know, I spoke to Paul Lucas to invite him to meet me here in Canberra tomorrow to discuss other issues around Brisbane, and our department was sent to talk to the Queensland and New South Wales officers last week.

Ms Armitage—The Queensland officers came down and spoke with us on Monday.

Senator BUCKLAND—On Monday of this week?

Ms Armitage—Yes, but about Tugun in particular we actually met on 12 May—New South Wales officials, Queensland officials and me as the Commonwealth representative—in Tugun to have a look at the possibility of moving the project forward.

Senator BUCKLAND—You met the other parties on 12 May?

Ms Armitage—In the afternoon of 12 May, yes.

Senator Ian Campbell—We also had further discussions at the beginning of last week—

Ms Armitage—On this Monday.

Senator Ian Campbell—which is about the time I spoke to Paul Lucas to discuss other issues and to invite him to come to Canberra tomorrow, and I would say there was no agreement at that stage. The agreement would have occurred in the last couple of days prior to the announcement, and I think Lucas and Scully would have made their agreement and then said, ‘Right, let us go up to Tugun and get our photo taken and announce it.’

Senator BUCKLAND—The comments of the transport minister were, in fact, made before—I assume because it was a breakfast function.

Senator Ian Campbell—Those comments were made by the transport minister on 12 May.

Senator BUCKLAND—Yes.

Senator Ian Campbell—He would have made comments at any opportunity. When he or I or the Prime Minister were asked to comment on the issue, we linked the Pacific Highway upgrade with that issue, for natural reasons. I do not think there is anything—

Senator BUCKLAND—I do not think I am reading too much into that, do you?

Senator Ian Campbell—No, you are not.

Senator BUCKLAND—The comments he makes—

Senator Ian Campbell—Were we threatening New South Wales funding of the Pacific upgrade? In a way we were. We were saying, ‘We have been asked to spend hundreds of millions of dollars on this road in New South Wales. We have got an issue at the border. We want to see one resolved so we can move on the other.’

Senator BUCKLAND—I understand that, and I am not in dispute about that. I am just concerned that these comments by the minister for transport were made at the Conservative Breakfast Club in Brisbane on 12 May. One has to then assume that that was in the morning, otherwise it would be called the ‘Conservative Lunch Club’, or something—I am not sure.

Senator Ian Campbell—Unless it was a wedding breakfast—it could have been.

Senator BUCKLAND—It could have been a wedding breakfast too, but I tend to think that was not the case.

Senator Ian Campbell—I am going to have to get you an invitation to this Conservative Breakfast Club.

Senator BUCKLAND—I would probably be busy that day. I am concerned, though, that these comments were made on the morning of the 12th. There was a meeting that Ms Armitage attended on the afternoon of that same day.

Senator Ian Campbell—I think it would be fair to say that that was a total coincidence.

Ms Armitage—Yes, it was.

Senator BUCKLAND—It could have been.

Senator Ian Campbell—We do not schedule our departmental meetings around Conservative Breakfast Clubs.

Senator BUCKLAND—The problem is the comments that were made. I think they would have been unknown to Ms Armitage. But the comments of the minister were: ‘to resolve any petty frogging differences so they could get their hands on the dough’. There is something in there that does not quite sound right to me. It sounds like they are going to do anything at all, and there is a threat in that term ‘we’re going to get it’.

Senator Ian Campbell—Petty frogging refers to the frogs, I guess, and the view in the minister’s mind that—

Senator BUCKLAND—It seems a terribly pre-emptive thing to say.

Senator Ian Campbell—I do not think so.

Senator BUCKLAND—I find that an amazing thing for the minister to say—

Senator Ian Campbell—The thing is that the state governments do want the money.

Senator BUCKLAND—prior to any announcement being made or agreement being reached. The agreement would not have been reached, at the very least. I do not even know that it was. Ms Armitage did not actually make it clear to me if the agreement was reached on the 12th at that meeting.

Senator Ian Campbell—No. I spoke to Paul Lucas last week. I think the agreement was probably reached early this week. If I had to make a guess, it was probably reached sometime between Thursday last week and Monday this week, the 24th. That would be my guess. I would say it was probably reached within a couple of days of when they announced it. For the last few weeks there has really been a lot of goodwill between the governments to try and reach a conclusion. This has not been an easy thing for the New South Wales government to deal with either. I give them strong credit for getting to where they did. It really is a win, win, win.

The Queensland government, in amongst this, for similar reasons to us reaching our position, went down and suggested that they will just go ahead and build the eastern route regardless of what New South Wales do. I do not think they wanted to do that, but I know from my discussions with Mr Lucas that they were determined that they would do it. If they had to do it, they were going to do it, because they had to build a bypass. It was their position to try and put pressure on us and the New South Wales government. The New South Wales government had their position because of environmental factors and I guess other factors. I would have to read their minds, which is dangerous. They had their position, we had our position and Queensland had their position. I have always thought that, coming in to the problem with a fresh set of eyes, the Queensland position and the Australian government's position were actually much aligned. We wanted the same thing and we both brought good things to the table, like lots of money and a willingness to get on with the project. We had to find a way of bringing the New South Welshmen over the line and we did. They could have, for their own political or other reasons, remained intransigent for the next few months. It is a credit to Carl Scully and a credit to his Premier and others that they saw there was a win in it for everyone. It has been a real win, win, win.

It has been a great result and I think the federal minister did the right thing by taking a very strong stand. You could say, 'Did he use threats? Was it appropriate for him to threaten the funding of the Pacific Highway?' We will see in June with the AusLink white paper. We now know that the Tugun bypass is to go ahead. We know that \$120 million of Commonwealth funding will flow as a result. We know that the people who live in northern New South Wales and the Gold Coast region and the people who drive from the southern states to Brisbane and beyond will benefit. The people of Australia will benefit to a large extent through the upgrading of the Pacific Highway when it is announced in the AusLink white paper.

Senator BUCKLAND—The question is: is it the case that the Minister for Transport and Regional Services made an agreement that the Tugun bypass would be resolved on condition that either New South Wales or Queensland were guaranteed additional road or transport funding under the AusLink plan which is to be announced on 7 June—for example, the continuation of the Pacific Highway agreement? I am a questioning person and it sticks in my mind that there is something odd about the comments and whether indeed it was a condition for the continuation of funding.

Senator Ian Campbell—That is an issue for me to address; I do not think I can add much more. We made it clear that our attitude towards responding to the New South Wales government's request for more money to upgrade the Pacific Highway once the existing 10-year agreement in 2006 expires would be influenced by their coming to an agreement with the Queensland government in relation to Tugun.

Senator BUCKLAND—Would you say that the deal that was reached on this bypass was typical of the way the Commonwealth negotiates road funding agreements with the states?

Senator Ian Campbell—No, it was highly unique. It is a massively important road. It is probably one of the busiest roads in Australia, running through one of the most rapidly growing regions in Australia and linking two of the most rapidly growing regions on earth—that is, up the eastern seaboard from Sydney and into south-east Queensland. You are dealing with a unique and very important piece of infrastructure that is vital to the economic performance of Australia and the safety of the tens of thousands of families who use that road every year.

Senator BUCKLAND—I was not privy to the comments of the minister pre-agreement, but if he was suggesting, 'If you don't come to agreement on this, we'll stop funding on other road projects. We won't give you the money,' I just wonder whether that is a little bit threatening.

Senator Ian Campbell—It is very threatening, because we are trying to get outcomes in the national interest and, in a way, we are trying to show people that the national interest can sometimes be greater than the state interest and that sometimes the combination of the state interest and the national interest, if aligned, can be bigger than all three put together.

I have done it in Western Australia, when the Minister for Transport and Infrastructure over there refused to build the last stage of a highway that I presume the previous Labor government started funding for. I suspect it went back to the Labor government; I will have to check with my Western Australian experts. The Commonwealth—I presume under a Labor government as well as the current government—has funded a highway running east-west to connect the industrial areas of Kewdale, Welshpool and others to the port of Fremantle. There have been eight stages and the new Labor state government said, 'We're not going to do the last stage. We're going to rezone the land so it can't be built in the future.'

John Anderson and I said that we would actually reduce Western Australia's road funds if they rezone that land. That is heavy-handed, it is threatening, but it is basically protecting the national interest, because a future federal government—it may well be a Labor government at some stage in the future—and a future government in Western Australia may decide that it is a good idea to link the industrial areas to the east of Perth with the port of Fremantle. We do have to be very heavy-handed with state governments sometimes because it is in the national interest.

Senator BUCKLAND—Heavy-handed to the extent that you are holding the states to ransom: 'If you don't do what we tell you and cop a deal now, you won't get funding elsewhere.'

Senator Ian Campbell—When you are in federal government one day—I hope it is a long way away for my sake and I hope it is sooner for your sake—you will realise that the states

hold the Commonwealth to ransom all the time. One of things you cannot do is keep rolling over every time the states ask for something. They are always after money. You had your leader go up to Queensland last week and say, 'I will give you \$700 million for the Ipswich motorway.' He has not looked into it and he does not understand the long-term concept. The state government said, 'Jump,' and he said, 'How high?' You cannot do that if you want to have a good transport system for the whole of Australia. There has to be a national perspective, and you have to use whatever leverage you can to ensure that the states work with you to achieve that. Every time a state government says to a Commonwealth government, 'Roll over, play dead, tickle me on the tummy,' you do not get a very good national transport system. Martin Ferguson, quite frankly, has done a great job in saying no to the Princes Highway—saying, 'No, that is a state government responsibility.' He stood up to the New South Wales government. Unfortunately, he did not share his wisdom with Mr Latham, who went up to Queensland and walked into the trap set by the Queensland Labor Party. Mr Beattie said, 'Jump,' and Mr Latham said, 'How high?' If that is how you deal with state governments, you will not get very far.

Senator BUCKLAND—It just seems to me to be a terribly odd thing that a minister virtually makes an announcement 12 days before it is publicly known. I guess that part is okay but, more importantly, he made the announcement before there was agreement. So he was just saying, 'If they don't—'

Senator Ian Campbell—He used leverage to help to force them.

Senator BUCKLAND—Yes, he was forcing them.

Senator Ian Campbell—He said, 'If you don't get together and make an agreement on Tugun'—'

Senator BUCKLAND—He was threatening.

Senator Ian Campbell—'we won't have a very positive view about the Pacific Highway.'

Senator BUCKLAND—There is a big difference between forcing an issue and threatening to stop funding.

Senator Ian Campbell—You may not like it. A future Labor government may not use threats against Labor state governments.

Senator BUCKLAND—A future Labor government would not use those sorts of tactics, where a minister goes out of his way to—

Senator Ian Campbell—You might—

ACTING CHAIR—I think we are straying from the purpose of the estimates process. I am wondering if you are ready to move on.

Senator BUCKLAND—I am ready to move on

ACTING CHAIR—I would appreciate it.

Senator BUCKLAND—I was moving on without prompting.

ACTING CHAIR—I am here to assist the process.

Senator BUCKLAND—And you are doing it so well, Senator Ferris. I want to talk about the Office of Transport Security.

[2.37 p.m.]

ACTING CHAIR—We are now moving to the Regulatory Group in DOTARS.

Senator BUCKLAND—Could you tell me what the budget allocation for the Office of Transport Security for the 2004-05 financial year is?

Mr Tongue—The office forms part of the Regulatory Group within the department and the way we handle our budgeting is to look at the resource base for the whole group. From memory, that is in the order of \$26 million or so.

Senator BUCKLAND—Will there be any additional money available for the OTS from other portfolios such as AusAID?

Mr Tongue—Yes. We are participating in a number of AusAID projects—for example, projects to do with Papua New Guinea, Indonesia and the Philippines, and we are also looking to do some work in the Pacific Islands.

Senator BUCKLAND—Do you know the extent of that funding?

Mr Tongue—I had better take that one on notice just to make sure I get the numbers right. They are not big numbers, but I am happy to take them on notice.

Mr Yuile—I would like to clarify, as I did not quite catch the beginning of your questions. That is not money which AusAID necessarily transfer to us, but we will draw on it as part of their budget.

Senator BUCKLAND—So it is available if you use it.

Mr Yuile—That is correct.

Senator BUCKLAND—What is the current staffing level of the Office of Transport Security?

Mr Tongue—We are currently in a growth phase, given the various initiatives that have been announced. Again, we are part of the Regulatory Group, and staff move around. At the moment it is in the order of 120.

Senator BUCKLAND—As for the growth phase—it is about 120 now, you say—

Mr Tongue—Yes.

Senator BUCKLAND—When did it start growing?

Mr Yuile—When the office was established.

Mr Tongue—Principally, the growth has occurred since the establishment of the office late last year. We are projecting, with new money in the 2004-05 budget, to continue that growth to around 170 or 180 people all up by about September or so this year.

Senator BUCKLAND—How does that compare with the 2003-04 financial year?

Mr Tongue—We would be considerably bigger—in the order of twice the size.

Mr Yuile—Just to explain: prior to the establishment of the Office of Transport Security, we had always had an aviation security policy branch. Then, as a result of internal decisions in the department, we established firstly a task force, bringing together the aviation security people and also others who were involved in the broader transport security agenda, because at that stage the maritime security agenda was developing quickly in the context of the international activity in the International Maritime Organisation on a new security code. So we had a task force. We could then see that this was going to be a continuing priority and function for the department, and we established it as the Transport Security Division. When the government took its decisions in respect of an enhanced aviation security package at the end of 2003—I think it was in November—we also created the Office of Transport Security, to give it an identity that was a bit clearer because of the new maritime work that we were undertaking and also because we could see the demands for us to address issues in relation to land transport security. There has been a phase.

I am saying all that because your question would take a bit of unpicking for us, because we did have an aviation security policy branch and we have built on that. It has been an evolving process as the priority has grown, the focus has sharpened and the government has taken decisions to resource the function. We can give you a clearer picture about 2004-05. The picture about 2003-04 has been one of incremental changes.

Senator BUCKLAND—Are you able to give us a breakdown of how the OTS staff have been distributed? Are they all in Canberra or are they overseas?

Mr Yuile—We can do that. We have staff in a national office. We have staff in regional offices, again building on a regional office network that was previously there in relation to aviation security. Those people now have a broader remit in terms of their functions. As a result of government decisions, we will also be recruiting for staff for overseas positions. We can set that out for you.

Senator BUCKLAND—Could you set that out as to their functions—that is, maritime, air and aviation, and land transport?

Mr Tongue—We can do it to some extent in Canberra, but as we get out to our regional offices the staff tend to work between aviation and maritime. We will do our best for you, but—

Mr Yuile—They are multimodal.

Mr Tongue—They are multimodal out on the ground.

Senator BUCKLAND—It might be an idea to tell us that. It all helps.

Mr Tongue—Sure.

Senator BUCKLAND—Also, tell us if it is intelligence, policy, compliance or enforcement. I guess that might be in a similar vein.

Mr Tongue—Yes, we can do that.

Senator BUCKLAND—I appreciate that. The budget package included an announcement by Minister Anderson that the government will spend an additional \$9 million over the next

four years, with \$2.4 million of that being in 2004-05. That was for this portfolio to boost transport security. Can you break down what that money will be spent on?

Mr Tongue—The funding covers a number of areas. One area, at around \$2.4 million, is critical infrastructure protection, where the department is receiving funding under a critical infrastructure protection package led by the Attorney-General's Department. We have been resourced to establish part of what is known as a trusted information sharing network. \$1.6 million involves the inspector of transport security, which is a new entity which sits outside the regulatory group and outside the Office of Transport Security to look at major incidents and whether there are systemic issues that we should be learning from. Around \$4.7 million deals with international transport security. That funding involves the placement of an officer in Manila and Jakarta and some funding for those officers to target capacity development—if you like, the people side of transport security—in those countries. Then there is a small amount of money associated with the Commonwealth Games in Melbourne.

Senator BUCKLAND—The announcement also includes \$4.7 million over four years for assistance to the South Pacific, Papua New Guinea and South-East Asia. That is including \$1.4 million for 2004-05. Is this included in the \$9 million?

Mr Tongue—Yes, it is.

Senator BUCKLAND—Are you able to give us a breakdown of that money?

Mr Tongue—Of the \$4.7 million?

Senator BUCKLAND—Yes.

Mr Tongue—Basically, the \$4.7 million is covering the cost of the placement of staff in the region. It is covering some support functions back here, because to put people out requires us to have a presence in Canberra and to resource a more significant engagement in the region. It also involves a training component. I am happy to break it down into those various elements, if you like.

Senator BUCKLAND—That would be appreciated.

Mr Tongue—Sure.

Senator BUCKLAND—Is this new money to the portfolio—it is not the money we are talking about diverted from or drawn upon from AusAID?

Mr Tongue—No, this is new money to the portfolio; it does not involve AusAID at all.

Senator BUCKLAND—Is the department's involvement in the Papua New Guinea Enhanced Cooperation Program still going ahead?

Mr Tongue—Yes. We have recently had a team doing maritime security work with the Papua New Guinea government and we currently have a team on the ground in cooperation with the Papua New Guinea government conducting an aviation security audit in Papua New Guinea.

Senator BUCKLAND—Is there a budget for the involvement?

Mr Tongue—Those projects are funded out of the Enhanced Cooperation Program—that is, they are AusAID funded.

Senator BUCKLAND—And that is the money that you can draw upon to do that?

Mr Tongue—Yes.

Senator BUCKLAND—Just so I understand that: is that a matter of something being done and you sending AusAID the bill?

Mr Tongue—No.

Senator BUCKLAND—Or is it a matter of you saying, ‘We need this much money. Send us a cheque and we will take care of it’?

Mr Tongue—It involves us working with AusAID and the relevant countries. We have an exchange of documents between us and AusAID to establish a program of work. We then sign off on that program of work and the budget. AusAID then agrees with the program of work and the work goes ahead. It is not something where we can, if you like, rack up against the aid budget a body of work. It involves extensive negotiation.

Mr Yuile—It is not dissimilar to the way they run their projects in other areas. Obviously, to acquit their funds and audit it, they have got to establish that the work you are performing is in fact relevant to the task, and they have to agree to the quantum in terms of training, people involved, travel and so on. It is part of their usual project management. It is no different.

Senator BUCKLAND—So what will the role of OTS be with the Enhanced Cooperation Program? What will be the exact role that you will have?

Mr Tongue—We are involved in placing two staff in line positions in the transport department in Papua New Guinea who will be involved in aviation and maritime security. Because of the pressing international deadline on maritime security, which is 1 July this year, and because of our need to ensure the integrity of our aviation security system, we have really effectively broken the gun in putting consultants on the ground quickly to address some pressing issues before the staff are actually located in those in line positions.

Senator BUCKLAND—Will that take people on the ground?

Mr Tongue—Yes.

Senator BUCKLAND—And will that come out of the 170 or 180 that you are building up towards?

Mr Tongue—No. These are staff that we are currently selecting from the Office of Transport Security and their salaries will be paid out of the moneys allocated to the ECP. Those staff will be in addition to that total number of 170 or 180.

Senator BUCKLAND—I see—so it could be 190 or whatever, but they are extra to you in real terms.

Mr Tongue—Yes.

Senator BUCKLAND—What other international transport security measures are under way or planned?

Mr Tongue—That we are participating in?

Senator BUCKLAND—Yes.

Mr Tongue—In addition to the work we are doing in Indonesia, the Philippines and Papua New Guinea we are looking to the Pacific, where we have started discussions with our New Zealand colleagues, who are doing a lot of work in aviation security in the Pacific region. We principally intend to focus our efforts on our near region. We also participate in forums like the International Civil Aviation Organisation security panel—Dr Turner has just returned from participating in that—and the International Maritime Organisation, which has a body of work in security now, but our principal focus is our near region.

Mr Yuile—There is also the work that is taking place in the Asia-Pacific economic cooperation context, APEC, where there is an initiative in regard to security and transport security in the transport working group of that body. As a member economy we are a participant in that, and we have been again trying to support member economies in training, awareness raising and capacity building.

Senator BUCKLAND—You have mentioned the position of the inspector of transport security. In the minister's announcement of 11 May, he indicated that there would be \$366,000 spent each year on that office, and I understand too from that that the role of the position will be to investigate security incidents. Can you provide more detail as to how the position will operate?

Mr Tongue—The notion is basically that if a major incident occurs that might go to a failure in the regulatory system that we administer, there is a role in the department, somebody who is apart from the Office of Transport Security, who can step back and look at that set of issues. We hope, of course, and I hope that we do not have those major breaches, but it is important that somebody can step back and, if you like, take a helicopter view of the system. The notion of the role of the inspector is to fund and resource that role. The way we looked at it was to look back over previous years and see if this person or role had been there, broadly how hard might the office have worked and what sort of support and resource would they need, because we think it is important that it is totally separate from the office, so not drawing on our resources. So that resourcing represents the capacity for support staff, the inspector role, some administrative support, possibly some consultancy fees, that style of thing, so that the inspector can go and perform their role, but independent of us and the regulatory group.

Senator BUCKLAND—I imagine that office would be in Canberra, would it?

Mr Yuile—I should pick this up too. Yes, at this stage we are anticipating that there would be some resourcing in Canberra by way of a secretariat. Because we do not see this as a position that somebody will be occupied full time, because it is in a sense an incident driven responsibility, I am hopeful that we do not have to draw on them at all, quite frankly. To the extent that we thought there was a need for capacity, both to look at any significant security incidents or any series of incidents which suggest some systemic issue, we made provision for it. As you say, the government has appropriated or agreed to appropriate funds for the purpose. There will be a position, I expect, subject to confirmation with the minister, in a full-time secretariat of maybe a person. The question of who will be the inspector is one we have to put to the minister for his consideration. Then, as Mr Tongue has said, there are resources for whatever travel or maybe consulting that might be required. That is what has been provided for in that package of \$400,000 per annum.

We will see how that evolves. In a way, it is a matter of what incidents we have to confront and how we might best handle those. It is a bit like the way the ATSB does no-blame investigations in order to get learnings for our aviation, maritime and rail safety systems. We envisage that this inspector's position will be about gleaning learnings and understanding, which we would then feed back into our regulatory process. That is why we will separate the office and the task from the Office of Transport Security—because it is not good practice to have someone inspecting their own regulatory activities.

Senator BUCKLAND—So, like the ATSB, it will not have prosecution powers.

Mr Yuile—No, it is not a legislative position at this stage. It has been set up on an administrative basis. In other words, we will draw on the information-gathering powers within the new aviation security and maritime security legislation. We will be working in a cooperative fashion with private sector and state and territory agencies, police authorities and whoever else, as relevant to the particular incident, to gather information for a judgment and a report about the incident or series of incidents. But the position's function is not to legislate, investigate or prosecute, in that sense; it is not envisaged in that way.

Senator BUCKLAND—Earlier you said that you do not expect that it will be a full-time position.

Mr Yuile—We do not see that the inspector will be someone who is occupied five days a week. As I say, it is very much driven by the incidents.

Senator BUCKLAND—So how will that happen? Will it be the one person? Will it just be on an as-you-need basis or will it come out of another function?

Mr Yuile—That is precisely the question we need to put to the minister. We have some ideas but we need to discuss those with him as to how he wants to handle that.

Senator BUCKLAND—And you have no idea how long a decision on that will take?

Mr Yuile—We will have it in place on 1 July. That is the requirement, and that is what we will do.

Senator BUCKLAND—And who will this office report to?

Mr Yuile—Again, we would expect that the inspector would report directly to the secretary and that the tasking of the inspector would come from the minister—either on his own initiative or by way of interest shown or requests put to him by other ministers—or, indeed, advice the secretary might put to him about a task.

Mr Matthews—So, strictly speaking, the individual will report to the minister and be commissioned by the minister or be commissioned through the minister. Although the person is accountable to me, they would not be subject to direction from me. So they could be resourced and accountable, in a legal sense, to me, but I would not be interfering with the conclusions that they drew, which is the organisational independence arrangement that I have with the ATSB.

Senator BUCKLAND—And it is not a legislated position.

Mr Matthews—Not at this stage, no.

Senator BUCKLAND—Is that money, that \$366,000—Mr Tongue seems to be the one following this—for the one position? You spoke about the secretariat staff. Will the secretariat staff be provided by another department or will this be separate?

Mr Yuile—No. Those dollars that you mentioned will be used to establish the inspector of transport security, which will involve, as I say, at least one full-time secretariat person. The other dollars will, we expect, be available for disposition as is most sensible: there might be a need for contracting someone, travel or consultancies, depending on the incidents you are dealing with. We are really trying to provide flexibility to address different potential contingencies, but we do not know what they will be yet.

Senator BUCKLAND—What about the person who makes appointments, makes a cup of tea for the inspector or whatever?

Mr Yuile—They have to make their own!

Mr Matthews—But to be serious about it—

Senator BUCKLAND—I am being serious. I know we do not have tea ladies these days. It is something that is very good.

Mr Matthews—I understand your question. We have tried to estimate what we think will be the total cost of taking on this function. That includes, obviously, the direct costs of employing a person to do a particular inquiry and it also includes the cost of the secretariat that Mr Yuile referred to, some share of accommodation, cost of IT, cost of consultants or contractors and so on. So we tried to draw all that together into the number that you have in front of you.

Senator BUCKLAND—Will the findings of the inspector be automatically passed on to law enforcement agencies?

Mr Tongue—It would depend on the nature of the incident. If, for example, it was something going to a systemic issue, it may not involve breaches of law, it might involve aspects of the system that we certainly would not necessarily want made public because we might be advertising a problem but it would need to be addressed. Addressing them may or may not involve law enforcement agencies, Customs, ourselves—it is a big system.

Mr Matthews—I repeat a point that I think both officers have made, and that is that the way we envisage this position it is not a prosecution role. So if you were to ask if these reports were to be made available to the police to take legal action against someone who had done something wrong, that is something that we would need to very carefully consider as we define the modus operandi, the rules of operations, for the OTS.

Mr Yuile—If there is a criminal investigation or other investigation, I would imagine the police would be doing their own.

Senator BUCKLAND—In the minister's announcement it also said that the government will spend an additional \$424,000 in 2005-06 to provide a safe transport security environment for the Melbourne Commonwealth Games. This seems like pretty good value for money, I have to say; I was thinking of going.

Mr Yuile—Thank you, Senator.

Senator BUCKLAND—That suggests the provision of a safe transport security environment for only \$424,000. I assume most of the responsibility for safe and secure transport in Melbourne for the Commonwealth Games would in reality fall on the state government. Am I right?

Mr Tongue—There are a number of expenditure items in the budget that are to do with the Commonwealth Games. That funding refers to our estimate of the additional work that will fall to us in administering the existing aviation security framework and maritime security framework that, if you like, contributes to the overall transport security outcome. With these major events, volumes of people going through airports increase, ports are sometimes used to tie up cruise ships; there is generally more activity at all the gateways and so on. We need to deploy extra staff out onto the ground in our regulatory capacity to make sure that, with the pressure to facilitate people through, standards do not slip. So it is our estimate of the additional work for our staff in Melbourne around our existing regulatory responsibilities for aviation and maritime.

Senator BUCKLAND—I am sure you can appreciate how I see that. I just thought it would pay for so little. Is it just going to pay for people to work longer hours?

Mr Tongue—No, it will actually pay for additional staff. In our now enhanced aviation security regime we will have a regulatory responsibility for every airport handling passengers in Victoria and clearly a major focus on Melbourne airport. There will be flow-on effects to other gateways, particularly Sydney and Brisbane.

On the maritime side, there is talk of potentially cruise ships. We are anticipating that the Bass Strait ferries will be a popular means for Tasmanians to get to the games. All of those are in our existing regime regulated entities. But what we will have to do is resource building up our links with the Victoria Police, the Federal Police, a whole range of actors who are getting resources out of the Commonwealth Games package to increase their capacity to address all the myriad issues that go with a major international event.

Senator BUCKLAND—I will need a little bit of help with this because I am not the world's greatest sporting fanatic or anything like that, far from it—only if it is Port Power, and then it is a little bit different.

ACTING CHAIR (Senator Ferris)—You do not need to be so modest, Senator Buckland.

Senator BUCKLAND—Well, I really do not know the answer to the question. But the Commonwealth Games runs over 10 days, does it?

Mr Tongue—That is right.

Senator BUCKLAND—I was right. Thank you. I will have a biscuit for that.

ACTING CHAIR—There are no Tim Tams left.

Senator BUCKLAND—But, really, the Commonwealth Games runs for a couple of weeks prior to, and a couple of weeks after.

Mr Tongue—That is right.

Senator BUCKLAND—What period of time are you really saying is—

Mr Tongue—We have already got staff devoted to the early planning work now.

Senator BUCKLAND—Right, but this is not the additional staff.

Mr Tongue—No, they start on 1 July. The amount of coordination work that goes into a big event like this, particularly with the security environment that we currently have, with a focus on particularly aviation security, means that effectively what we do is work with all the airports, the police, intelligence agencies and so on to make sure that all possible contingencies have been addressed, to make sure that the system is, if you like, tuned for this influx of people. Actually at the time of the Games staff will be posted to the Victoria Police operations centre so that if there are any incidents at airports we can deal with them. Cargo, for example, comes in on aircraft quite a time before the actual Games event. That cargo, again, has its own aviation security requirements. It is unusual. We work with the border control agencies, and so on. The footprint of the Games is quite a big one for us.

Senator BUCKLAND—Is the Commonwealth going to be spending money on enhancing the transport infrastructure? People is one thing, but what about the infrastructure itself?

Mr Tongue—The Victorian government, I think, is making funding commitments in term of the land transport side of it.

Senator BUCKLAND—Okay.

Mr Tongue—The airport is privately owned. The ports are either private facilities or owned by the Victorian government.

Senator BUCKLAND—And finally on that point, the other announcement included in Minister Anderson's budget press release on transport security referred to the Commonwealth committing \$2.4 million over four years—I think it is \$626,000 in the financial year 2004-05—to fund the Office of Transport Security's role in critical infrastructure protection. Can you outline exactly what the role of the OTS is in terms of critical infrastructure protection?

Mr Tongue—The government allocated approximately \$50 million over four years, principally to the Attorney-General's Department, for critical infrastructure protection. The notion there is that throughout the economy and society there is key national infrastructure that needs to be protected, not only from terrorism I should add, but, if you like, what we call an 'all hazards approach' from major disasters and the like.

A key part of that critical infrastructure protection regime is the development of infrastructure advisory councils in each of the major sectors of activity—transport, health and so on—the creation of a trusted information sharing network, which is about how information can flow in the system; and also assessments of critical infrastructure. We are unusual in this critical infrastructure protection environment because we have two pieces of legislation covering the aviation and maritime sectors.

So what we have been resourced to do is, if you like, add this notion of all hazards protection to the work we are already doing in counter-terrorism across the sector. That will involve effectively building a series of information networks that allow us to communicate directly with infrastructure owners and operators. It will allow us to work with them around issues of risk assessment and planning and, ultimately, hopefully, draw on their expertise so that we can harden up the transport system across all its modes and activities to either terrorist

attack or other attack, such as natural disasters and the like. The funding basically involves some staffing for the department to assist us in that task.

Senator BUCKLAND—Is it just staffing that this \$2.4 million is looking at?

Mr Tongue—Yes, it is principally for staffing. We sought some money for IT so that we can build a low-grade secure communication system so that we can communicate with the various players that we are going to deal with—we are talking potentially thousands of entities.

Senator BUCKLAND—And that is in the \$2.4 million?

Mr Tongue—Yes.

Senator BUCKLAND—As with the Commonwealth Games, will the Commonwealth be providing or enhancing the infrastructure for the program?

Mr Tongue—The government's position on this is that protecting assets is a responsibility of the owners or operators of those assets. So where the Commonwealth owns or operates assets that are defined as being part of this critical infrastructure regime then that is the Commonwealth's responsibility. In the transport sector, across the whole of transport, we are principally talking about the private sector and state and territory governments—or state and territory business enterprises.

Senator BUCKLAND—I move now to maritime security. Can you update the committee on the progress that has been made to date in terms of Australia meeting the 1 July 2004 deadline for compliance with the International Ship and Port Facility Security Code?

Mr Tongue—Of all the plans we are expecting to receive—in the order of 370 or so—we have received 98 per cent of them. There are a handful outstanding. We have contacted those various maritime players and we are aware that they are busily working on their plans. All plans have received an initial assessment. Comments have been provided back to the proponents of the plans with regard to our initial assessment of them. We are now in the plan approval process. I will just check with Mr Dreezer what the latest number is.

Mr Dreezer—The latest number of approved plans is 90, including 44 maritime security plans and 46 ship security plans.

Mr Tongue—So at this stage we think that, with the resourcing available to us, we are certainly on track to meet the deadline.

Senator BUCKLAND—Can you tell me what the cost to the industry of complying with the code is likely to be?

Mr Tongue—We initially estimated it would be in the order of \$300 million in the material that we provided to the parliament on the issue. We have asked for information on the sorts of expenditures that various players are likely to make. At this stage it looks like we will come in well under that. Some operators are, frankly, being a little coy with us about how much they are spending—and we understand that; it is a commercial environment. My estimate at this stage is that it will cost in the order of between \$150 million and \$200 million to comply with the code.

Senator BUCKLAND—The aviation industry was issued with detailed guidelines on recovering the cost of complying with security requirements. Have guidelines been issued to the maritime industry?

Mr Tongue—No, in part because they are very different industries. For example, the major east coast ports compete fairly significantly with one another. There are multiple players in terms of shipping lines and interests. What we have said to industry is basically the government's policy position is that the owners and operators of infrastructure pay for security. We are expecting though that, because this is a new global regime, those costs globally will find their way through to shipping rates.

A number of operators have held workshops with people using their services to work through the likely cost and implications of security, but against the huge volume of containers, people and bulk cargo going through our ports, we believe the industry has the capacity to spread those costs and pass them on.

Senator BUCKLAND—So you are not going to issue them guidelines simply because they have got the money to carry the cost?

Mr Tongue—I am not quite sure how we could develop guidelines that would say anything other than that this is impacting on everybody, while the ports say competing for container work would cause similar sorts or costs. Therefore, we would expect costs passed through or, alternatively, people make a commercial decision to absorb them.

Senator BUCKLAND—Do you think the maritime industry might be a bit teed off with that, because they are colleagues who jump up in the air, they had an opportunity to recover.

Mr Tongue—I do not think the maritime industry is entirely happy about spending money in this way. They are commercial enterprises. In a sense—

Senator BUCKLAND—But what is the airline industry?

Mr Tongue—No, they do not have a choice. In this new international security environment, if they do not spend the money, ships will not come to their port. It is just a change in their commercial environment that they have to adapt to.

Senator BUCKLAND—Wasn't there a change in the airlines' commercial environment?

Mr Tongue—Yes, there was, but I think they are different industries. I think in the airline sector you have got just two airlines principally—additional ones starting now—and clear issues of competition and so on. In the maritime sector, there is not that market dominance by a small number of players. It is a more dynamic environment with a lot more competition. We felt it was not the sort of area where we should start dictating to the market how it was going to deal with this new cost.

Senator BUCKLAND—Do you think it is likely that some of our nearest international neighbours will be finding it difficult to meet the 1 July deadline?

Mr Tongue—A number of countries are struggling to meet the deadline, and I mentioned earlier the work we are doing with Papua New Guinea. The way some of our nearest neighbours are focusing on the deadline is to get the major trading ports across the line first and then look at the smaller ports. I think it is fair to say that with a number of our near

neighbours, there is simply no way that they will get all of their ports across the 1 July deadline, but they are focusing on, and we have been assisting them to focus on, their major ports.

Senator BUCKLAND—So you are offering assistance to them.

Mr Tongue—Yes, we ran a project that involved a number of key regional partners to assist them in complying with the code. We ran that principally prior to Christmas last year.

Senator BUCKLAND—What measures would be taken or put in place to manage ships arriving in Australia post 1 July that are either not compliant or have called at a non-compliant port in their last 10 ports of call?

Mr Tongue—I would not necessarily want to broadcast what we are contemplating, because we do not necessarily want to publish our stance to the world at this stage.

Senator BUCKLAND—Would they be denied access or refused entry?

Mr Tongue—There is a range of instruments, if you like, that are available to us. That is at the extreme end. There are other options for us to take to ensure: that the ship gets the message about the need to comply with a new international regime and that Australia is taking it seriously as a reliable trading nation; that the non-compliant port that the ship may have called at gets a commercial message that says, ‘Meet these standards or you will have real commercial issues’; and that we are managing our domestic security environment. So there is a range of measures we could take depending on the circumstances of the non-compliant ship and/or the non-compliant port.

Senator BUCKLAND—All the ports and operators have been advised of this, so we will not have a string of boats running around the coast looking for somewhere to go?

Mr Tongue—We are working with the various port interests and shipping interests at the moment to ensure that they understand this and can have contact with us from 12:01 a.m. on 1 July to ensure that decisions get taken in a timely way and that we are communicating with them in an appropriate way.

Senator BUCKLAND—Are there measures to ensure that ships will not call into an Australian port undetected? Is there any way that that could happen, that they could duck in?

Mr Tongue—We are working with our partners in Customs and the Navy and intelligence agencies and various others about what we call ‘domain awareness’ which is, if you like, who is in the sea around Australia. We are working to ensure that we are monitoring all ship arrivals. We are well advised in about 80 per cent of cases as to who is coming in.

Senator BUCKLAND—When will the department be in a position to give certainty to operators about the situation post 1 July?

Mr Tongue—We are working with them now.

Senator BUCKLAND—It is happening now?

Mr Tongue—Yes.

Mr Yuile—Besides individual communication there is also going to be some workshopping with a representative group from the ports association on our operations centre

and the communication processes and so on. We are very much mindful of the points you are making and we are working with industry to make it as smooth a transition as possible.

Senator BUCKLAND—At the time the Maritime Transport Security Act was being finalised, agreement was reached between the minister and shadow minister that the regulations to the act would require that security plans detail the training and knowledge required by staff within responsibilities. Maritime industry participants will have to demonstrate how they will ensure adequate training of all their staff, whether casual or permanent. All aspects of the maritime security plan will be subject to audit by DOTARS to ensure full implementation of the security plans that are approved. Maritime industry participants must keep records of the activities that they do to comply with the plan, such as providing training for inspection by DOTARS maritime security inspectors. Ports and ships will make provision for employee portability of training from employer to employer. Can you advise the committee whether, in issuing the guidance material to the maritime industry and in assessing the plans that have been submitted, the issue of training been made a priority?

Mr Tongue—Yes, it is an issue for us, but I might let Mr Dreezer answer that.

Mr Dreezer—Certainly the plans that are coming through to us are representing all of those points of information that you have touched on there. We have also given some general guidance about the requirements of maritime security guards and the regulations have been updated to include a general requirement for maritime security guards to have particular qualifications, as well as others.

Senator BUCKLAND—Has there been discussion with the unions on that matter as far as providing training? The recognition of unions in the ports surely is an important factor. I just wonder if they have been consulted about that. It will be there members who will be doing the training, I would think.

Mr Tongue—We have worked with the unions through the process. We have also sought to have unions included in security committees at a port level, so we have sought to ensure that that staff interest is actually built in, if you like, to how the port is approaching its task. One of the key compliance activities that we will be undertaking is to ensure that the port is addressing all those issues about the plan. One of the key things for us in creating this security environment is that staff are fully aware of their responsibilities and are discharging those responsibilities. The most significant challenge for us in this new maritime regime is, in fact, the culture change challenge in and around ports to build a secure environment. I think 1 July this year is, in part, a start point for that. We are going to have to prove to all the participants that we are serious about this.

Senator BUCKLAND—But in the lead-up to 1 July, surely a key component of that, particularly in that industry, would be that there would be discussion with the unions about how you are going to go about it.

Mr Tongue—Yes, and that has been happening down at a port level.

Senator BUCKLAND—At port level—not with the officials or any unions?

Mr Tongue—We are in contact with the various unions.

Senator BUCKLAND—What mechanisms are in place to ensure that the portability of training of employees can be achieved?

Mr Tongue—That is where we have relied on, as Mr Dreezer is talking about, requirements for particular employees to have particular skills under the act. We have tried to use the various arrangements that are available at a state level for those qualifications, because then we are using an existing qualifications framework without, if you like, trying to build our own quickly. We have tried to draw on existing qualifications environments.

Senator BUCKLAND—Is there a standardised skills package, or anything of that nature?

Mr Dreezer—There is no general standardised package, but I believe there is transference, for example, of maritime security guards' qualifications between states. States have similar requirements.

Senator BUCKLAND—I realise that container scanning is an issue for Customs, but given that the Department of Transport and Regional Services is overseeing the implementation of the International Ship and Port Facility Security Code in Australia, I have a few questions related to threats proposed by empty containers. I would like to put to you a few questions on that. How much of a security risk does the department consider the supposedly thousands of empty containers which are transhipped through Australia each year to be?

Mr Tongue—I would turn to Mr Dreezer, who has been handling the risk assessment processes for each of the ports.

Mr Dreezer—I think that is a difficult question to answer. It is probably one more appropriate for ASIO to answer. Certainly, there is some consideration.

Senator BUCKLAND—Can you just repeat that? It is a hard question to answer?

Mr Tongue—If you are asking in a security context: 'What is the threat posed by those empty containers?' that is more a question for ASIO. What we have done to tune our regulatory settings under the Maritime Transport Security Act is to work with ASIO in their examination of the threats. Because they have that statutory responsibility, I would not want to go too much further than that.

Senator BUCKLAND—Do you know how many empty containers are being transhipped each year?

Mr Tongue—Yes. We can find you pretty close to the actual number, but it is similar to the number of full containers. It is a lot—of the order of millions.

Senator BUCKLAND—How many of them are visually checked to be sure that they are empty?

Mr Matthews—Senator, I just wonder whether that might not be the sort of information that we should not be revealing in a public forum. I am not sure whether it has been released yet, but it seems to me to be the sort of thing that might highlight potential vulnerability.

Senator BUCKLAND—You could well be right.

Mr Yuile—It is probably the sort of question that you might want to get a briefing from our Customs colleagues about. As the secretary has said, a separate briefing on that issue might be valuable, but I do not think we should be going into it in the public context.

Senator BUCKLAND—Are there any measures in place to ensure that no risk is contained within those containers?

Mr Tongue—I think that falls into the same basket. I would want to be sitting next to my Customs colleagues to brief you privately about that.

Senator BUCKLAND—I think this might be a sensitive area, but could you outline to the committee how empty containers are dealt with under the ISPS Code or the Maritime Transport Security Act?

Mr Dreezer—Again, I think that is a question for Customs rather than our particular requirements under the plans. There are certainly measures in place for the security handling of containers within the maritime security plans that we have been receiving for our operators of such facilities.

Senator BUCKLAND—I am sure we will seek such a briefing. We are aware of reports that responsibility for issuing continuous voyage permits and single voyage permits has been transferred within DOTARS from the transport regulation group to the Office of Transport Security. Is that the case?

Mr Tongue—No. The responsibility still lies elsewhere in the regulatory group. However, what we have done is co-locate the people handling the issuing of continuous voyage and single voyage permits into our operations centre so that we can provide a bit of a one-stop shop to the shipping industry and the maritime sector and at the same time draw on those information sources as part of our security assessment process. But the policy responsibility is not within the Office of Transport Security.

Senator BUCKLAND—I would like to ask a few questions in relation to immigration controls placed on seafarers arriving on ships. Is it the case that crew members' visa status is linked to the grant of CVPs or SVPs of up to three months duration?

Mr Tongue—You are getting beyond my level of knowledge I think. I would have to turn to one of my colleagues who I do not think is present here at the moment—Mr Ellis—or to the immigration department.

Senator BUCKLAND—Is he not about?

Mr Yuile—Because it relates to the permit system, it does fall to another part of the regulatory group, who are listed to appear a bit later on.

Senator BUCKLAND—I see. Can you just remind me where that would fit better?

Mr Yuile—It is under surface transport regulation, which is within this group. It is the fourth—

Mr Tongue—Here he is.

Senator BUCKLAND—So are we going to sail on regardless?

Mr Yuile—No, we can deal with it now, I think. Mr Ellis, who has just come in, is the division head of that area.

Mr Ellis—Could I have the question again, please.

Senator BUCKLAND—I want to ask some questions in relation to immigration controls placed on seafarers arriving by ship. Is it the case that crew members' visa status is linked to the grant of a CVP or SVP of up to three months duration?

Mr Ellis—My understanding is that crews on vessels travelling on international voyages to Australia have a special permit—a special visa—applied by the department of immigration. When particular vessels that are here seek approval from our department to conduct what we would call continuing voyage—the CVPs that you referred to—we attach a condition to that permit which requires in essence that the vessel and its crew are limited to a three-month period. So there is a crossover once they apply for that extra permit, which I think is the question that you are asking.

Senator BUCKLAND—So are there any individual checks on crew members prior to the issue of one of these permits?

Mr Ellis—Not by this portfolio.

Senator BUCKLAND—Who would do that?

Mr Ellis—That would be a question for the immigration portfolio and the processes that they follow.

Mr Tongue—And also the Customs Service, who are the agents for the immigration department in dealing with ships.

Senator BUCKLAND—Once the vessel leaves Australia and then returns, as required by DOTARS, what checking is done to consider any changes in crew?

Mr Ellis—In terms of the continuing voyage permit, which is the transport regulation side, we are interested to know that the vessel has gone offshore and then come back, and it can then apply for another permit. Any change that might happen to the composition of the crew of that vessel would be treated as again a matter for Immigration and Customs, just like any other vessel coming in on an international voyage. We do not apply any 'regulation' to the crew members; that is not our portfolio's responsibility.

Senator BUCKLAND—There might be a few of these questions you cannot help me with, but I ask you to try when you can.

Mr Ellis—If we can we will answer them here; if not, you might put them on notice and we can answer them then.

Senator BUCKLAND—For a visa, is it the case that now a crew member must produce a passport?

Mr Tongue—From 1 November last year the immigration department changed its arrangements. In the past, they might use various seafarers identity documents; now, they must hold a passport and it must be evident when Customs gets on as Immigration's agent to do a border control check on a vessel arriving in Australia.

Senator BUCKLAND—Is the department considering a requirement as part of proof of identity that a seafarer's identity should be in accordance with ILO conventions?

Mr Tongue—As part of the global effort against terrorism the ILO has suggested that perhaps the world should look at a seafarers' identity style document in addition to a passport. We are certainly participating in that international debate. It has not reached a conclusion yet domestically, and we are talking with our international partners about whether there might be a security benefit that we could glean from additional requirements. There are a number of agencies that have a bearing on that, and we are having a look at that issue.

Senator BUCKLAND—Given the heightened awareness that we all have of security now, is there any indication of how long that debate will take?

Mr Tongue—It is fair to say that questions to do with border control, identity and seafarers are fairly high on our agenda at the moment. They are certainly being looked at in the context of maritime security.

Senator BUCKLAND—If I have picked up the right information, I understand that seafarers' identity will be based on biometric testing rather than on the safer passport identification.

Mr Tongue—There is certainly a move abroad, particularly in the US, toward biometrics and border control because it is, if you like, a higher standard of identity checking. With one-twelfth of the world's shipping, a huge country, a small population and so on, the task for us is to do with the logistics issues involved in that. There are roughly two million seafarers worldwide and, however a move to a biometric control would be implanted, it would be a very significant task. It is a very different task from, say, the task in aviation, where Customs is doing some work with airline crew around biometrics.

Senator BUCKLAND—I imagine the biometric system involves something like a blood test or facial recognition.

Mr Tongue—People are looking at facial recognition, fingerprints—which are not good on the waterfront because manual tradespeople lose their fingerprints—and iris scanning. A range of things are being tested globally.

Senator BUCKLAND—I understand that under the new maritime security arrangements ships must provide the department with a complete crew list 48 hours prior to arriving in Australia. Is this list forwarded to the department of immigration so that they can run checks on individual crew members?

Mr Tongue—That issue of the crew list is handled between Customs and Immigration.

Senator BUCKLAND—Are there any face-to-face checks done to ensure crew members named on the list actually match the reports?

Mr Tongue—That is something that is handled by the Customs Service as part of what we call their 'first port boarding role'.

Senator BUCKLAND—I suppose it is Customs too that checks that the seafarers who come in also leave?

Mr Tongue—It is a combination of Customs and Immigration.

Senator BUCKLAND—Are there any sanctions imposed under the maritime security legislation if a ship brings an unauthorised person into the country and/or fails to take someone out when it leaves?

Mr Tongue—That is the realm of the Immigration legislation.

Senator BUCKLAND—So that would be similar to the airlines, no doubt?

Mr Tongue—It is a question for Immigration, I think.

Senator BUCKLAND—I want to move to land transport security.

Mr Yuile—It is still with the Office of Transport Security.

Senator BUCKLAND—At a recent Australian Transport Council meeting held on 30 April this year, state, territory and Commonwealth government ministers agreed that the next priority in relation to security is land transport. The ATC agreed to three broad measures for land transport security: first, to establish a consistent national approach to the transport security for land transport based on risk assessments, security programs and business continuity programs; second, to establish an intergovernmental agreement to strengthen transport security across jurisdictions; and, third, to develop and implement a national dangerous goods security program. Can you advise the committee on the progress of achieving the measures agreed to by ATC?

CHAIR—Before you answer that, can I seek some clarification, Senator Buckland. Have you finished with surface transport regulation or are you going to go back to that?

Senator BUCKLAND—I believe I am finished with that.

CHAIR—There is no going back if you say you are finished because we are going to send them home.

Senator BUCKLAND—I believe I am done on that part.

Mr Tongue—In relation to your question, that ATC meeting was at the end of April. Since that time in land transport we have held what we call ‘land transport risk context workshops’ in each of the jurisdictions. That is an opportunity to bring police and key security people from various land transport interests together with ourselves, and with some intelligence input, to talk about the risk environment with regard to terrorism that we are facing in land transport. That program has been completed. That is designed to get everybody, if you like, on the same page. With regard to the intergovernmental agreement, intergovernmental agreements require the okay of premiers and the Prime Minister. We are hoping we will be able to achieve that at a COAG meeting to be held shortly.

With regard to dangerous goods, we are particularly focused on high consequence dangerous goods. Work is already under way to implement the new United Nations dangerous goods code across all dangerous goods. To establish a national program that ministers are referring to, we particularly want to focus on what I will call the nasty things. We need to work cross-modally; we need to work across the maritime and land transport sectors to ensure that we have covered them off. Given that we are now at the end of May, we think we are keeping faith with the minister’s injunction to get on with it.

Senator BUCKLAND—Is there a deadline?

Mr Tongue—No. We have worked very hard on aviation and we are working very hard on maritime. We do not want a displacement effect into the land side. We need to get all of them to an appropriate level so we do not inadvertently create vulnerability.

Senator BUCKLAND—At the end of the day how do you expect the national approach to be delivered?

Mr Tongue—If we took an area like urban mass transit in a post-Madrid environment, we would hope that each of the jurisdictions under their existing legislative frameworks working with us would be able to establish what I will call a baseline case for what mass transit should look like in a medium threat environment that we are currently facing. That goes to what I call good basic security, plus the staff training necessary to support heightened awareness and heightened activity. That, we would see, would be embodied in the requirements of an intergovernmental agreement. Where we can we will lend support to the states and territories—and we are doing so. In other areas of land transport there might be requirements for the Australian government to do particular things. As we work through the sector, ministers in their communiques are, if you like, hinting at our immediate priorities.

Senator BUCKLAND—When do you expect this intergovernmental agreement to be reached?

Mr Tongue—Subject to a decision by chief ministers, premiers and the Prime Minister that we have such a beast, we have effectively already started work on it. I would hope that, once we got agreement, we would turn around very quickly the bones of an intergovernmental agreement. Indeed a lot of the work, because of the goodwill with the states and territories, is effectively already under way.

Senator BUCKLAND—Will it be considered at a future ATC meeting? Will there be urgency to get it out of the way before?

Mr Tongue—We could not reach an intergovernmental agreement unless the various jurisdictions had been through the appropriate processes. Part of the reason for the intergovernmental agreement is that land transport security involves more than transport departments. In any jurisdiction it involves police, waterways, rail, bus and tram operators, and so on. It involves a wide sphere of action. Having got the bare bones of what an agreement might look like, we are then a bit reliant upon processes in the jurisdictions to sanction the sorts of things we are saying—bearing in mind, first off, that we are asking for good basic security—things that should not be massively costly; things that are just part of good practice in the contemporary threat environment.

Mr Matthews—I have a comment to add to the process question. The normal way that such an intergovernmental agreement would be developed is that the working group that Mr Tongue is responsible for would prepare and settle a draft. When they were satisfied with it, it would be considered by the Standing Committee on Transport and there would be advice given to the ministerial council on transport. That does not need to take as long as that might sound, particularly given that ATC, the ministerial council, only meets generally twice a year. There are easier arrangements to have those sorts of things considered out of session, but they would need to be settled and agreed with transport ministers before they went back to heads of government.

Senator BUCKLAND—Yes. Where is the national dangerous goods security program up to now?

Mr Tongue—That is modelled on some of the things that we do in aviation where we have a national program in addition to the individual aviation security programs that airports and airlines might have. As I said earlier, we are particularly focused on high-consequence dangerous goods there. Where we are up to is that we have done work through the Australian Logistics Council to identify some gaps in the supply chain management of dangerous goods. We have met with our state colleagues and started the discussion about how we might approach this task because it principally relies on state regulation. The area overlaps with some work that we are doing through the National Counter-Terrorism Committee to do with ammonium nitrate where some decisions are pending, and in a sense we will draw on what arrangements are put in place there for some of those other nasties.

Senator BUCKLAND—Who is actually developing the framework?

Mr Tongue—We work through a group called the Transport Security Working Group which reports to the Standing Committee on Transport, which Mr Matthews chairs and which is a CEO forum of him and his colleagues. We report through to SCOT, and we are advancing this work through principally the Transport Security Working Group. But it also overlaps with work we are doing in the maritime sector and through the Australian Logistics Council.

Senator BUCKLAND—Will legislation be required for this?

Mr Tongue—I think not. I think it is a case of looking to use existing regulations that are already in place at a state level and perhaps enhancing them. If we identified a serious gap or an issue that we felt needed to be addressed that would be one of many options available to ministers.

Senator BUCKLAND—Has the government provided any funding towards any of the work to be done in the area of land transport security, either by the state governments or the department itself?

Mr Tongue—The work that we are doing is in part related to that issue of critical infrastructure protection that I mentioned earlier where the department has received some funding in that area, so we are drawing on that resource.

Senator BUCKLAND—Where is the departmental capital money to do this program coming from?

Mr Tongue—Do you mean in relation to departmental expenditure to do with our own activity?

Senator BUCKLAND—Yes. Is it all coming out of the department's pocket?

Mr Tongue—I hope I understand you correctly, Senator. We have received some capital money that is to do with IT systems and fit-out of offices and those sorts of things.

Senator BUCKLAND—Is the OTS subsidising the cost of the additional work that is associated with this?

Mr Yuile—Do you mean in the department or beyond the department?

Senator BUCKLAND—I will just withdraw that question; I am struggling to follow it myself. I will withdraw that, and we will have a cup of tea.

Mr Yuile—Is that the end of your questions on the Office of Transport Security?

Senator BUCKLAND—We will go to aviation security next.

Proceedings suspended from 4.06 p.m. to 4.19 p.m.

CHAIR—We recommence with questions about aviation security.

Senator O'BRIEN—At the last estimates hearing we heard that an additional \$93 million was provided for further aviation transport security measures. Since then, additional funding has been provided. How much additional funding has been provided?

Mr Tongue—What the government provided just prior to Christmas was a range of funding to agencies such as ours, ASIO and others and funding for regional airports. In this budget, the department has got approximately another \$9 million across four years for its activities. In addition, the government has provided further funding for regional airports, which is in the order of \$21 million.

Senator O'BRIEN—Which regional airports?

Mr Tongue—There are approximately 137 or so regional airports that provide regular passenger transport services but do not come into the regime that we have established for, effectively, jet based aviation.

Senator O'BRIEN—There are strips that take one flight a week. They would be in the 137, I take it. And strips that take 10 flights a day would be in the 137.

Mr Tongue—Any regional airport that is providing passenger services is now in the regulatory regime and is potentially subject to that measure.

Senator O'BRIEN—So how is the \$21 million going to be spent?

Mr Tongue—You might recall from previous estimates the \$14 million that was allocated was our estimate of around half the cost of providing security upgrades at those approximately 137 to 140 or so airports. The government has basically accepted the advice of the industry that industry could not absorb its half-share of the cost of those security measures. In addition, as we went around and spoke to the industry, there was a recognition that some additional funds should be provided. Effectively, the government is saying it will fund the full cost of basic security upgrades at those 137 airports. We are proposing that that be done on the basis of a risk assessment, in the first instance, which feeds into a security plan that we would approve as the basis for drawing the airport into the regulatory regime. Then the airports would be able to access that funding. This is recognising your point that we range from airports that have very little traffic to airports that have a modest amount of traffic by national standards.

Senator O'BRIEN—What is the range you are talking about? You are saying that the criterion to get on the list of 137 is to have an RPT service. Some would have one a week, I take it. How do we break this down? For some, the RPT would be a six- or eight-seater once a week.

Mr Tongue—That is correct.

Senator O'BRIEN—That is obviously not going to be the focus of a major security risk. There are others that, if they do not have jets, they at least have 50-seater RPT passenger aircrafts several times a day.

Mr Tongue—Yes. That is why we are building it around the risk assessment and the security program. To give you an idea of the range within those 140, we would go from airports that have six to seven Dash 8 equivalent aircraft per day through to those that would do just two uplifts. The purpose of the risk assessment and security plan is that we do not want to necessarily sit back from the great distance of Canberra and impose a set of basic standards that might look a bit silly at Charters Towers or Yuendumu or somewhere.

But, at the same time, we are advising the government that the money needs to hit the security risks. I would note though that the security risks are not solely driven by passenger throughput. They can, in part, be driven by some unique local circumstances to do with the location of the airport, the nature of the passenger traffic. There is a range of things, which is why we think this approach of risk assessment of security plan is the way to go.

Senator O'BRIEN—Give me some examples of ones that will not be driven by passenger volume.

Mr Tongue—Examples are: an airport that is servicing a township that has a Defence facility in it; an airport that, in the nature of the passenger traffic, might be dealing with people who are working in the mining industry; an airport that might be on the periphery of a major capital city but yet not be part of that sort of capital city aviation arrangement; and an airport that is near a piece of nationally critical infrastructure. There is a range of things that might go into the risk assessment. Passenger throughput is important, but there are other factors.

Senator O'BRIEN—Yes—passenger movement, RPT versus freight versus GA volumes—those sort of things.

Mr Tongue—Yes.

Senator O'BRIEN—I can understand some of those criteria. RPT in itself, as we have discussed, is not going to be the criterion on which you tick the box and that is where the focus is.

Mr Tongue—The government's focus, based on the threat assessments available to it from ASIO, continues to be principally on jet-based aviation. But they are recognising through this measure that the rest of passenger transport needs to be picked up.

Senator O'BRIEN—What information is available that supports the need for fencing, lighting and alarm systems rather than passenger screening, for instance, at regional airports?

Mr Tongue—Again, without going into the intelligence base, what we are trying to do is put in place what I will call good basic security that is about protecting the aircraft when it is on the ground, which is why some regional airports will get different treatments to others. So, for example, if a Dash 8 is overnighing on the ground on a regular basis at a fairly remote airport, it is likely to get different security treatments than would occur at possibly a bigger airport where no aircraft overnights on the ground. The examples that you cited that we have been talking to the industry about go to this question. For the Dash 8 fleet, which services

about 80 of the 140 or so airports, the government has decided to pay for the hardened cockpit door. With this measure we are complementing that effectively by measures that provide some layers of protection for the aircraft when it is on the ground. On the basis of the intelligence available to us, passenger screening at this time is still focussed on the jet based fleet and the airports servicing the jet based fleet.

Senator O'BRIEN—Where can I find the list of airports potentially eligible to have access to this funding?

Mr Tongue—I can table one now, if you like.

Senator O'BRIEN—Thanks. Will that tell me what the volume of passenger movements at the airports is?

Mr Tongue—I would need to add that information in. It is simply a list, but I am happy to do that.

Senator O'BRIEN—Thank you. When is it expected that these airports will be regulated under the Aviation Transport Security Act?

Mr Tongue—We have already done one round of national workshops to speak to all the airports about the new regime. We are proposing another round in June to inform them about the risk assessment and security planning process. We will do 15 workshops nationally. Subject to the risk assessment process, I would be hoping that we are drawing them in and fully regulating them by September or October this year. It will depend a little bit on what the risk assessments find and how quickly some of them go. The basis of the regulation is the plan. So in the first instance we have to agree the security plan with them, because that is the sort of fundamental aspect of our regulatory frame.

CHAIR—This paper is labelled 'Senate estimates, in confidence'. I take it you do not mind if it becomes a public document?

Mr Tongue—No, we can table it.

Senator O'BRIEN—Will this additional funding enable any of these airports to be funded for the installation of passenger screening facilities?

Mr Tongue—No. If an airport outside the program wanted to pay for passenger screening off its own bat, the current policy position is that it could do that. But the nature of this program is such that it would not be paying for the screening equipment or anything like that.

Senator O'BRIEN—And presumably there will be no screening of baggage either?

Mr Tongue—No.

Senator O'BRIEN—Does this additional funding come from the surplus of the Ansett ticket levy?

Mr Tongue—The additional \$21 million?

Senator O'BRIEN—Yes.

Mr Tongue—No, not that I am aware.

Senator O'BRIEN—At the last hearing, you indicated that for regional airports the government was committed to paying up to half the cost of security upgrades. Is it still the case that small regional airports will be required to pay half the cost?

Mr Tongue—No, this measure fully funds our estimate of that cost.

Senator O'BRIEN—The original \$14 million announcement specified that these small regional airports were required to undertake a risk assessment. How many of these risk assessments have now been completed?

Mr Tongue—We are aware that some airports have jumped the gun and are undertaking the risk assessments. As I mentioned in a previous answer, we have given them initial information about how the program would work. The purpose of our June program of 15 workshops is to expose them to the guidance material that we have written for them. One of the things we are conscious that we do not want to do is to impose a burden on many of the local councils—around 100 of the 140 are owned by local councils—to necessarily go and get high-priced consultants. We think that with our guidance material many of the airports will be able to do this off their own bat. That process will happen throughout June. But admittedly some, I understand, have started. I could not give you a firm number; that is only anecdotal evidence.

Mr Yuile—There was quite an effort at the beginning to work with the Airports Association and the owners and managers of those airports to look at this guidance material and look at what they were doing in the context of CASA safety work, so that we could optimise the links and make sure that we were not reinventing wheels and creating more work than was necessary to deliver the security plan and the risk assessments. That is why it has taken this time to work through the workshops with the airport operators and with the association and then to develop the material that we think will be most constructive and helpful for those risk assessments. It also builds on the work that the office has done in the maritime context, so we have been working over material and have been able to use risk assessment tools. I think Mr Dreezer has been particularly active in working with the industry in that area. So we are hopeful that it will be effective.

Senator O'BRIEN—Could you remind me how the \$35 million on page 42 of the PBS will now be spent?

Mr Tongue—Previously the \$14 million that was available for the program was spread across next financial year and the financial year after that. In this documentation, that has been reversed out. The \$35 million has been, in fact, allocated in a special supplementary additional estimate this financial year. We are working with the aviation industry to come up with a funding model that allows the money to be spent this year, but then, if you like, allocated to the airports as works are undertaken. We are negotiating that through with the industry at the moment.

Senator O'BRIEN—For example, airports like Wynyard and Devonport are not on the list that you have just circulated, so they would have been—

Mr Tongue—Some of the northern Tasmanian airports that have previously had jet services—although jet services have now pulled out—put in place, if you like, the basic security that we are talking about as a result of those jet services going in. The jet services

have left. We continue to what we call ‘security categorise’ them, so we continue to have a regulatory relationship with them. They have the basic security, so they are not subject to the measure. It is the airports that have never had jet services and have no, if you like, regulatory relationship of any form with us that are now drawn into this measure.

Senator O’BRIEN—So this funding does not apply to those airports?

Mr Tongue—If they are currently security categorised airports, no, it does not.

Senator O’BRIEN—What do you think you would be spending on Saibai Island?

Mr Tongue—A number of the airports—say, in parts of the Northern Territory and elsewhere—are very small. They serve Indigenous communities. For those airports, subject to the risk assessment coming back, it may well be that we are spending only a small amount of money. It may well be that all we are doing is buying lighting if aircraft are overnighing; it might be that we are simply securing some of the key facilities, such as fuel storage and those sorts of things. For some of those airports we acknowledge we will not spend a lot of money. However, they have regular passenger transport, they will come into the regulatory environment and we will have to work with them around the risk assessment and security plan.

Senator O’BRIEN—Some of these strips have nothing on them basically.

Mr Tongue—Some of them are very small and very remote.

Senator O’BRIEN—Some of them are very short too.

Mr Tongue—I do not think we will be lengthening any strips. I do not think we will go that far. I think we may be asked to fund that, but the answer is likely to be no.

Senator O’BRIEN—If there is \$35 million and 137 airports, do you have any idea of how the money might split up? Have any criteria been established?

Mr Tongue—That is part of our discussions with the sector. We want to make this as risk-based as possible: we do not necessarily want to say that a category of airports will get \$50,000, because, to cite your example, we might spend \$50,000 very badly. Alternatively, there may be a small airport out there—that is the subject of a risk assessment that comes back—where it is appropriate for us to spend money, because the risk is there. So in part the apportionment of the money needs to be driven by the plans and the assessments. At the same time, we are starting work on all the factors that might go in—the sorts of things you mentioned, such as cargo, RPT, GA, et cetera—to see whether we can do a notional carve up of the money.

Senator O’BRIEN—Some of the remote strips may have the ability to be lit but only through diesel generation. If that is an ongoing cost issue, what does this funding do about that?

Mr Tongue—This is one-off funding, and in that instance it may be that we cannot light because it is inappropriate to light. We may have to find other measures.

Senator O’BRIEN—So this is something that is yet to be developed. There is no plan for the spend; it is an amount of money that you have to plan to spend?

Mr Tongue—We have made an estimate, based on our discussions with the security agencies and our knowledge of the aviation industry, about the sorts of things we are talking about. As we work through this risk assessment—these workshops that we are holding nationally and so on—we will get a better feel for the sorts of quantum that are likely at any individual given airport. But we are committed to making it as risk-based as we can.

Senator O'BRIEN—Will the actual distribution be done by this division?

Mr Tongue—What we will do is approve a security program that has as part of it an expenditure program. What we are doing is negotiating with the industry a funding mechanism that allows us to—

Senator O'BRIEN—The industry being who?

Mr Tongue—As I say, around 100 are owned by local government. All are represented by the Australian Airports Association. There is a range of other industry groups, and we are discussing these issues with all of them.

Senator O'BRIEN—And then what happens? When you have discussed it and sorted it out, how are you planning to distribute the money?

Mr Tongue—Then, if it is appropriate within the Commonwealth's financial parameters, we would arrange a funding agreement with an industry entity or industry entities who would manage the distribution of these funds against the security program that we approve.

Senator O'BRIEN—So you are going to give the money to someone else to dole out?

Mr Tongue—Under a funding agreement, we will work with a third entity to assist us to manage the money.

Senator O'BRIEN—The third entity will not be responsible for the expenditure, just for the distribution?

Mr Tongue—The management of it.

Senator O'BRIEN—The management?

Mr Tongue—The administration of it, if you like: the doling out of the regular payments and so on.

Senator O'BRIEN—So who would you audit?

Mr Tongue—We would audit that third entity. We would also audit the security program against the expenditure pattern that was outlined in it.

Senator O'BRIEN—So this third entity, whoever it is, will make decisions about which airport gets how much?

Mr Tongue—We effectively manage that through the security planning process, because the airports will be required to indicate to us their expenditure programs.

Senator O'BRIEN—Why are you giving it to a third party if you are going to effectively manage it?

Mr Tongue—Because the expenditure is likely to take place over a lengthy period of time—longer than the time that would be available to us to dole it out to every one of 140 airports within the next five weeks.

Senator O'BRIEN—What is the relevance of the next five weeks?

Mr Tongue—The money is available to us this financial year.

Senator O'BRIEN—So because you could not spend it this year you will give it to someone else and they can spend it next year. Is that right?

Mr Tongue—We could not manage the money across an expenditure pattern in a way that met appropriate financial tests within the next five weeks.

Senator O'BRIEN—So it is a lesser test if you give it to someone else.

Mr Tongue—No, it is not a lesser test at all. As with other budget measures over time, we can manage that flow of funds through an appropriate funding agreement, with accountability arrangements and so on, by giving it to another entity. It lowers our management costs but it also meets the appropriate financial tests for that under the financial management act.

Senator O'BRIEN—Does this entity get to take some of the funds for its costs?

Mr Tongue—Subject to negotiation. We may have to make separate arrangements for them to manage the funds. That would be subject to our negotiations with them. It may or may not be necessary.

Senator O'BRIEN—Is that out of the \$35 million or out of another pool of funds?

Mr Tongue—It is potentially out of another pool of funds.

Senator O'BRIEN—Is it out of your division's budget?

Mr Tongue—Potentially. It is also possible to take a small amount of the interest that would have accrued on the \$35 million and make it available to the entity to manage the funds for us.

Senator O'BRIEN—How much interest are you expecting to accrue in the next five weeks? Are you expecting it to sit with them longer so that they earn interest on it?

Mr Tongue—It would sit with them until it is fully expended. Whilst it sits with them it earns interest. They can draw down on that to help them manage the funds.

Senator O'BRIEN—How long will they have to expend it? They could spend it slowly.

Mr Tongue—It is linked to the funding agreement we would have with them and it is linked to how quickly the expenditure rolls out through the security plans.

Senator O'BRIEN—Which entities are you having discussions with about this?

Mr Tongue—At the moment we are principally talking to the Australian Airports Association, who represent—

Senator O'BRIEN—Principally or only?

Mr Tongue—For the moment, we are talking to them. However, we are also looking at the potential of other entities such as the Australian Local Government Association, who

represent 100 of the 140 airports because they are in local council ownership. We are also looking at the possibility of other industry entities.

Senator O'BRIEN—What is the importance of distribution within the next five weeks?

Mr Tongue—It is the fact that the \$35 million has been made available for expenditure this financial year.

Senator O'BRIEN—And no thought was given to how it would be distributed.

Mr Yuile—I think that is what Mr Tongue was saying earlier—that there was thought given to how we would do it in terms of a funding agreement and the expenditure linked to the appropriate audit of the security plans. So, yes, we have been thinking all that through, and the issue has been to determine which of the entities would be the most appropriate body to handle those funds.

Senator O'BRIEN—Surely the most appropriate body is the department itself?

Mr Yuile—We have just been over that. The requirement is to expense it this financial year.

Senator O'BRIEN—Is it impossible for that amount of money to continue to be available if it is not possible for the best administrative system to distribute it before then?

Mr Matthews—The government has made available money this year. We have a responsibility to find a satisfactory way of disbursing it. We have found, we believe, a satisfactory way of disbursing it. We have to be satisfied that it meets all the requirements, and we will be satisfied before that happened.

Senator O'BRIEN—So the actual criteria for distribution have not been developed, and you have got to work with the industry to develop that: is that right?

Mr Tongue—The key criteria for the distribution of the funds are the risk assessment and associated security plan.

Senator O'BRIEN—And they will not be done in the next five weeks, I take it?

Mr Tongue—No.

Senator O'BRIEN—When was it known that they were going to be the key criteria?

Mr Tongue—We started work with a different set of assumptions following the announcement of the enhanced aviation security package back in December last year against a time frame. However, the government has made a judgment that it wants to pull that time frame forward, so we are now, if you like, pulling forward the necessary work and managing the money, as Mr Matthews outlined, to meet the relevant tests to deliver an appropriate outcome.

Mr Matthews—The government wants a speedy program and we believe we will be able to find a speedy way of achieving this. There is nothing improper or incorrect about using a third party as our agent, and we think we will be able to design a satisfactory way, through a third party, that meets our test and which meets the objective of the government, which is to make sure that this money available this year is disbursed as quickly as possible.

Senator O'BRIEN—Which precedents are you relying on to go down this path, Mr Matthews? Which examples can you draw to my attention and the committee's attention where a similar mechanism has been followed for the distribution of funds?

Mr Matthews—We have not designed it in terms of precedents, though my colleagues might be able to identify one. Our main point is that we are satisfied that we can find a method properly using a third party to assist us with this.

Senator O'BRIEN—I take it that there will be an audit of the entity, whether it is the Airports Association or someone else, as to how they have managed the funds.

Mr Tongue—That is correct.

Senator O'BRIEN—And there will be an audit of the airports as to how they have spent them against their plan.

Mr Tongue—Yes, that will be part of our compliance activity for which the government has given the department extra funding to buy extra people.

Senator O'BRIEN—Will the audit determine whether the judgment about the amount of money distributed has been accurate, and what will the solution be if there has been an inappropriate distribution, or will you have to approve the amounts to be distributed before they are distributed?

Mr Tongue—We are currently recruiting the people to go into our regional offices who will be working, amongst other things, on this program. Once we have approved the security plan with the schedule of works, we will not lose contact with the airports, because a key part of coming into this regulatory environment is not just the capital works, it is staff awareness, incident reporting and a whole range of other obligations that go into the security plan. So we will be maintaining a regular contact with the airport and using that to ensure that funds that have been allocated are addressing our primary concern, which is addressing that security plan.

Senator O'BRIEN—So how will you address issues such as the one I raised where the easy option, where you are not going to get very much money, is to say, 'We will put some lights in,' but the cost of running the lights is going to be beyond the community and so it is not going to be a real achievement?

Mr Tongue—We would handle that in the business of the security plan and make that judgment in approving the plan. If a remote community that clearly has few resources is suggesting that it needs to spend capital that clearly it is not going to be able to support and maintain, then we would be going back to them in the security planning process through our staff out on the ground to say that there might be other risk treatments that we can use that are not going to involve them in ongoing costs.

Mr Matthews—Senator, can I come back to your previous question about precedents. As I said, we did not design this with a particular precedent in mind; we designed it to achieve an end in a proper way. We are satisfied we are doing that and we are accountable for that. But a precedent does come to mind, and that is the foundation for rural and regional renewal, where the government put in a certain amount of money which was matched by, in that case, philanthropists elsewhere. It makes grants as an agent, if you like, for the government, for that

part of the resources that are available to it. Those grants are auditable and that is a condition of the granting and in fact a condition of the ANAO. A condition is that the ANAO have access to that third party—the foundation—and that has worked very satisfactorily. So there is at least one precedent and there may be many more but, as I said, we did not design this based on precedents; we designed it as a way of achieving what the government has asked us to achieve.

Senator O'BRIEN—The precedent is a matching funded body, and I appreciate that. So there is some experience. Is that from this department?

Mr Matthews—This department does have some association with the foundation, yes.

Senator O'BRIEN—Which department did that funding come from?

Mr Matthews—For the foundation?

Senator O'BRIEN—Yes.

Mr Matthews—It was appropriated through DOTARS.

Senator O'BRIEN—Okay, and when was that?

Mr Matthews—I think sometime during the year 2000, and it is still in existence.

Senator O'BRIEN—We will have a look at that. So it would be appropriate for the acquittal of these funds to be auditable by ANAO?

Mr Matthews—That is correct. There are a variety of ways that arrangements like this could be audited. One is to have a condition for there to be access for the ANAO. Another would be for the parties subject to audit to produce an audit certificate which would be acceptable in the first instance to the third party but ultimately the government, and we will be representing the government interest in that.

Senator O'BRIEN—How will the proportions of the funds to be distributed be determined? I am interested to know what sort of guidelines the distributing body would have—you have got a proposal for an upgrade; you have got a quote for it and it is going to cost so much.

Mr Tongue—If, for example, looking across all the various security plans that we get we find that there is a natural clustering of, say, airports of a particular size then it may be that we work with the airports to bring them in all round a sort of particular funding amount. We are also going through this program of 15 workshops through June to see whether there are enough common factors between these airports that we can come up with other funding criteria and, as we get better knowledge of them, whether they do fall into particular patterns. At the moment, it does not necessarily appear that they do. Even in passenger numbers there are no hard break points that we find, they are sort of on a continuous variant. So, as we get better knowledge of them through June, it may be that we develop other specific criteria.

Senator O'BRIEN—So you think that there will be bands of complexity or a degree of security work that is relevant and you will develop a benchmark amount for different bands.

Mr Tongue—I think that, given our maritime experience, that is what has emerged there—the regional ports typically cluster around a particular band, the smaller resorts and so on. But

we do not want to impose that, because we want to let the risks tell us, in the first instance, how the funds should be used. That is really what they have been appropriated for.

Senator O'BRIEN—Will people be encouraged to develop their security plans on the basis of being able to meet the costs of those through this funding?

Mr Tongue—Because the foundation of the security plan is the risk assessment, it may be in the risk assessment process that a proponent develops a list of 100 risks. The expenditure is to mitigate the key risks. If an airport says, 'We're going to mitigate all the 100 risks and it's going to cost \$10 million,' clearly we are not going to approve that plan. What we are chasing is the basket of risks around protecting the aircraft on the ground.

Senator O'BRIEN—They develop a plan and submit it, and you say yes. It involves certain work. How long will they have to do the work?

Mr Tongue—It is subject to the nature of the work. It might be a far western Queensland council, for example, that can only work in the dry, or something like that. Given the scope of the works, typically I would expect it could be done reasonably quickly—say within six months—but we have to allow for all those climatic factors, and other factors like equipment availability.

Senator O'BRIEN—One concern is that, if some organisations overreach themselves in their planning and the funding does not cover it, most of the remote communities, for example, would not have the money to make up that plan. Does that mean they are under pressure to do it or lose RPT services? What does it mean?

Mr Tongue—We are certainly conscious that we are talking about a number of very small—and sometimes Indigenous—communities. We have already spoken to a number of state and territory governments, who sometimes subsidise the operation of those airports, for a variety of reasons. We are trying to control that risk by putting our people out on the ground, getting a good feel for the nature of those operations and making sure that the Australian taxpayer does not overcapitalise on the security of a small remote strip. I think we can control that risk and prevent people from building grandiose security environments that are unnecessary, given the risks and the nature of the threat.

Mr Matthews—I think you can express that in a different way. Risk assessments are very widely applied throughout the transport security sector. They are done throughout the aviation sector—they are not done just for small airports. They are done in the maritime sector—for ships, ports and port facilities—and increasingly they will be done on land as well. Whenever they are done, they identify a spectrum of risks, from high probability to lower probability, from high consequence to lower consequence and from high-cost treatments to lower cost treatments.

In all cases, judgments have to be made about which of those to respond to. No plans, in my experience, will simply identify a limited number of risks and make recommendations about absolutely treating all of them. Choices are made—just like investments and just like safety. The issues that are then thrown up are decisions that have to be made by the operators about what, in their circumstances, is the best way of proceeding. That is one of the advantages of having a local risk assessment, produced by people on the ground who know the circumstances at their airport. So we try to design a system that gives them as much say as

possible, rather than prescribing from outside without being as well aware as we would need to be about the particular circumstances of 140 airports.

Senator O'BRIEN—Will any Commonwealth legislation apply in terms of the accountability of these funds?

Mr Tongue—The normal Commonwealth financial management framework applies to all of the money. From an aviation security regulatory perspective, the Aviation Transport Security Act will have regulations written that apply to this class of airports and airlines, and they will fall into our compliance and regulatory net.

Senator O'BRIEN—Will there be a period in which this funding will need to be passed on by whichever entity is the agent for distribution?

Mr Tongue—Subject to those few technical factors, yes, there will. At this stage I expect that we will be able to complete the works within 12 months.

Senator O'BRIEN—I take it there will be provision for the Commonwealth to take back moneys not then distributed?

Mr Tongue—Subject to our negotiations and appropriate financial management and so on, yes.

Mr Matthews—I want to emphasise that we fully accept our legal and financial obligations in this area. They continue to apply, and we are accountable for them. These are Commonwealth expenditures. The fact that it is a different process that we are following means that we have to be attentive, but we fully accept our obligations and our accountability.

Senator O'BRIEN—At the last hearing, we discussed the announcement that general aviators should develop increased security measures, and you indicated that new regional office staff will be the compliance managers of general aviators. Have these staff been appointed?

Mr Tongue—As I mentioned earlier, we are currently in the process of recruiting staff to the various regional offices.

Senator O'BRIEN—Where will they be located?

Mr Tongue—We have offices in Brisbane, Sydney, Melbourne, Adelaide and Perth. But part of the funding the department has received is to enable those staff to travel and pick up all these new entities that we are bringing into the system.

Senator O'BRIEN—How many offices in each location?

Mr Tongue—Do you mean currently or intended?

Senator O'BRIEN—What is the intention?

Mr Tongue—I will take that on notice to get the numbers absolutely right.

Senator O'BRIEN—Have any commenced compliance activities?

Mr Tongue—Not with the new entities, but of course we are already doing compliance work with the major airports.

Senator O'BRIEN—What is the expected implementation time frame for general aviation?

Mr Tongue—Our target was to progressively start from the middle of this year drawing general aviation in. Recognising that we are dealing with the owners of light aircraft who may have to make expenditure, how long it takes us is a bit dependent on the final number of GA aircraft and, if that is a big number, their location and so on. So our target is progressive implementation from the middle of the year.

Senator O'BRIEN—You do not have a target date to get it fully under way?

Mr Tongue—Our target was that we would like to have the legal regulatory work done around September. But we have to allow time for the industry to implement the various measures, and that is something we are still discussing with the industry. Because we are talking about locking devices et cetera on GA aircraft, we want to work with the industry to make sure that we are fair and that we do not impose ridiculous requirements on them and unrealistic time frames.

Senator O'BRIEN—I have a couple of questions about the decision to implement background checks for general aviation pilots. At the last estimates hearing you indicated that the department was to conduct a series of workshops with the industry. Have they been conducted?

Mr Tongue—Not yet. In the interim we have been working with the Civil Aviation Safety Authority, which is also in the process of significantly changing the licensing system for general aviation, to see if we cannot come up with the most effective possible mechanism between us to minimise the impact on the sector. When we have completed that set of discussions with CASA we will then start that workshop process.

Senator O'BRIEN—When do you think they will be held?

Mr Tongue—I would expect that we will be in a position to hold them in the second half of June.

Senator O'BRIEN—From comments received from people in this sector who have contacted my office and my colleagues, I know that there are many members of the GA sector that are particularly unhappy with the proposal. Is that feedback coming back to the department?

Mr Tongue—Yes. We have had feedback about the possible cost. I had quoted a figure of the order of up to \$200. We had had comment about whether this needs to reach out to somebody who is out on a cattle property and effectively flies between properties. So yes, we have had feedback. I point to a few issues that have occurred recently—for example, somebody flying a light plane under the Sydney Harbour Bridge and light aircraft going missing from a remote cattle property. These are examples of the sorts of issues that we are seeking to risk treat. I do not think we will ever be able to get rid of them totally, but clearly there are issues here that we need to risk treat. Part of the background-checking regime is one of the layers we want to put in. Everyone in passenger based aviation that is handling jets working at major airports is subject to it. I do not believe it is excessive or onerous, but I understand that people are concerned about it.

CHAIR—Would that person who flew under the bridge have put a flight plan in for some sort of a joyride over Sydney?

Mr Tongue—They would have needed air traffic control permission to be in that general vicinity but, clearly, not to go under the bridge.

Senator O'BRIEN—That is class E airspace now. What about the argument that is put that you are not going to need these checks to be able to drive a truck, and a truck driven into a building has the potential to cause much more damage? Why should pilots be singled out, particularly as trucks can often carry a load of explosives?

Mr Tongue—We are currently looking at the issue of background checking in the maritime sector, for example, as part of our implementation. We spoke earlier with Senator Buckland about high-consequence dangerous goods. One of the risk treatments there is background checking. My answer to that would be that aviation, simply because of the threat environment and the community's focus on it, is one of the leading areas in critical infrastructure protection where background checking has come in. I do not think we are particularly picking on pilots; we potentially have a range of others in our sights.

Senator O'BRIEN—The ultralight sector is not going to be picked up by licensing. Are there some special rules to be applied to the ultralight sector?

Mr Tongue—Subject to the intelligence information that we may get from ASIO and having worked through, if you like, those higher risks in the sector, we will come to look at ultralights. But right now our reach extends as far as GA. We are looking at maritime, then we are looking at land and in particular at high-consequence dangerous goods. With state governments we are looking at urban mass transit. This background checking is a fairly standard risk treatment.

Senator O'BRIEN—I am told—and I am no expert on this—that some ultralight planes are much more sophisticated and if you can fly them you can fly just about anything.

Mr Tongue—Yes, that is certainly true. That is part of that ultralight/sport aviation sector. For the moment the information in front of us does not extend to that sector. But we continue to work with the intelligence agencies on a daily basis. If the judgment is made that we need to extend the regime then off we go.

CHAIR—It is a great way of getting yourself killed, flying ultralights.

Senator O'BRIEN—I do not think that this division is responsible for those sorts of fatalities; it is worried about others. I think the point that some people would make is that, as I said, if you can fly some ultralights then you can fly larger aircraft. Background checks do not apply to the ultralight people. So maybe that is a big barn door that is being left open if you are going to go down the path of background checks for everyone who can fly.

Mr Tongue—We are, as part of the measure, seeking to secure general aviation. The two risk treatments are the background checks and securing them when they are on the ground. CASA is upgrading its whole management of licences. So we are putting some risk treatments around it.

Senator O'BRIEN—Some people say that locks keep honest people out.

Mr Tongue—It is about deterrence. It is the case that cars with car alarms are less likely to get stolen than cars without car alarms.

CHAIR—It would be in everyone's interest if they licensed the ultralight flyers, I can tell you. There is some wild and weary tin covering ultralights.

Mr Yuile—I think Senator O'Brien has already suggested that it is an area that we need to look at.

Senator O'BRIEN—That is all I have for aviation security.

Airservices Australia

CHAIR—Welcome. My understanding is that you have an opening statement. Is that correct?

Mr B. Smith—Yes, Senator. Should I proceed with that?

CHAIR—Yes.

Mr B. Smith—We would like to put the following information on the record for this committee in order to update progress and clarify issues relating to the National Airspace System. Since I last appeared before this committee on 17 February 2004 considerable safety analysis has been undertaken. On Monday 24 May the board issued a progress report on this work. Airservices Australia board confirmed that some changes will need to be made to part 2b of the National Airspace System—known as the NAS—reforms that were introduced on 27 November 2003. Our conclusion to date is that it is unlikely that reclassification of en route class E airspace to class C airspace will be required. Qualitative assessments associated with this work do, however, point to the need for enlarged class C steps around class C aerodromes as a minimum requirement.

In the light of further data and analysis regarding the benefits and risks associated with the current NAS 2b airspace arrangements, the board has decided to focus future work on two options to enhance the airspace in parallel, both of which are expected to involve minimal change to class E en route airspace. One option involves the use of special E airspace above and around class D or regional towers; the other involves class C airspace above class D towers and some changes to en route class E, for airspace design reasons, in the Sydney-Melbourne corridor. Airservices Australia is directing resources to further investigate these two options, including safety analysis, cost benefit assessments, risk hazard assessments and mitigation identification, and to further consult with industry on these options.

Airservices Australia board also announced further interim enhancements to complement actions already undertaken. These enhancements or risk mitigators were identified as a result of the extensive data collection and analysis conducted to date. They include additional controller training on operational responsibilities and duty of care, working with the Civil Aviation Safety Authority on improved definitions of traffic information and safety alerts, additional pilot education material, working with CASA on educational material to reduce violations of controlled airspace, better coordination with airlines regarding the serviceability of traffic alert and collision avoidance systems—or TACAS—with all operations in relation to transponder failures or noncompliance, and workshopping the feasibility of depicting key instrument flight routes on visual charts.

Overall the board is encouraged by the work under way to narrow the scope of the changes in airspace required. Airservices Australia is on track to complete consideration of the issues in time for any changes to be incorporated into the 25 November 2004 Aeronautical Information Regulation and Control—or AIRAC—distribution deadline. That completes my statement.

Senator ALLISON—Is this the result of the review which was under way into the NAS?

Mr B. Smith—Yes, as a result of the work we have done on that over the past couple of months.

Senator ALLISON—Is this it in terms of a report of that review?

Mr B. Smith—It is an update as to where we are heading. There are further steps to be taken yet.

Senator ALLISON—My questions surround an incident in November last year. Questions may have been raised at the last estimates session, but I had some further questions about it. It relates to the reclassification of the airspace around or near Melville Island on 4 November. Is somebody able to answer those questions?

Mr B. Smith—I will do my best.

Senator ALLISON—Would you be able to describe the process which led to that decision, that reclassification?

Mr B. Smith—We acted upon a request from the Australian Customs Service to declare a temporary restricted area over Melville Island between the hours of 0430 GMT and 0850 GMT on 4 November 2003. We made the declaration on the basis that it was in the public interest to do so, and that is in accordance with air services regulations. We formed that opinion on the basis of information supplied to us by the Australian Customs Service.

Senator ALLISON—What was the substance of that information?

Mr B. Smith—We were advised that there was a covert law enforcement operation being conducted on Melville Island which included Australian Customs Service aircraft as well as military ships and aircraft. In the circumstances the view was taken that it was appropriate to ensure that any civilian aircraft wishing to operate in the area were subject to coordination by the civilian authority overseeing the operation, and that was at time the Australian Customs Service.

Senator ALLISON—How many aircraft were in the air at that time?

Mr B. Smith—I cannot tell you that.

Senator ALLISON—That was not part of the reasons offered by Australian Customs?

Mr B. Smith—I believe so. My colleague tells me not, but I thought there was an issue about these aircraft mixing it up with the normal ones. I will ask Tom to give me some help; he is the legal eagle.

Mr Grant—When this action was taken there was a notice to airmen, a NOTAM, issued which made it clear that if aircraft wished to enter this airspace they should contact the contact numbers on the notice that went out to all pilots, and that was basically to go to the

Customs Service or Immigration. Whilst our delegates took a decision on this particular airspace, it did not mean that it was not possible to enter the airspace; it simply meant that you had to make arrangements with either Customs or Immigration. I just wanted to make it clear that this was a temporary restricted area which had conditions on it, and the conditions were that you had to go to Customs or Immigration if you wished to enter the airspace.

Senator ALLISON—How usual is it to have a condition of that sort on, what did you call it, a NOTAM?

Mr Grant—For example, these sorts of restricted areas might be created around sites of, say, where there is a siege and the police, for their operational requirements, wish to restrict operations. Perhaps there is the chance of firearms being discharged, that sort of thing. Whilst that is not an everyday event obviously, it is not uncommon for us to have to deal with those things.

Senator ALLISON—How common is it? How many times in the last 12 months or whatever period?

Mr B. Smith—It is very rare.

Senator ALLISON—Has it happened at all?

Mr Grant—Yes.

Senator ALLISON—When was the last time?

Mr Grant—I am not saying in the last 12 months, but I recall there was a siege situation, I think it was in Queensland a year or two ago, where the same thing happened.

Senator ALLISON—Same thing as in?

Mr Grant—We were asked to declare a restricted area.

Senator ALLISON—By whom in that instance?

Mr Grant—By, I think, the Queensland police in this case. I would just like to take the details on notice. I am giving you my recollection. We also did something similar in relation to CHOGRM. We restricted airspace and we were making decisions—

Senator ALLISON—In that instance who would have advised Airservices that that was necessary?

Mr Grant—In that case it would have been the Department of Defence or the Commonwealth Police. Again a competent authority that is dealing with security arrangements can come to put a case to our operational delegate, who then makes a decision on safety grounds, which is what happened in this case.

Senator ALLISON—Is this the first instance in which Customs has made such a request?

Mr B. Smith—We would have to research that. I have no recollection of it.

Senator ALLISON—I would have thought that the police and military, or the Department of Defence, would be the most usual bodies to request such an action. Would that be fair?

Mr Grant—Could we take that on notice?

Mr B. Smith—There are so few of them, it is very hard to say. They are quite rare occurrences.

Senator ALLISON—I would have thought that the fewer of them the easier it would be to say.

Mr Grant—But they are operational decisions that do not come up the line necessarily to the head office in Canberra. The delegation is held by operational people within our major centres in Brisbane or Melbourne who deal with this airspace on a 24 hours, 7 days a week basis. We would just like to ask them to provide that information to us.

Senator ALLISON—Nonetheless, you need to be sure that the criteria have been met before doing a determination.

Mr Grant—Absolutely.

Senator ALLISON—Are you sure that the Airservices regulations statutory rules Nos 95 to 223, which establish those criteria, were met?

Mr Grant—At the time this happened, I had an inquiry from a media organisation that rang me in Canberra. I talked to the delegate who had exercised the delegation. He advised me of the reasons, and they were consistent with the regulations. They were safety based reasons.

Senator ALLISON—So that is public safety, but we do not know how many aircraft were in the air. That was not put forward as one of the criteria?

Mr Grant—This was a prearranged restriction of the airspace. In other words, we were approached by these authorities to the delegate saying that, between certain hours, they wished to restrict the airspace. It was not a matter of aircraft being in the air at the time; it was a matter of then issuing a notice to airmen, declaring restriction and advising what the conditions were if they wished to use the airspace. It is not a prohibition of using airspace; it is a restriction which requires anyone wishing to use the airspace to contact the telephone numbers on the NOTAM if they wish to go into that airspace.

Senator ALLISON—But, in effect, it was a prohibition, wasn't it?

Mr Grant—It is not a prohibition if Immigration or Customs allowed aircraft in, and they were determining—

Senator ALLISON—How many aircraft were allowed in?

Mr Grant—I do not have the answer to that.

Senator ALLISON—Could you take that on notice?

Mr Grant—We simply declared the airspace. We could check on that.

Senator ALLISON—So you had no further involvement? You would not know whether or not Customs allowed aircraft in?

Mr Grant—I would have to talk to the operational people.

Mr B. Smith—Normally, I would say not. Our concern is to ensure that, if there is a safety concern, we take care of it.

Senator ALLISON—Can you expand on that safety concern? Was it safety because arms were involved? Were guns being used?

Mr Grant—It was a potential risk to aircraft which could have been from a number of things, including the possibility that arms may have been involved. That is what was put to me by the delegate.

Senator ALLISON—So it was suggested that there could have been a possibility that arms might be involved? I am just repeating your words.

Mr Grant—That was one possibility out of a number in a situation where there is an operation. Remember that we were advised that there was a law enforcement action under way. We did not know the details of that, and that could involve a range of things.

Senator ALLISON—You are not required to be told that? It was enough for Customs to say that there was a public risk associated with this operation, and that was all you needed to know?

Mr Grant—I was not the person who exercised the delegation. I did talk to that person, and I was satisfied that that person used aviation safety reasons as the basis for his decision.

Senator ALLISON—What was that person's official capacity? What was their position within Airservices?

Mr Grant—That person has responsibilities for decisions on airspace of this type. So it is a day-to-day responsibility, and that person holds the delegation from the chief executive to carry out that function.

Senator ALLISON—And their role within the organisation—what are they called?

Mr B. Smith—I would have to check the delegation lists.

Senator ALLISON—And is this delegation a formal document? What is required in order to be someone who is authorised to make delegations?

Mr Grant—The delegation is from the CEO to individuals. It is made by legal instrument.

Senator ALLISON—So that is a document.

Mr Grant—It is not done on a day-to-day basis; the instrument is done and then they exercise the delegation on a day-to-day basis.

Senator ALLISON—So how many officers would have that delegation authority?

Mr Grant—Only a small number: our head air traffic controller and probably one in each of the major centres. So it may be that only three people hold that delegation. But we would like to take that on notice.

Mr B. Smith—I think we really need to take that on notice. The delegations are quite comprehensive and they do not just cover this specific circumstance, so we would have to draw that out and test it.

Senator ALLISON—You said that the determination in this case was for a discrete period of time. How far in advance of that time frame was it requested?

Mr Grant—I would have to take that on notice, but I believe that it was not very far in advance and it was for a relatively short period of time. As Mr Smith said, it was between 4.30 Greenwich Mean Time and 8.50 Greenwich Mean Time on 4 November, so it was a little over four hours.

Senator ALLISON—How does the advice arrive from Customs? What is typically required to be the process and what happened in this instance?

Mr Grant—I cannot answer that in detail. Again, I would prefer to take that on notice rather than just speculate as to the process.

Senator ALLISON—Can you at least indicate who within Customs would be entitled to call up and put this case? Is there someone within Customs who would have an equivalent delegation authority to make this application?

Mr Grant—I am not sure we are going to be able to answer that, because that is probably a matter for the Department of Justice and Customs, but again I would like to take that—

Senator ALLISON—I would have thought it was a matter for you to know whether the person making the request for this delegation was entitled to do so.

Mr B. Smith—No, the person holding the delegation would need only to be satisfied that there was a risk that needed to be—

Senator ALLISON—So if the office boy rang up and said, ‘I think there’s a risk at Melville Island,’ the person with the authority to delegate that would have to accept that as being an authoritative source?

Mr B. Smith—The person would have to make a judgment at the time on the basis of the information. To use your analogy of the office boy, if that person thought that the office boy really knew what was going on, really understood that there was a serious risk here and that something needed to be done, then yes, he—

Senator ALLISON—I understand. There is no formal identification of the person who is entitled to do this—

Mr B. Smith—No.

Senator ALLISON—and it is a judgment at the time. Is there anything within the regulations which spells that out?

CHAIR—That would be an office person though, wouldn’t it, not an office boy.

Senator ALLISON—It could have been an office girl.

CHAIR—An office person, really.

Mr B. Smith—I do not know. I do not know the regulations that comprehensively. We would have to take legal advice on that.

Senator ALLISON—Was the minister involved at all?

Mr Grant—No.

Senator ALLISON—The Minister for Justice and Customs?

Mr Grant—No. I think we advised the minister’s office after the event.

Mr B. Smith—That is the Minister for Transport and Regional Services, not Customs.

Senator ALLISON—The minister for Customs?

Senator Ian Campbell—These officers do not report to the minister for Customs.

Senator ALLISON—No, I am just asking whether he was involved in this instance.

Senator Ian Campbell—You need to go to another committee to get an answer that.

Senator ALLISON—Mr Grant may know whether there was an intervention on the part of the minister or someone else.

Mr Grant—I am not aware of it. My understanding is that it was an official in the Customs Service who approached our operational manager, and I am not aware of any other contact.

Senator ALLISON—Did Air Services have any discussions with officers from the Department of Immigration and Multicultural and Indigenous Affairs or from Defence in terms of processes or protocols for restricting or prohibiting air space access?

Mr Grant—I believe there would be set procedures for dealing with this, but I do not have those with me and I would like to take that on notice to describe exactly what they are. Because they are dealing on a day-to-day basis with issues like this, although they may not happen all that often, obviously our officers have to be prepared for situations like this. Therefore, their relationships with the police, with Customs and with Immigration are well established and set down in documentation, and I am sure that that would be the basis on which these contacts would be made. It is just that we are not close enough to that to be able to describe it to you, but we can get that information for you.

Senator ALLISON—All right, thank you. Can you also find out if Immigration has ever sought a delegation to close air space for any purpose in the past, or whether there were any requests associated with the entry of an unauthorised vessel into Australia in terms of Air Services?

Mr Grant—Do you mean other instances—are you talking about?

Senator ALLISON—Yes.

Mr Grant—We will take that on notice.

Senator ALLISON—If it is possible to get some detail about the surveillance activities, given that the event is now over and one would assume it is not an issue for national security any longer, can we know how many aircraft were involved, what sort of aircraft they were, what sort of heights they were flying at, if at all, and what generally the surveillance activities were at the time?

Mr B. Smith—We would not have that information, but my recollection is that that area is not under radar coverage and even if it was we would not be holding the tapes for this period of time.

Senator ALLISON—Insofar as this information was brought to Air Services in application of the delegation.

Senator Ian Campbell—That is operational Customs information and it is not in the national interest to hand out, even in retrospect, the flight patterns of our surveillance aircraft. Why would you tell the rest of the world what the surveillance flight patterns are of Australia's Customs aircraft, unless you wanted to give an open invitation, 'Come in within the synchronisation of our flights'? It is idiotic.

Senator ALLISON—It is not idiotic.

Senator Ian Campbell—Totally idiotic.

Senator ALLISON—It is relevant because your government decided—

Senator Ian Campbell—No, it is crazy.

CHAIR—Everybody should calm down.

Senator ALLISON—that the media should not have access to the island at the time.

Senator Ian Campbell—You are now asking for the Customs flight schedules over northern Australia.

CHAIR—I do not think that is relevant.

Senator Ian Campbell—You must be joking.

Senator FERRIS—If the officers have difficulty with it they can take the questions on notice.

Senator Ian Campbell—It is not even in their portfolio.

Senator FERRIS—Yes, but they can take the questions on notice and they can go to the other portfolio.

Senator Ian Campbell—Well, they are not going to.

CHAIR—Order! I am actually chairing the meeting.

Senator FERRIS—That makes a nice change.

CHAIR—I would have thought that that was a reasonable attitude, and also I do not think it would be reasonable to give away, if that is what you are asking for, the flight patterns of surveillance.

Senator ALLISON—That is not what I asked for at all.

CHAIR—But, in any event, I am sure they would be delighted to take the question on notice and do their best to answer it.

Senator ALLISON—If the minister will stop interrupting, maybe we will get through.

CHAIR—You are a champion.

Senator ALLISON—I just wonder whether similar requests might have been made for drug smuggling in the Torres Strait. I understand that there have been some exercises similar to what we might be talking about and wonder whether they have involved any delegations.

Mr B. Smith—None that have come to my knowledge.

Senator ALLISON—Determinations, sorry not delegations.

Mr B. Smith—Not that have come to my knowledge. It is possible. We do not in the corporate headquarters get involved in day-to-day issues as a matter of routine.

Senator ALLISON—And there are no other circumstances that you can think of where this has been necessary. I have just got a couple of examples here: police air wing helicopter conducting low level training flights. That sort of exercise has not generated closure of air space?

Mr B. Smith—There are a number of PRDs, as they are called—prohibited, restricted and danger areas—that are declared on our maps and in our documentation. Some of them are declared for reasons of training, being regularly there. They are more the danger areas than the restricted areas. Some of them might be because there might be military firing or rifle ranges or whatever. So there could be occasions where those areas are set up for that purpose. The military, of course, have operations in areas from time to time—low-level practice routes or whatever—so we NOTAM them on and we NOTAM them off.

Senator O'BRIEN—Congratulations, Mr Smith, on being elected as chairman.

Mr B. Smith—Thank you.

Senator O'BRIEN—That is a good recognition of the professional and valuable work you have done.

Mr B. Smith—Thank you.

Senator O'BRIEN—Airservices Australia has commissioned a comprehensive review and validation of the safety premises which underpin the national airspace system reform. During last estimates you made a statement in which you indicated that it would take the form of a design safety case of the full national airspace system reform program. Can you go through in some detail what a design safety case is?

Mr B. Smith—I probably do not have the level of detail you are after, but suffice to say that it is a thorough analysis of whatever the characteristic is at hand. The heart of it is the identification of risks and the mitigators that can be applied against those risks, which will then lead us to a position of knowing whether that particular process can proceed or cannot—that is the first level—and the degree to which the risks can be managed. That is really at the heart of it. That will tell us whether the design is a reasonable thing to do, or not.

Senator O'BRIEN—For a design safety case, do you need to develop a plan for the review?

Mr B. Smith—There is a laid out process for the design safety case. Part of that, for instance, is consultation with groups that have knowledge of this area. That is done in what are called hazard identification workshops. That is where pilots and controllers come together and look at flight threads—where it leaves, what airspace it goes through, where it gets to—and identify what risks or hazards there might be within that.

Senator O'BRIEN—What consultation was planned for the review?

Mr B. Smith—I was saying that the safety case process requires that the hazard identification workshops be held: we have had quite a number of them over the past months. So we go through the normal process.

Senator O'BRIEN—So you have had quite a number of workshops since February?

Mr B. Smith—We have had a number, yes. Certainly against option Nos 1, 2, 3 and 4—the various options that we have considered.

Senator O'BRIEN—Has the design safety case now been concluded?

Mr B. Smith—No. We are not talking about a single design safety case: each of the options would have its own design safety case.

Senator O'BRIEN—Have any of those been concluded?

Mr B. Smith—It has for option 1. That option, though, has been shelved for the time being. The safety case was completed. The board has decided recently to put that particular option on hold. We will be proceeding with what we are calling options 3 and 4—or 3 and 'the industry model'—and we will make a decision in July as to whether we can refine that down to one option to go forward into the full safety case analysis.

Senator O'BRIEN—Is there a projected time frame for the conclusion of the design safety cases?

Mr B. Smith—Yes.

Senator O'BRIEN—What is that?

Mr B. Smith—It will be within the three months between July and November. We have to, in that time, complete the design safety case and if we are proceeding to implementation we also have to complete an implementation safety case.

Senator O'BRIEN—Will this involve reviewing each of the proposed 50 stages of the National Airspace System one by one?

Mr B. Smith—No. We are only looking at NAS stage 2b.

Senator O'BRIEN—When concluded, will the results be detailed in the form of a written report?

Mr B. Smith—No. The process is that we complete the design safety case.

Senator O'BRIEN—What happens then?

Mr B. Smith—We give that to CASA for review. We will take it to our board. On the basis of that safety case, they will determine whether we go forward to implementation.

Senator O'BRIEN—So there will be a written document—not a report on what has happened but a written document—which sets out the outcome of the design safety cases?

Mr B. Smith—Correct.

Senator O'BRIEN—Will that be publicly available?

Mr B. Smith—Not normally, no. It is an internal document that allows us to determine whether we should go forward or not, what risks we have to mitigate and how we should go about that. As I said, it goes to the safety authority for their review but, other than that, we do not normally publicise it. There is no reason why not, but there is just no reason to do it.

Senator O'BRIEN—One reason for doing it might be that this has been a controversial airspace system implementation process. A lot of concerns have been expressed about the

process. One could argue that it is in the public interest that, if a design safety case has dealt with those concerns, it ought to be published.

Mr B. Smith—You are right. That could be an argument that could be put forward. I am sure the board would consider it if that were the case.

Senator O'BRIEN—There would not be any public interest reasons why it should not be published, would there?

Mr B. Smith—I cannot think of any reason one way or the other. I really have not applied my mind to it.

Senator O'BRIEN—The second matter you raised in February was a more extensive risk analysis of the changes implemented in November. You have just been talking about those, haven't you?

Mr B. Smith—Could I just add one thing. You were talking about the process earlier. There is a holistic review of the NAS under way at the same time. We are not moving terribly quickly with that at the moment as we are focusing on 2b, but we are having a look at the holistic NAS, firstly to define what the end state is and secondly to determine what process we have to follow.

Senator O'BRIEN—When do you expect that to be concluded?

Mr B. Smith—It will take about 12 months, I would think.

Senator O'BRIEN—Has there been an increase in the frequency of Airservices board meetings over the past six months?

Mr B. Smith—There has indeed.

Senator O'BRIEN—Is there a reason for the increased activity?

Mr B. Smith—Yes; NAS, basically. As you know, there were a lot of concerns surrounding that. I did go through that last time. That has required quite a bit of effort by the board and management.

Senator O'BRIEN—Will the cost of this extra work for Airservices staff to support the board and these other activities be totalled for the purposes of assessing the degree to which this has imposed extra burdens on Airservices?

Mr B. Smith—It will never be totalled accurately. The damage is, I think, as much to families and so on.

Senator O'BRIEN—To the extent that you could put it down to your budget.

Mr B. Smith—The work that we are talking about has been carried out by managers and board members who do not receive any additional remuneration for what they are doing. To that extent, it is not a marginal cost. The marginal cost is in the printing of documents and, perhaps, the use of external consultants, the funding of hazard workshops and so on. We do have an idea of that cost; we do keep track of that.

Senator O'BRIEN—What do you think it would be so far?

Mr B. Smith—Can I just see if my colleague remembers. I did look at this about six or seven months ago. I am sorry, Senator; we really do not have enough definition. If you like I will take it on notice.

Senator O'BRIEN—Thank you. In February when we were discussing a newspaper article of 6 February you indicated that Airservices were considering an option for a significant roll-back of the National Airspace System and you provided this committee with a copy of the slides of an Airservices presentation of a workshop on 4 February, and thanks for that. I understand this proposal included replacing significant parts of class E airspace with class C airspace—that may be a simplistic way of putting it.

Mr B. Smith—That is accurate.

Senator O'BRIEN—Can you please describe what that option entailed in a bit more detail?

Mr B. Smith—We had bought into play quite a bit of E class airspace as part of the 27 November changes last year and we are looking at whether or not we needed to go back to class C for that. In the meantime we have carried out a lot of analysis on that and the board decided only last week that it would not be necessary to take that airspace back to class C.

Senator O'BRIEN—Can you explain what the benefits of going to class C would have been and what the problems with that option were?

Mr B. Smith—The benefit for the organisation of going to class C was that if you recall we had a governance issue of having relied on others for safety assessment and in particular on the safety authority to say that a safety case was not required so therefore we had erred in relying on that in law. So we knew that if we went back to what it was originally then there could be no issue, simplistically speaking, because we had reverted to what was, so that was the first thought. But subsequent to that we have conducted, as I say, a lot of analysis and that has demonstrated that we are, in fact, able to leave the E class airspace in place in the en-route sectors; not around the terminals, that has not yet been decided.

Senator O'BRIEN—This reversion to C class option, I take it from what you are saying it was discussed at the Airservices board meeting last Friday in Perth?

Mr B. Smith—Correct.

Senator O'BRIEN—The option that you described in your statement today was also considered at that board meeting I take it?

Mr B. Smith—Yes, Senator. Today I described a couple of options, but yes, they certainly were.

Senator O'BRIEN—When considering this option did the office of the Minister for Transport and Regional Services provide any feedback or opinion on it?

Mr B. Smith—Not to my recollection. When you say, 'the option' there were three options that were considered: options one, three and four. One, the board decided to set aside; I think that was at a previous board meeting. So we were looking at options three and the industry option as it is known, which we are calling four. I cannot recollect any input from the minister's office to that decision making process.

Mr Grant—We kept the minister's office informed but there was no question of the minister telling us what the options were.

Senator O'BRIEN—So of the two options that are live—if I can put it that way—one option involves the use of special E airspace above and around class D regional towers?

Mr B. Smith—Correct.

Senator O'BRIEN—What is special class E airspace?

Mr B. Smith—Normal class E airspace is such that IFR aircraft are separated from IFR. To them—

Senator O'BRIEN—Sorry: IFR or VFR?

Mr B. Smith—IFR from IFR. VFR are not known and not separated within E class airspace. But the industry is saying that they want an activity known as alerted, see and avoid: that is, to know when other aircraft are around and broadly speaking where they are coming from. The industry is saying that would make sense. We are having a look at that, and at first blush it certainly would seem that it is worth further inquiry. But the big difference is that light aircraft entering that zone—that is, VFR aircraft—would advise a controller of where they were so that the pilot could be alerted. We are only talking about that in nonradar areas. The board has accepted that if there is radar coverage in class E airspace then that is alerted, see and avoid—the radar does the alerting. But otherwise we must have a method by which we know those aircraft are there and can alert RPT aircraft in particular—IFR aircraft.

CHAIR—That assumes the VFR actually knows where he is.

Mr B. Smith—Yes, it does. But that is true of any controlled airspace situation. That is a requirement.

CHAIR—I know of times when people did not know where they were in those circumstances.

Senator O'BRIEN—I am sure that is true. The other option involved class C airspace above class D towers and some changes to en route class E airspace in the Sydney to Melbourne corridor. Can you explain that option for us?

Mr B. Smith—You are right: the larger towers are in Sydney and Melbourne. With the C class towers, what would happen would be that we would put more C airspace over the top and that would mean that aircraft coming out of the flight levels—that is, the higher altitudes; and that is mainly jet, RPT and high performance aircraft—would have a full separation service provided through that airspace, including VFR and IFR aircraft.

Senator O'BRIEN—Where are class D regional towers?

Mr B. Smith—Albury, Tamworth, Alice Springs—I would have to check them all. Some are a mixture of C and D.

Senator O'BRIEN—What about Launceston and Hobart?

Mr B. Smith—Yes, I think they would be D.

Senator O'BRIEN—Kununurra?

Mr B. Smith—Kununurra is not.

Senator O'BRIEN—What is it?

Mr B. Smith—It is nothing. I am sorry; it does not have a control tower.

Senator O'BRIEN—It does not have a tower. It is going to have jets landing their shortly, if not already.

Mr B. Smith—Yes. It is not a requirement to have a control tower where there are jets. It depends on the movements through the port.

Senator O'BRIEN—Okay. What about the changes to en route class E airspace in the Sydney to Melbourne corridor? What changes are envisaged there?

Mr B. Smith—One of the options looks at making that class C above a certain altitude. The problem there is that the Sydney control zone bumps into the Canberra control zone, bumps into the Albury control zone, bumps into the Melbourne one. One of the risks that has been identified with not doing that would be that aircraft are flying from one class of airspace into another on a too frequent basis and pilots would have to be aware of the change in service that they are getting. That would raise hazards. That is why that corridor would need a special look.

Senator O'BRIEN—Wouldn't that happen going north as well?

Mr B. Smith—No. The geography is such that they do not have the same sort of problem.

Senator O'BRIEN—What were considered to be the advantages and disadvantages of each of these two options?

Mr B. Smith—I would have to go to the hazard ID log to get all of that. Broadly speaking, alerted, see and avoid—that is special E—is different to other parts of the world. That is not a great thing. We are trying to go for commonality. It would be special. The disadvantage of having C over the towers is that it is considered to be overly restrictive by the GA end of the market.

Senator O'BRIEN—When you say 'over the towers', what is the range?

Mr B. Smith—This is if we put C over the D towers.

Senator O'BRIEN—When you say 'over', what is the range? How far out from the tower are we talking about going?

Mr B. Smith—You could think about an upside down wedding cake. In some cases it goes out to 30 to 45 miles. Sydney is 45 miles; Albury, I think, is about 30 miles. At the moment, in E a VFR pilot can track over the top of Albury without making any reporting. If we put C airspace there then they would have to report and get an airways clearance before they could proceed.

Senator O'BRIEN—Some consider that overly restrictive, do they?

Mr B. Smith—They do.

Senator O'BRIEN—The reason for proposing that is that then there is a requirement to announce knowledge of all aircraft that are there.

Mr B. Smith—That is correct. Our aim would be to achieve a 2.8 degree entry profile into the tower airspace in either alerted, see and avoid or a full separation service, particularly for high-performance aircraft.

Senator COLBECK—What does ‘2.8 degree entry’ mean?

Mr B. Smith—That is the angle at which they descend. Before they were going out of C into E and back into C again because it was a bit narrow. So one of the things we will do is expand C.

Senator O’BRIEN—What are the disadvantages of the special E class airspace?

Mr B. Smith—As I said, it is non-standard. It is not used elsewhere. That is not a good thing. We would have to make sure that, within the safety case methodology, that is sufficient for the high-performance aircraft that are going through it. It is a lesser level of service than full C class separation. We think it might well be quite adequate. We do not know until we do the full analysis.

Senator O’BRIEN—Is it fair to say that these options were developed with particular members of the aviation industry?

Mr B. Smith—I would say with a broad cross-section of the aviation industry, certainly.

Senator O’BRIEN—How broad? How many people have been closely involved in the development of these options?

Mr B. Smith—Lots and lots. I do not have numbers, but certainly the various associations, the airlines, RPT operators, charter operators and flying schools have been involved.

Senator O’BRIEN—Qantas and Virgin have been closely involved?

Mr B. Smith—Absolutely.

Senator O’BRIEN—Rex?

Mr B. Smith—Yes.

Senator O’BRIEN—Pilot organisations?

Mr B. Smith—Pilot organisations, as in unions?

Senator O’BRIEN—Yes, that is what they are usually.

Mr B. Smith—I know they have had input. They have certainly written to us and we have taken their advice into account. So to that extent, yes.

Senator O’BRIEN—What is the effect of the decision by the Airservices board on the implementation schedule for NAS stage 2c given that you plan to implement any proposed changes to 2b in November, the same month that 2c is due for implementation?

Mr B. Smith—We have to finish 2b before we can do 2c. The aspects of 2c for which Airservices is responsible—that is, I think, two out of the four characteristics—will not be done in November. We will be making sure that we have 2b right, for a couple of reasons. One reason is that, until we know what the changes are to 2b, we do not know what airspace we have there to abut the new airspace. So one must follow the other logically.

Senator O'BRIEN—Your press release of Monday also listed six interim enhancements that I assume will be implemented. What additional controller training is required and when will it take place?

Mr B. Smith—The controller training or the pilot training?

Senator O'BRIEN—The controller training.

Mr B. Smith—We have a new situation for controllers in that we have a need for awareness in airspace adjacent to two control zones. So we are looking at the degree to which we can have information supplied to controllers that they perhaps did not have before and that might be useful and the degree to which they could and should obtain situational awareness from pilots. For instance, I gave you the example of Albury, where an aircraft VFR transiting above Albury would try and listen out on two frequencies—the control tower and the overhead frequency—so that he can contact either the tower if he hears an aircraft that might be out of his airspace or the overhead if necessary. We then need to say: what should the controller do about that? Most of it is logical and some of it may not be. We want to make sure that we are all on the same page there.

Senator O'BRIEN—How will this additional training be funded and what will it cost?

Mr B. Smith—There will not be a marginal cost increase to it. It may mean some overtime, but it will be done in the normal course of training. We have a training schedule for our controllers. I have not been into the specifics, but I would imagine that they would slot it into that. That is the logical way of doing things.

Senator O'BRIEN—What data and information did the Airservices board consider when determining that air traffic controllers required additional training?

Mr B. Smith—They considered management advice on the subject. In particular, we went through the outworkings of the ATSB report on an incident near Launceston. They made a series of recommendations. Our people looked into those recommendations and said, 'Here are some things that we could do that ought to enhance the situation.' So it is a result of that work.

Senator O'BRIEN—What information have you gathered that indicates that traffic information and safety alerts require improved definitions?

Mr B. Smith—I think that refers to making sure that TCAS alerts—that is, the onboard system that detects another aircraft—are responded to in the same way universally so that the controllers know what to expect and pilots know what to expect. In other words, if you get a resolution advisory that says, 'Fly up,' the controller knows that the aircraft will fly up and the pilot knows that the aircraft will fly up. It is those sorts of things.

Senator O'BRIEN—It makes sense if you are going down and you fly into—

Mr B. Smith—Yes, it might actually advise you to fly down; it detects the proximity of other aircraft. It may advise you to go down rather than up; it depends on the circumstance. It is something that has come out of another recent serious incident overseas and it is something that we believe is worth looking at locally as well.

Senator O'BRIEN—What is the additional pilot educational material that is required?

Mr B. Smith—I do not have full details, but it is things like frequency management; the need to be aware that if you are passing adjacent to a control zone then you tune in to the frequency of that control zone; and, if you are en route, tune into the frequency that anybody that is near you is likely to be on. We are also looking, first of all, at depicting on charts IFR routes that are used. Let's use poor old Albury again: if we have routes to the north and south out of there that are regularly used, particularly the north by RPT aircraft, we want to suggest to VFR aircraft that it would be better to go off that route slightly so you would have natural separation—the same as we do with things like hemispherical rules, where your direction determines your level so that there is a natural separation of aircraft.

Senator O'BRIEN—How is it proposed that this would be delivered to the pilots?

Mr B. Smith—Probably by the normal methods, which are through written material that goes out in our regular updates, through the Web and through our officers going around to airports from time to time and talking to flying schools and interested pilots and bringing them up to date on what is happening. Again, I do not have the specific program, but it is normally a combination of those things.

Senator O'BRIEN—What is the licensing regime? Is there some means of enforcing the education process through the licensing regime?

Mr B. Smith—That is probably a question better directed to CASA, but to my knowledge nothing has come to my notice that says there is a problem with having to enforce anything. We are not at that point; it is a question of making sure the education material is there. If it is there and pilots refuse to use it then it would be a question of enforcement, but I do not believe we have got to that point as yet.

Senator O'BRIEN—Have you any idea of the total cost of this additional material and how it will be paid for?

Mr B. Smith—No, I do not.

Senator O'BRIEN—Can you give us any information on that on notice?

Mr B. Smith—Certainly.

Senator O'BRIEN—Does Airservices Australia consider that pilot education about the NAS has been adequate or inadequate?

Mr B. Smith—I guess any education process can always be better. That is the reason we have post implementation reviews and constant reassessment of where we are going. I think the pilot education was in many ways very good, but it can always improve.

Senator O'BRIEN—Is this the pilot education and training referred to in the minister's press release of 20 February, which is entitled, 'Government's Response to ATSB Launceston'?

Mr B. Smith—I cannot recall that particular document.

Senator O'BRIEN—Does Airservices have a concern that there are too many violations of controlled air space?

Mr B. Smith—We are not happy with the level of VCAs. They are something that we look at in every board safety committee meeting and we are constantly searching for ways of improving them. We work with CASA quite a bit to achieve that.

Senator O'BRIEN—Was the Airservices board presented with any information that indicated a change in the frequency of these violations?

Mr B. Smith—The Airservices board is given statistics on VCAs every board meeting. I think there was an increase in violations of controlled airspace over a period.

Senator O'BRIEN—Is that information able to be provided to the committee?

Mr B. Smith—Yes.

Senator O'BRIEN—Can you describe the concerns that the Airservices board have with the coordination of traffic alert and collision avoidance system serviceability?

Mr B. Smith—What we are getting at there is that we want to make sure that the RPT aircraft that carry TCAS do not have that listed as an allowable deficiency. Most aircraft carrier redundant systems are allowed to have a certain amount of unserviceability—with plenty of backup on them, of course. We do not know: we are saying to the board that we need to have a look and see what is going on, because we think that is a good thing to have serviceable.

Senator O'BRIEN—How is it proposed that you make this coordination better?

Mr B. Smith—We would look to CASA to give us some advice on that, and we would also talk to the airlines themselves and ask them to give us a look at their MELs—minimum equipment lists—to see whether they can be improved.

Senator O'BRIEN—What is the current rate of transponder failure?

Mr B. Smith—We have no figures on that at all.

Senator O'BRIEN—Do you have knowledge of non-compliance requiring better coordination?

Mr B. Smith—We know of incidents where aircraft have not been transmitting a transponder signal, but we could not say that there are not others that we do not know about. We have no knowledge of that. Most of them are operating outside controlled airspace. Good airmanship says that pilots leave them switched on because they activate the TCAS alert system that we were talking about earlier even though they are not within radar coverage, and the primary purpose of a transponder is to activate a radar return. We would like to see the transponders working all the time, and CASA put out a lot of material to try to achieve that end.

Senator O'BRIEN—How do you improve coordination in relation to transponder failure or non-compliance?

Mr B. Smith—We do not know yet. All we are saying is, 'Let's have a look at that and see what we can do.'

Senator O'BRIEN—That issue is a fairly important one in terms of which of those two options you pick, isn't it?

Mr B. Smith—Not really. It is a good thing to have; it is a good safety net. But the ICAO requirements for aircraft design say that you must design the airspace such that you do not take into account TCAS. So it should be at an acceptable level of risk, excluding TCAS. And that is what we do.

Senator O'BRIEN—But, of the two options, is it relevant at all?

Mr B. Smith—We cannot take it into account in assessing it, but it is a safety measure so we will always say, 'Let's have any safety measure that we can have working, working.'

Senator O'BRIEN—Are the proposed changes to make visual charts clearer, as detailed in the press release of 20 February, the same as workshopping the facility of depicting key instrument flight routes on visual charts?

Mr B. Smith—I believe so. Are you referring to boundaries on charts for frequencies?

Senator O'BRIEN—I do not think the minister's press release of 20 February made it that clear, to be honest with you. I am just wondering if we are talking about the same thing.

Mr B. Smith—That may well be because we are not totally clear of the end result of this ourselves as yet. We are saying that there are things we can do. Certainly the IFR routes was one idea. Another idea that I heard related to whether or not we should depict certain VFR routes through control zones or over the top of them that would be safer for pilots or would lower the risk.

Senator Ian Campbell—I think the answer is yes.

Senator O'BRIEN—In February, I think, you indicated that on Thursday, 19 February, you would be providing the minister with a complete list of measures for immediate implementation that came out of the ATSB recommendations into the Launceston incident. What specifically were those measures?

Mr B. Smith—I do not have the list with me. I can get it for you. I will take it on notice. There were a number of measures.

Senator O'BRIEN—Thanks. On Friday, 15 April, Airservices Australia issued a media release headed 'Attacks on Airservices Australia staff reprehensible'. The first paragraph of this release says:

Airservices Australia, the national air traffic control corporation, cannot stand by and allow statements made in media broadcasts today to denigrate the professionalism of its staff.

Did Airservices also release a different version of this media release entitled 'Dick Smith oversteps mark by attacking staff'?

Mr B. Smith—I think we may have. It went out on a limited distribution. I think that is the case.

Senator O'BRIEN—It is no longer available on the Airservices web site. Why is that?

Mr B. Smith—I have no idea. I did not know that it was on there to start with, but I guess we put all releases there—I do not know. I certainly have not asked for it to be taken off.

Senator O'BRIEN—I think the only substantial difference between the two releases that I have just mentioned is the direct reference to Dick Smith on seven occasions, including in the heading. Do you know why this was changed?

Mr B. Smith—There was some discussion in house as to whether it was prudent to be personally attacking an individual and we decided it was not a good idea, so we sent out the second one that you are talking about. Unfortunately the first one had also eased out somewhere in the meantime.

Senator O'BRIEN—Was anyone at Airservices contacted by anyone from the minister's office about the issue of the first release, causing its amendment?

Mr B. Smith—There was discussion with the minister's office over a lot of things at that time—it is entirely possible.

Senator O'BRIEN—Could you check that and let us know?

Mr B. Smith—Yes.

Senator O'BRIEN—Thank you. While you are checking, can you check whether it was from the Prime Minister's office, just in case?

Mr B. Smith—I will check that.

Senator O'BRIEN—Do you stand by the comments made in the initial media release that statements in the interview by Mr Dick Smith contained gross inaccuracies, were untrue and unfairly damaged the reputation of the organisation and its staff?

Mr B. Smith—Yes, I do.

Senator O'BRIEN—Has Mr Smith apologised to Airservices for these comments?

Mr B. Smith—No.

Senator O'BRIEN—Is it appropriate that a member of the airspace reform group make public comments of this nature?

Mr B. Smith—That is not a question I could answer.

Senator O'BRIEN—On 1 April the minister announced the establishment of a new Airspace Directorate within the Department of Transport and Regional Services. What steps has Airservices taken to address this announcement?

Mr B. Smith—We have a process under way which will hopefully see that separation internally be activated by 1 July. So we are at the stage of evaluating where that line should be between our service activities and our regulatory responsibilities, and we will be setting up that unit steadily to cut over on that date.

Senator O'BRIEN—How many staff will be involved in the new directorate?

Mr B. Smith—It is too early to tell. We are still trying to figure all that out.

Senator O'BRIEN—Are the negotiations under way to determine how these people will be transferred to the department?

Mr B. Smith—It is not so much negotiations as working with the department to figure out the best way to establish it so that it can be easily transferred to the department.

Senator O'BRIEN—Is it true to say that the administrative costs of these staff will also be transferred from Airservices Australia to the Commonwealth government?

Mr B. Smith—No. We will have to continue funding it.

Senator O'BRIEN—So there will be no savings but you will be funding it?

Mr B. Smith—Correct.

Senator O'BRIEN—Will the staffing be a discrete pool?

Mr B. Smith—Yes, they will.

Senator O'BRIEN—At determined levels with a determined cost to be funded by Airservices?

Mr B. Smith—While the unit remains within Airservices Australia it will be discrete and clearly it will be funded because it is part of us. When it transfers to the department I do not know exactly what the process will be for that, but the minister has written to us and said that it is to be funded by Airservices.

Senator O'BRIEN—I am just wondering, given that part of your funding is based on charges and obviously the level of your charges relates to the cost of the operation, what controls will the Airservices board have over those costs which will now sit within the department?

Mr B. Smith—That has not been determined at this point.

Senator O'BRIEN—Do you know, Mr Matthews?

Mr Matthews—I will ask Mr Dolan, who has been leading the discussions about this, to answer that.

Mr Dolan—We have not got a final view on precisely how it will operate. The government has made it clear that the costs of the Airspace directorate at the point where it is established in the department would be subject to the cost recovery guidelines that were announced by the government last year. That involves transparency of the costs and of the charging regime associated with the function. The government at this point is of the view that those costs would be a charge to Airservices, on the clear understanding that it will then form part of the cost base we pass on to Airservices customers. There will be a clearly transparent budget and costing model for the organisation so everyone can see what that impact would be in terms of industry costs. That is as far in concept as we have got at this point.

Senator O'BRIEN—When is all this to happen?

Mr Dolan—None of this can happen until the parliament passes legislation to permit it to happen.

Senator O'BRIEN—So that could be shortly or a long time?

Mr Dolan—We are in the hands of the parliament.

Senator O'BRIEN—In some senses. Thank you very much.

CHAIR—Have we finished with Airservices?

Senator O'BRIEN—Yes.

CHAIR—Thank you very much, ladies and gentlemen. We will conclude and we will come back in an hour, and we have finished with Airservices so we will go on to aviation and airports.

Proceedings suspended from 6.34 p.m. to 7.39 p.m.

Aviation and Airports Regulation

CHAIR—We are now on Aviation and Airports Regulation.

Senator O'BRIEN—Mr Matthews, we just heard from Airservices Australia that fundamental changes to our aviation airspace management system, implemented six months ago, are being finalised. Do you now accept that stage 2b of the National Airspace System implemented in November was fundamentally flawed?

Mr Matthews—No, I do not, in those terms. It has certainly been necessary to go back and review the process and that is being done. We have heard that that is being done but the decisions that came out of that review process have not been finalised yet.

Senator O'BRIEN—I think we heard of three options, and none of them include leaving the system as it was, do they?

Mr Matthews—My point is that no decision has as yet been made. I am accepting the point and the government accepts the point that the process needed to be reviewed, and that process is now being pursued and the government supports the work that Airservices is doing.

Senator O'BRIEN—If changes need to be made, doesn't that indicate that the originally implemented system was flawed?

Mr Matthews—No. The point I am making is different from yours. The point I am making is that there was, we accept, a process deficiency, and that needs to be corrected.

Senator O'BRIEN—We talk about the process on the one hand, but the actual system, the change to the system or that part of the system which was implemented six months ago, indicates a problem, does it not?

Mr Matthews—But, as yet, no change has been made to the system.

Senator O'BRIEN—It does not appear to me that the board of Airservices is considering a no change option.

Mr Matthews—They are considering a number of changes. I think one of the messages that I took from Mr Bernard Smith's evidence is that the changes which are now on the table, having taken some off the table, are not radical or fundamental changes. They certainly do not include, he said, the complete roll-back option, for example.

Senator O'BRIEN—Do you accept that any members of the aviation travelling public were placed in a position of greater risk as a result of the implementation of the NAS than they would have been if the system had not changed at all?

Mr Matthews—My point has been that the process needed to be reviewed and that process is now being followed again in a considered way. The government has always taken the attitude, and it is certainly my own attitude, that where there is evidence of unacceptable risk, there needs to be immediate action taken about it. There are two forms of risk that need to be

managed: one is the design risk and one is the implementation risk. So there is a risk in making a change, and that is the implementation risk. Decision-makers in this critical area of safety need to be very careful about the second as well as the first, that is, implementation risk, and the best ways of mitigating, managing those risks, as well as design risk.

Senator O'BRIEN—All that is true, but if there is no increased risk associated with NAS stage 2b, why is Airservices Australia investigating in detail two options that change E class airspace near airports?

Mr Matthews—They are doing what the government would wish that they do; that is, they are looking through their revised process at what the identified or identifiable risks are, how best to mitigate them, and they are implementing them also in a measured and careful implementation way.

Senator O'BRIEN—Do you agree that a design safety case needs to be conducted by Airservices Australia prior to implementation of either or both of the options now being considered?

Mr Matthews—Yes, I do.

Senator O'BRIEN—Do you know if any members of the Airspace Reform Group do not believe that a design safety case is required?

Mr Matthews—The Airspace Reform Group has in fact been abolished and the entity that replaces the Airspace Reform Group is called—wait for it—NASPAG.

Senator O'BRIEN—The what?

Mr Matthews—National Airspace System Project Advisory Group. I think I have briefed the estimates committee about that before, but the group now includes the heads of agencies with specific legal responsibilities for implementation or for management of their various aspects of airspace. Your question was: am I aware of whether any member of the former ARG may or may not consider a design case to be necessary. Given that the ARG has been abolished, I am not sure if my answer would be relevant.

Senator O'BRIEN—Mr Matthews, were you aware of the options that were going to be considered by the board of Airservices Australia last Friday prior to that meeting?

Mr Matthews—Not in detail, but I try to stay abreast of the general developments. I try to stay in touch with the stakeholders who are active in this area. I think I have that responsibility, but I do not have a decision-making responsibility. That is clearly with Airservices. That is one of the lessons that was learnt about the process shortcomings last time, but I was broadly aware of the issues that were going to be considered.

Senator O'BRIEN—Can I take it that you had no role in the development of these options?

Mr Matthews—I think that would be a fair statement. I told you that I was broadly aware of the proposals or the propositions and, indeed, the input that was going to the Airservices board discussion, but if your question is whether I have had an input to the development of those options, my answer would be no.

Senator O'BRIEN—Did the department?

Mr Matthews—I will need to take advice.

Mr Dolan—I think I would be the person with principal responsibility in the department for these issues. I have certainly, like Mr Matthews, been aware of developments and been kept informed but have not been involved in any consultations. We have taken the view consistently ever since issues arose in terms of process in relation to 2b that the decisions were to be made by Airservices.

Senator O'BRIEN—Mr Matthews, at the last estimates hearing you indicated that you take careful note of the views of industry, and we have been told by Airservices Australia that Qantas has played a role in developing one of the options being further investigated. Have you spoken to Qantas about that involvement?

Mr Matthews—No, I have not spoken to Qantas about that proposal.

Senator O'BRIEN—Have you spoken to Qantas about whether they have concerns about stage 2b of the NAS?

Mr Matthews—No, not to my recollection.

Senator O'BRIEN—Mr Dolan?

Mr Dolan—Yes, I have spoken to several Qantas employees at various times about a range of issues to do with air space, including reservations they had about elements of the NAS.

Senator O'BRIEN—In February, Mr Matthews, you mentioned that Mr Mike Smith had been heavily involved in consultation with industry representatives about NAS stage 2b. Will Mr Smith be involved in consultation in relation to the possible changes proposed by Airservices Australia last Friday?

Mr Matthews—I will ask Mr Dolan to answer that. I am conscious that we have Mr Smith at the table as well.

Senator O'BRIEN—I am sure he will do what he is asked to do, so I was asking you, but if you want Mr Smith to answer I am happy for him to do that.

Mr Matthews—I will refer it, in the first instance, to Mr Dolan. My reason for doing that is that Mr Dolan chairs an interagency group, which is a steering group under NASPAG, which brings together all the agencies that have some functional responsibility or interest in this.

Mr Dolan—The role of the interagency group is to ensure that the various contributions to the overall NAS project from different agencies and the NAS implementation group are aligned and that they take account of each other, so that an exchange of views and consultation happens in that group across the agencies. That is at least one forum where Mr Smith would be consulted on the progress. The point, I think, that we should come back to is that he would be among a range of people who would be consulted by Airservices in making the decision that is theirs under the regulations.

Senator O'BRIEN—He would be a participant rather than an initiator of consultation, if I understand you correctly?

Mr Dolan—That is correct.

Senator O'BRIEN—I want to ask a few questions that relate to a minute from the department to the minister on 23 June 2003, numbered p2003-372. Can you confirm that the NAS implemented in Australia is different to the US national airspace system?

Mr Dolan—I can confirm that the NAS, as currently implemented in Australia, is different from the US system, because implementation of the overall system has been progressive. It has been staged. We are in a transitional stage, so we do not have the US system.

Senator O'BRIEN—Do you agree that this minute suggests that, as early as June 2003, Airservices Australia identified that a full design safety case for the whole NAS was required prior to the implementation of NAS stage 2b?

Mr Dolan—I do not have the minute that you are referring to, so I am not really in a position to comment.

Senator O'BRIEN—Do you know of the minute?

Mr Dolan—Not in the way you have described it. There have been a number of minutes to the minister on a range of NAS related issues.

Senator O'BRIEN—You are not aware of that information being conveyed to the minister?

Senator Ian Campbell—This is a minute to the minister we are talking about, is it?

Mr Dolan—That was the impression I formed.

Senator Ian Campbell—I do not think we should be commenting on documents that have been leaked. That encourages criminal behaviour.

Senator O'BRIEN—I will phrase the question differently. Was the minister aware as early as June 2003 that Airservices Australia identified that a full design safety case for the whole NAS was required prior to the implement of NAS stage 2b?

Senator Ian Campbell—I do not think Mr Dolan would know what the minister was aware of at that time. He is not a mind reader. As you are quoting from a stolen document, you are in receipt of stolen goods.

Senator O'BRIEN—That is an imputation you should withdraw.

Senator Ian Campbell—Table the minute. If you are going to misbehave, why bother coming here? You have a document that has been leaked or stolen from the Commonwealth.

Senator O'BRIEN—You have made an allegation which is improper, and I suggest you withdraw it.

Senator Ian Campbell—Where has this minute come from?

Senator O'BRIEN—I suggest you withdraw an allegation you have no basis for making.

Senator Ian Campbell—You are quoting from a stolen document. You are in receipt of a stolen document. That is not an imputation, it is a fact.

Senator O'BRIEN—It is an imputation. It is not a proper statement for you to make, and you do not have the basis for making it.

CHAIR—This probably all comes down to the status of a leaked document. Is that what we are arguing about?

Senator Ian Campbell—He is quoting from a minute forwarded to the minister, he alleges. He is alleging that he is quoting from a document that has been stolen.

Senator O'BRIEN—I am asking a question. Was the minister aware as early as June 2003 that Airservices Australia had identified that a full design safety case for the whole of the National Airspace System was required prior to the implementation of NAS stage 2b?

Senator Ian Campbell—That question has been answered. Next question?

Senator O'BRIEN—No, it has not.

Senator Ian Campbell—No-one at this table can read the mind of the minister. You will have to ask the minister.

Senator O'BRIEN—Is it true that no-one at this table knows the answer?

Senator Ian Campbell—Why don't you get the shadow minister for transport to get up in question time and ask the minister face to face like a man?

Senator O'BRIEN—Is it true that no-one at this table knows the answer to that question?

Senator Ian Campbell—Ask him in the House of Reps tomorrow. The minister is in the House of Reps.

Senator O'BRIEN—Is it true that no-one at this table knows the answer to that question?

Senator Ian Campbell—The minister is not at the table.

Senator O'BRIEN—The question I asked is: is it true that no-one at this table knows the answer to that question?

Mr Matthews—We will be guided by the minister on what we should answer.

Senator Ian Campbell—No-one at the table knows what was in the minister's mind in June last year. As the *Hansard* will show, you are quoting from a minute to the minister. If you would like to table that document, we will be able to do an investigation as to whether it was stolen and whether you are, in fact, quoting from a leaked or stolen document and whether, in fact, you are in receipt of stolen goods from the Commonwealth.

Senator O'BRIEN—You can say what you like. I have asked a question. Are you directing the—

Senator Ian Campbell—No. I think it is unreasonable to expect that someone at the table should know what the minister did or did not know in June last year.

Senator O'BRIEN—The question that I have asked is: is any officer at the table aware that, as early as June 2003, the minister was aware that Airservices Australia had identified that a full design safety case for the whole of the National Airspace System was required prior to the implementation of NAS stage 2b?

Senator Ian Campbell—That is a different question.

Senator O'BRIEN—No, it was the question I asked before.

Senator Ian Campbell—No, it is a different question.

Senator O'BRIEN—Have a look at the *Hansard*.

Senator Ian Campbell—Was the minister aware? Now you are asking—

Senator O'BRIEN—You had better read the *Hansard*, I think.

Senator Ian Campbell—Do you want to table that document, Senator O'Brien? You have the opportunity now. I will give you leave to do it.

Senator O'BRIEN—Thank you.

Mr Matthews—As the minister has said, it is difficult for officers to divine what was in the minister's head. I can say that, at about that time, agencies talking to each other would have included Airservices having that view—that a design safety case was necessary.

Mr Dolan—I would potentially have to correct some detail on notice, but the issues, as I recall them, that were being discussed among agencies, and on which it is entirely possible the minister was briefed in the middle of last year, were to do with the processes relating to those elements of NAS 2b that were not demonstrably precisely the same as the US system. I am aware of debate, but not a decision that would have led to the view that there should be a design safety case for the full NAS.

Senator O'BRIEN—A debate?

Mr Dolan—Among agencies.

Senator O'BRIEN—What was the debated view of Airservices at that time?

Mr Dolan—I find it dangerous to rely on memory on this and, as I say, I do not have the benefit of having the documentation in front of me.

Mr Matthews—The broad debate was that Australia was seeking to adopt a system as similar as possible to the US system. The accepted international practice is that a proven and accepted system such as the US system does not need to go through a design safety case. To the extent that there were necessarily some variations to the US system to adapt it to Australia's unique circumstances, an absolutely identical system could not be adopted in Australia—just because of certain differences between the US and Australia. The question that agencies would have been discussing at that time was whether that small number of departures from the pure US system necessitated a full design safety case.

Senator O'BRIEN—The minute I referred to was obtained under freedom of information by Broome Airport. Is that a stolen document, Minister?

Senator Ian Campbell—No, it is not.

Senator O'BRIEN—So effectively the committee is entitled to have it on the record, aren't they?

Senator Ian Campbell—Yes, they have it on the record. You did not say where you got the document from.

Senator O'BRIEN—No. You alleged that.

Senator Ian Campbell—I alleged it was stolen.

Senator O'BRIEN—Yes, you did, and you had no basis for that.

Senator Ian Campbell—I apologise for that imputation. There is no reason why you should not table it then.

Senator O'BRIEN—I do not think I need to.

Senator Ian Campbell—I think you should.

Senator O'BRIEN—It is a matter on the public record which has been obtained by freedom of information.

Senator Ian Campbell—Who was the document prepared by?

Senator O'BRIEN—I think you can talk to your officers; they will know. The minute—

Senator Ian Campbell—So you are referring to a minute but you will not tell us who it is prepared by.

Senator O'BRIEN—This is prepared by the department.

Senator Ian Campbell—I think you should at least—

Senator O'BRIEN—You obtain your advice from your officers.

Senator Ian Campbell—I do not need to take advice on this. You are quoting from minutes. You are asking these officers to answer a question in relation to a minute and you will not even say who the minute was prepared by.

Senator O'BRIEN—I do not believe that is necessary. I am able to ask the questions that I choose.

Senator Ian Campbell—You are playing a very childish game, Senator. If you will not tell us what department the minute was prepared by, who wrote it, who signed their name at the bottom, then I will tell the officers to not bother responding to that sort of churlishness.

Senator O'BRIEN—If you want to be so churlish, then so be it. You can deal with the consequences. The minute suggests there was some opposition to the need for a design safety case, especially by Mr Dick Smith. Is it true that the design safety case conducted by the National Airspace System Implementation Group was for only the 10 characteristics that were considered to be different in the Australian National Airspace stage 2b from the US NAS?

Mr M. Smith—My recollection is that we applied the Airservices process in determining whether elements of the NAS stage 2b required design safety case work. Where it was identified that those elements did require that work, then that work was conducted by my group in conjunction with Airservices. So for the elements that the SCARD process identified required design work, then that work was in fact done. I cannot recall what they all were, but for instance Mr Matthews indicated that some of them were relatively minor. I can recall one that said that a particular set of procedures, which is part of the US NAS, would be introduced but we would not include the part of the US rules that says, 'This procedure should not be used on presidential aircraft,' simply because we do not have presidential aircraft in this country. Nonetheless, that was required to be addressed as part of design. Another related to application of a particular set of procedures 10,000 feet above sea level but within 2,500 feet of the terrain. Again, we do not have a circumstance that matches that requirement in Australia, given that Kosciusko is somewhat less than 7,500 feet tall. That is the sort of design

issue that the SCARD process came up with. But wherever there was a difference, including those, then design safety case work was conducted.

Senator O'BRIEN—So the answer to the question is yes, but you are giving me additional information. Is that how I should understand it?

Mr M. Smith—That is true.

Senator O'BRIEN—As far as you are aware, will the design safety case being undertaken by Airservices Australia as a result of their statement at the last Estimates hearing in February include these proposed changes to NAS stage 2b?

Mr Dolan—My recollection of what Airservices has talked to this committee about, both at the last hearing and today, is there are two pieces of work that Airservices is undertaking: firstly, to review the design of NAS 2b and make appropriate changes—that involves safety case work; and, secondly, in a longer time frame, to complete a comprehensive safety case for the NAS as a whole. The two are operating in parallel, one not being contingent on the other.

Senator O'BRIEN—As I understand it, as at 23 June the aviation and airports group believed that the matter was in hand because the implementation could continue, even if specific design safety cases may be required for particular elements of the National Airspace System. At that time, was any consideration given by the aviation and airports group to the need for a full design safety case to be conducted?

Mr Dolan—My recollection is, yes, we certainly turned our minds to that issue but, following consultation with relevant agencies including CASA, remained of the view that a full design safety case for the NAS was not required and that safety cases would be only required for those elements where there was demonstrable variation from characteristics of the US system.

Senator O'BRIEN—Also in the minute was advice to the minister in relation to the replacement of mandatory broadcast zones at uncontrolled airports by US style common traffic advisory frequencies as part of NAS stage 2c and a section of the industry opposed that change because it would diminish safety. Has the department undertaken any analysis to determine if it will diminish safety at these uncontrolled airports?

Mr Dolan—At that time, we agreed to postpone the implementation of the CTAF characteristic of the national airspace implementation on the basis that there were concerns raised by industry and they needed to be resolved. As a result of that, the NAS Implementation Group has prepared a safety case in relation to the CTAF MBZ proposal which I understand, Mr Smith, was forwarded to CASA for its consideration last week.

Mr M. Smith—That is correct. We produced a safety case which we sent to CASA last Friday.

Senator O'BRIEN—When was that case undertaken?

Mr M. Smith—The work was undertaken over the course of almost the last year. We had originally intended to progress that change as part of the 2b changes in November. A lot of the work on preparation of a safety case for that particular characteristic was conducted during the development of the safety cases for stage 2b. Since then, we and others have undertaken

substantial additional work, and that has formed the basis of the safety case which is now with CASA.

Senator O'BRIEN—Evidently Mr Dick Smith believes it is not less safe, because pilots will use their radios even if they are not required to. Does the department share that view—that is, that pilots will use their radios if they are not required to?

Mr M. Smith—The view taken in proposing to introduce the change to the current non-towered airport procedures is that, irrespective of whether procedures are mandatory or not, we would like to achieve a higher level of compliance with the practice than we currently have at both our MBZs and CTAFs. The judgment that people need to make is whether, in fact, we will achieve that. The question of mandatory versus recommended is not so much one of, 'Will you achieve the outcome at the places where it was mandatory and no longer is?' but, 'Will you achieve a higher level of safety at all of our non-towered aerodromes?' That is certainly the belief of my team and certainly the view expressed in the safety case. It is also the view of a fairly broad spectrum of users of our airspace, though of course not universal.

Senator O'BRIEN—Is the answer that you share the view, or that you do not?

Senator Ian Campbell—Mr Chairman, Mr Smith has given a far more thorough answer than just a yes or no. He has gone way past that.

Senator O'BRIEN—I am not sure that I understand his answer.

Mr M. Smith—I am not quite sure I understand the question, because I do not understand Dick Smith's view of the world and, to an extent, it is not so relevant in this circumstance.

Senator O'BRIEN—You do not understand Dick Smith's view on the subject of the use of radios?

Mr M. Smith—I have a pretty good understanding of it, but you are asking me a question on which to form an opinion on the basis of my understanding of Dick Smith's view. I think I would rather answer the question on the basis of my understanding and my expectation of the change in behaviour that we will achieve as a result of the implementation of this characteristic of the NAS.

Senator O'BRIEN—Has the NAS Implementation Group explored legislative options for the introduction of CTAF?

Mr M. Smith—We have looked at the legislative changes that will be required for us to introduce the characteristic. We have worked with the Civil Aviation Safety Authority on the development of a regulatory change proposal, a notice of proposed rule making. We are also working on a regulatory impact statement and other documentation to support the regulatory change that is required for the introduction of this characteristic.

Senator O'BRIEN—Will a proposed change to civil aviation regulation 66 be made to enable the introduction of CTAFs?

Mr M. Smith—I am not sure if it is 66 or 166.

Senator O'BRIEN—I am not sure either.

Mr M. Smith—My understanding is that it is CAR 166. The Civil Aviation Safety Authority have actually issued a notice of proposed rule making to start the process of amending CAR 166 in support of the implementation of this characteristic.

Senator O'BRIEN—What does that mean about the proposed introduction of the regulation?

Mr M. Smith—It goes through a process. I think it is better asked of CASA, who manage that process. There is a process to be followed that ultimately leads to, or not, a regulatory change that enables, or not, this characteristic to proceed.

Senator O'BRIEN—What has become of Mr Toller's suggestion for an exemption permitting radio equipped aircraft to conduct straight-in approaches at airports with US CTAF procedures?

Mr M. Smith—I do not recollect the particular exemption that Mr Toller proposed. I do know that there are currently some exemptions to CAR 166 that do permit certain operations to conduct straight-in approaches in certain circumstances.

Senator O'BRIEN—What has happened about them?

Mr M. Smith—They still exist. They are exemptions granted by the Civil Aviation Safety Authority against the regulation CAR 166 that do permit certain operations to conduct straight-in approaches at these aerodromes. They continue to exist.

Senator O'BRIEN—The minute indicates that the department is unsure about the significance of aircraft being unable to conduct straight-in approaches at uncontrolled airports. Is that an accurate reflection of the view at the time?

Mr Dolan—It would have been an accurate reflection at the time. Obviously it was a matter that needed to be clarified.

Senator O'BRIEN—Does the department now have an opinion on the significance of this?

Mr Dolan—The department has taken the view—this comes as part of our overall review and clarification of decision-making processes in relation to the NAS—that the decision is essentially one for CASA, who have a process for making the necessary rule change to civil aviation regulation 166 and also the regulatory power to proclaim the necessary changes to procedures in airspace that would go with the proposed CTAF operations. In the end, it will be the delegated decision maker CASA that will come to these views.

Senator O'BRIEN—The minute indicates that the US FAA recommends that aircraft join the circuit. Is this recommendation going to be included in Australian practice with the introduction of NAS stage 2c?

Mr Dolan—The aim with the CTAF proposals, as originally envisaged for NAS 2c, was that the US CTAF procedures would be used in Australia. We were trying to outline our understanding of the US procedures and how they would, therefore, apply in Australia.

Senator O'BRIEN—Is it correct that US FAA also recommends that aircraft without radios should avoid straight-in approaches? Have you included this recommendation in planning documentation for the implementation of NAS stage 2c?

Mr M. Smith—It is true. Having just made a video about it, can I quote some words from the video. It is something along the lines of, ‘Straight-in approaches, though permissible, should only be used by radio equipped aircraft and only when the pilot is certain that no conflict will arise.’ So, yes, it is true that the FAA, just like our material, discourages the use of straight-in approaches by non-radio aircraft. Neither system precludes their use, however.

CHAIR—How many planes get around without a radio?

Mr M. Smith—Not many. We have a very good culture of radio usage; in fact, many would say overusage of radio in Australia. These days, with the availability of hand-held rechargeable battery radios, there are very few that get around without radios.

Senator O’BRIEN—I am sure you are aware that Broome Airport is a vocal and consistent critic of NAS stage 2c that is proposed for implementation in November 2004. I took it from evidence we had earlier today that it will not be implemented in November 2004.

Mr M. Smith—No, I think the evidence we heard earlier today indicated that the Airservices characteristics of 2c would not be implemented in November, but that does not apply, as far as I am aware, to those characteristics, the CTAF proposal and the Unicom proposal, which have minimal impact on Airservices’ activities.

Senator O’BRIEN—So that is subject to a regulation 166 change?

Mr M. Smith—Subject to 166—that is a CASA issue, yes.

Senator O’BRIEN—With regard again to Broome Airport, they have conducted their own design aeronautical study for the terminal airspace at Broome. Has the department seen this study?

Mr M. Smith—Yes, we have.

Senator O’BRIEN—Do you agree that Broome International Airport group’s design aeronautical study demonstrates that NAS stage 2c drastically increases the risk of flying for the Australian public?

Mr M. Smith—No, I do not agree with that.

Senator O’BRIEN—Do you think the study has been prepared professionally?

Mr M. Smith—Broome paid for the study, so I guess it was prepared professionally, if you put it in those terms. What I could say is we have considered the Broome study and their work in developing our safety case which has gone to CASA. I have no hesitation in saying that document is available to the Senate and to anyone who asks for it. In our safety case, we do some preliminary analysis of the work that Broome Airport Corporation had commissioned, but we have also asked the Defence Science and Technology Organisation to do some further analysis before we form a view as to the veracity and to the statements made by the Broome Airport study.

Senator O’BRIEN—When was that work requested?

Mr M. Smith—Of DSTO?

Senator O’BRIEN—Yes.

Mr M. Smith—They have commenced the work. I think we discussed that at the last National Airspace System Program Advisory Group meeting, and DSTO have been briefed and have assigned an officer to the work.

CHAIR—If I am flying in from the local centre cattle yards into Kununurra and I do not have a transponder and I do not have a radio and it is marginal VFR, there is a fair bit of cloud about, how the hell are you supposed to do what you are supposed to do?

Mr M. Smith—If you cannot do what you are supposed to do, then you should not be there in the first place.

CHAIR—No, but you are capable of flying VFR, right?

Mr M. Smith—Just let me clarify this, because marginal VFR actually is not defined. You are either flying in VMC to the visual flight rules or you are not.

CHAIR—Yes, but you can be VFR with a bit of cloud around.

Mr M. Smith—But you have still got to maintain the visual meteorological conditions that relate to visual flight, and that includes being—

CHAIR—Yes, but if you are coming down out of higher cloud and you are running into someone that is below the cloud and it is scattered and broken, but you keep in VFR conditions, and this bloke has not got a transponder or radio, how am I supposed to spot him?

Mr M. Smith—Seriously, if you think of what the visual flight rules impose upon you as conditions relating to the visual meteorological criteria, then the fact that there is some cloud about should not be relevant, because the International Civil Aviation Organisation, in developing the visual meteorological conditions, consider the visibility and distance from cloud that aircraft operating to VFR must maintain to be sufficient to be able to use procedures relating to sighting of other aircraft. The additional aspects of this are that pilots should be flying proper circuit entry techniques; and most certainly and most often will have radio. In fact Kununurra, which is currently an MBZ, would have a radio, so I am not actually sure that there is an issue that needs to be dealt with here.

CHAIR—But if there are planes that do not have radios and there are planes that do not have transponders—and, I mean, there is no legal swill feeding in Australia for pigs, you know, but there are still swill-fed pigs—and if you have some bloke that is a bush pilot who can land behind a lignum bush but not at Mascot airport, and there are plenty of them about, where the bloke at Mascot could not land behind the lignum bush, and they decide they want to go in because they have to pick up a bloke that is a cattle buyer or someone, and it is a bit dodgy, and you have probably flown in dodgy VFR conditions, how then are you supposed to spot them if you are coming down out of IFR conditions?

Mr M. Smith—It is the same all around the world, and I think one of the things that we need to come back to is that we are introducing a procedure that is demonstrated to be safe and effective in an environment that is very similar to ours, with one exception: an awful lot more aeroplanes.

CHAIR—I am not arguing anything about that. I am just wondering what the answer is.

Mr M. Smith—The answer is that pilots—

CHAIR—How does the IFR bloke spot the VFR bloke if it is marginal, if he has no radar contact?

Mr M. Smith—I have to steer clear of the marginal view again because you are either in VMC or you are not. If you are not in VMC, you must be operating to the IFR or you have no business being there. We are starting to get into a hypothetical situation of someone breaking the law—

CHAIR—Yes, I realise that.

Mr M. Smith—and that is not what we should be doing. There are reduced VMC criteria that pilots can use but there is a requirement that they have an operating VHF radio, so if you want to fly in less than the standard VFR, then there is an opportunity for you to do that in the regulations, but you must have a radio.

CHAIR—That might be the answer. You have got to have a radio.

Mr M. Smith—You must have a radio if you are doing it. If the conditions are less than the normal VFR conditions, with particular restrictions relating to how high you can be and navigation requirements and so on, then you must have a radio to use those reduced VMC criteria. In the circumstances you describe, if you did want to operate in less than VMC, there are times you could do that, but you must have a radio to do it. That is the current rule and we do not intend to change that.

CHAIR—Three of my neighbours in my lifetime have been killed because they have landed behind the lignum bush.

Mr M. Smith—Because, sorry?

CHAIR—Three of my neighbours have been killed in light aircraft, in my lifetime, because they were good at landing behind the lignum bush but not doing what you are saying. They were good bush pilots, as we call them, but they were not good highway pilots.

Mr M. Smith—What were the circumstances of their accidents?

CHAIR—We will not go into it.

Mr M. Smith—I am not sure of the relevance to airspace reform.

Senator Ian Campbell—I think the Chairman is actually supporting your views, generally.

Mr M. Smith—If you would like me to put my personal view, we really ought to be devoting a lot more attention to the sorts of issues that do kill our colleagues in aviation. Those are not airspace issues. Those relate to ageing aircraft, to pilot training, to controlled flight into terrain, to pilots running into bad weather or running out of fuel. These are the issues that really concern aviation safety in this country. That is where we should be concentrating our efforts.

Senator O'BRIEN—Exactly. There was nothing wrong with the system you are changing.

Mr M. Smith—Those are your words, Senator. They are certainly not mine. Our system can be—

Senator O'BRIEN—You just said we should focus on the things that are really killing our pilots. We have been talking about the airspace rules, and you said that that is not relevant to the problem. Why change it?

Senator Ian Campbell—The government believes we are moving to a safer system for pilots and air travellers, and that is why we are carefully managing the process of change. Some people would say change is all too scary and you should never face up to it and you should never seek to manage it, and let us just stick with what we have got, stick with our own little system, even though we know it does not stand up to international scrutiny. That may be some other way—

CHAIR—We should move on. I diverted. Mine was a curiosity thing.

Senator Ian Campbell—No, I know, but Senator O'Brien is saying we should not change because it is all too hard to change and it would be better—

Senator O'BRIEN—I was simply following on from Mr Smith's observation that our airspace system was not the problem.

Mr M. Smith—There are other—

Senator Ian Campbell—He did not say that at all.

Mr M. Smith—There are other elements—

Senator O'BRIEN—He did say that.

Mr M. Smith—If I could just clarify what I did say, there are other elements that need to be considered in determining whether an airspace system needs to be reformed, and they relate equally to efficiency as they do safety, and we could have a better system. 'Better' does not just mean safer. There are a whole range of other factors that would be considered to make a system better.

CHAIR—Could I answer the question of why in part. It is because bush pilots sometimes become very familiar, and familiarity kills them. When you have people with a familiarity culture flying into this other culture, and the two cultures clash, I think, 'Interesting!'

Senator Ian Campbell—That is the reason why there are a lot of fatalities on farms, with all sorts of machinery—motorbikes, augers, tractors.

CHAIR—That is why I have a very strong view that ultralight aircraft pilots should get a licence, because that is another great way to kill yourself. It is better than jumping with a parachute! That is just my casual observation.

Senator O'BRIEN—Are there any current plans to overcome the concerns of Broome Airport?

Mr M. Smith—There are, and we continue to engage with Broome Airport in a range of forums. Fairly recently we travelled to Perth to conduct one of our hazard identification workshops, specifically so people with concerns about Broome Airport and other airports could attend. We also recently did a study tour to the US to examine in more detail yet again the issues relating to CTAF operations, with a particular eye to the Broome Airport's concerns, and I invited Broome Airport to send representatives on that tour. We engage with them, and we continue to look for ways to help them to understand that this implementation is

intended to bring about an improvement in the level of safety, and certainly not a reduction in the level of safety, at these airports.

Senator O'BRIEN—Has there been a suggestion to install radar at Broome Airport?

Mr M. Smith—Not to my knowledge.

Senator COLBECK—Has Broome spoken to you?

Mr M. Smith—No, they did not, but I am not going to comment on whether that was because they did not want to. I think it was more likely that they were unable to at the time.

Senator O'BRIEN—Do you think the installation of radar at Broome would overcome their concerns?

Mr M. Smith—The installation of radar is not the issue here: it is the level of air traffic service that is provided. Radar is a tool that can be used by air traffic controllers to deal with generally high volumes of traffic. If you introduce radar, you are doing that to manage effectively the large volumes of traffic that present in an environment that requires radar. If you were to introduce radar, it would only be effective if you introduced an air traffic control service. The question is not about radar, but should there be an air traffic control service at Broome or not? Some have a view that perhaps there should be.

We use a criterion in Australia for establishing air traffic control services—in other words, towers—which is consistent with the FAA's criterion and on that criterion Broome Airport does not require a control tower at present. As to whether it required radar, you would need to get to a significantly higher level of traffic before you would say, 'In addition to the air traffic control service you need to have radar.' Remember, radar is not much good unless there is a controller there looking at it and telling pilots what to do, so you really are talking about establishing an air traffic control service before you are talking about the need for establishing radar.

Senator O'BRIEN—I want to ask some questions about Mr Stoddart's announcement in March this year of his intention to launch a new budget airline in Australia known as OzJet. Has the minister or any departmental representative held any discussions with Mr Stoddart about his proposal?

Mr Dolan—Certainly the department has held discussions with representatives of Mr Stoddart—I do not think directly with Mr Stoddart—on a range of issues in relation to both setting up an airline and getting access to various airport facilities.

Senator O'BRIEN—In announcing OzJet, Mr Stoddart indicated that his intention was to have an airline flying by Christmas. Do you understand that to be the current thinking of the people you have spoken to or Mr Stoddart?

Mr Dolan—The impression I formed after discussions with the department and other involved parties, including CASA, was that Mr Stoddart and his team had come to a different view about the timetable.

Senator O'BRIEN—What sort of timetable is now in contemplation, to your knowledge?

Mr Dolan—I do not recall any clear indication of a specific timetable. We had discussions about issues to do with access to airports, terminal facilities, possible changes to runways and

a whole range of things in terms of the infrastructure to support the operation. Once the full regulatory and other environment was understood, I think there was some revision of time frames, but I have not heard of a specific revised time frame.

Senator O'BRIEN—How long ago were the discussions?

Mr Dolan—Neither Ms Chilvers nor myself can recall precisely. It was shortly after the public announcement of Mr Stoddart's proposal to set up a new airline. I am happy to take it on notice and give you a precise date.

Senator O'BRIEN—To assist the chairman, can you tell us who Mr Stoddart is?

Mr Dolan—Mr Stoddart is an Australian who has owned a Formula 1 racing outfit and has expressed an interest in providing a low-cost start-up airline in Australia.

Senator O'BRIEN—Mr Stoddart openly declared his interest in using secondary airports as his operating base, including Essendon, Moorabbin, Bankstown and Archerfield. Has the minister or the department had any contact with Mr Stoddart or his representatives about his proposal to use these airports, and what approval process would OzJet have to undertake in order to get access to these airports for commercial operations?

Mr Dolan—The discussions we had were to make clear that all the specified airports were airports regulated under the Airports Act and that, to the extent that infrastructure or other modifications were required to the airports, they would have to fit in with the master planning and major development planning arrangements for the airports. We explained the context in which those sorts of processes would operate.

Senator O'BRIEN—Did explaining that indicate it would take some time and it would not necessarily occur?

Mr Dolan—We indicated that both the regulatory approvals and those cases where some change in airport facilities was required would take some period of time. We also explained that, in some cases, a range of airspace and safety issues would have to be addressed.

Senator O'BRIEN—Does the government or the department support the use of these secondary airports for commercial operations of the kind Mr Stoddart proposes?

Mr Dolan—I cannot speak on behalf of the government. The department engaged in this on the basis of explaining the existing regulatory framework and how Mr Stoddart would have to use that or work with that regulatory framework to achieve his objectives.

Senator O'BRIEN—Is there a government policy on this issue?

Mr Dolan—I am aware that there have been public comments that indicated certainly a level of reluctance to consider the use of secondary airports for an operation like this. I am not aware of a precisely articulated policy.

Senator Ian Campbell—The government will take advice, Mr Chairman. We would obviously take into account all of the normal regulatory issues, as well as environmental and other issues. I think it would be unfair to the proponent and to the residents around those airports to either rule it in or out, but we would encourage the department to talk to anyone who is proposing to set up a new airline.

CHAIR—There would be some obvious planning and talking necessary because I can think of a jet air pattern over Bankstown that is going to interfere with the Mascot jet air pattern.

Senator Ian Campbell—I think there are a lot of issues and the government will take advice. But we would encourage the department to talk to Mr Stoddart and anyone else who is proposing to set up an airline. I think Mr Stoddart would have to understand that there are serious issues around some of those so-called secondary airports that need to be addressed, and the government will address them.

Senator O'BRIEN—I take it there would be safety and security implications if these airports were used by airlines such as that proposed by Mr Stoddart.

Mr Dolan—There is certainly a range of safety and security provisions that apply to regular passenger transport operators. They would apply to any new airline that wished to operate in Australia.

Senator O'BRIEN—At those particular airports in—

Mr Dolan—Obviously we would have to review the categorisation and other elements relating to airports in the light of changed use.

CHAIR—Starting a new airline would be similar to owning a racehorse.

Senator O'BRIEN—No, it is a lot easier and you would probably lose less money owning a racehorse. Do I take it that no further work is being done by the department in relation to the OzJet proposal, if I can call it that, following your initial meeting with his representatives?

Mr Dolan—Probably the key point I did not draw out as clearly as I should is that under our airports planning and regulation arrangements the responsibility in fact would be with the airports to approach the department, to the extent they wish to modify their operating arrangements. I am not aware that we have been approached by any of those airports in an official way, under our planning processes, so we have done no further work on that.

Senator Ian Campbell—Would that mean in relation to the airline regulatory issues?

Mr Dolan—Yes.

Senator O'BRIEN—In the current domestic Australian aviation market, can Australia sustain another airline?

Mr Matthews—I think that is a difficult question for the officer, or an unreasonable question for the officer to answer. It is really a personal view. The department would not take a view on that matter.

Senator O'BRIEN—Has portable radar been deployed in Launceston?

Mr Dolan—I am certainly aware that Airservices has decided it would be appropriate to deploy their portable radar, but I am not aware that it has happened yet. There is a range of clearing and location issues they have to sort out to be able to set it up in the appropriate space. As far as I know that has not yet been completed.

Senator O'BRIEN—Do you know what the process is for deployment? Does there need to be an environmental assessment or consultation with local residents?

Mr Dolan—I am afraid we would have to pass the detail of that to Airservices as they are responsible for it. My understanding is, to the extent that the location of the radar on an appropriate place will have an environmental impact, then there is a range of environmental regulations that would have to be met which often involve consultation.

CHAIR—Not half as much as the plantation forests.

Senator Ian Campbell—Would you like us to take that question on notice and refer it to Airservices?

Senator O'BRIEN—That would possibly be useful. Yes, thank you.

Senator Ian Campbell—Done.

Senator O'BRIEN—In May-June 2003, the Westralia Airports Corporation undertook some drainage earthworks to divert the flow of waters from Poison Gully Creek.

Senator Ian Campbell—It is a sensitive wetland.

Senator O'BRIEN—Right.

Senator Ian Campbell—It probably is, if it is near the Perth airport. It is all centred around there.

Senator O'BRIEN—It feeds Monday Swamp, a wetland of national importance.

Senator Ian Campbell—That is a sensitive area.

Mr Dolan—Very sensitive wetland.

Senator O'BRIEN—It is part of the national estate listed area at Perth airport and a designated Aboriginal heritage area. Quite separately, work undertaken at the airport in November-December 2003 was undertaken to develop the site for a warehouse development for Woolworths. The following questions are of relevance. Is the department aware that the work was undertaken by the Airports Corporation?

Ms Lynch—We are certainly aware of the major development proposal proposed by Perth airport in relation to this site. The proposal for the regional distribution centre fits the definition of a major airport development contained under the Airports Act, so they have had to prepare an MDP for that. On 12 September last year they submitted a draft MDP. Part of what is included in the draft MDP is an environmental assessment of that. The MDP is a public document and available for public consultation, so that information is available.

Senator O'BRIEN—I understand the department has written to Westralia Airports Corporation and has been critical of the corporation for undertaking the work at Poison Gully Creek without proper regard for the Environment Protection and Biodiversity Act.

Senator Ian Campbell—The question is: has this department written to the Westralia Airports Corporation in relation to that?

Ms Lynch—Yes, we have.

CHAIR—Just out of curiosity, who are they?

Senator Ian Campbell—They own the Perth airport and Jandakot, I think.

CHAIR—Yes, but who are they?

Senator Ian Campbell—Who are they?

CHAIR—Are they locals?

Senator Ian Campbell—Partially, I think.

Mr Dolan—There are shares in the airport operating company held by a number of different owners.

Ms Lynch—We could take that on notice and provide you with ownership details.

Mr Dolan—We could certainly provide you with information.

Senator Ian Campbell—Australian management, though. There has been an ongoing row about the heritage value of that land, I might tell you. I was personally involved in it when I was in the environment portfolio. A lot of it is severely denuded land that is being used for all sorts of purposes. There is no doubt there is some valuable wetlands there, but they are in horrific condition. My own view is that the heritage values are very doubtful, but there needs to be proper environmental—

CHAIR—I refuse to comment because I—

Senator Ian Campbell—No, it is just a—

Senator O'BRIEN—The letter from the department identifies a number of remedial actions that must be undertaken, as I understand it, by the Westralia Airports Corporation. What remediation work has been undertaken to mitigate the extent of environmental impact of the works?

Ms Lynch—We will have to take that on notice.

Senator O'BRIEN—Can you tell me how the department is monitoring progress of this remediation, if it is?

Mr Dolan—Our overall arrangements for this rely on the role of airport environment officers who are there to both assess environmental impacts of activities on the airport and, if necessary, suggest remedial action and monitor its implementation. We have an AEO at Perth Airport and that is the person that we would be relying on for the information and monitoring.

Senator O'BRIEN—So if I have questions, I should put them on notice.

Ms Lynch—In relation to specifically what the AEO knows and their role in ongoing monitoring?

Senator O'BRIEN—I guess it goes beyond that.

Mr Dolan—Since we are not familiar with the questions you have not asked, it is hard to tell.

Senator O'BRIEN—Obviously, so I will run through them. If you need to take them on notice.

CHAIR—Just take them on notice. That is a bloody thick folder you have there.

Senator O'BRIEN—It keeps getting thicker. Is it the department's understanding that the Westralia Airports Corporation sought permission for the work from the Minister for Transport and Regional Services after it was undertaken?

Ms Lynch—I will take that one on notice, thank you.

Senator O'BRIEN—I will put the rest of those questions on notice, because if you cannot answer that one you cannot answer the rest.

CHAIR—Thank you. We are going to have a change of pace to AMSA.

Mr Dolan—Mr Chairman, with the committee's indulgence, I have had the opportunity now to refresh my memory on the advice that was given to the minister in relation to NAS implementation in June last year, so perhaps I could clarify one or two points there. As I think I indicated and I can now confirm, the point at issue was whether certain specified characteristics for implementation of the NAS would require design safety cases. We agreed that there was a process available in Airservices, the SCARD process, which was the appropriate way of determining whether or not such design safety cases were required. Having followed that process we, as Mr Smith indicated earlier, undertook design safety cases of a range of NAS 2b characteristics.

We had a fairly detailed discussion about some of those design safety cases at the last hearing. The issue seemed to be, and it was what I could not recall, how much discussion there had been about an overall design safety case for the NAS and, having refreshed my memory, I can say that the focus was very clearly on the characteristics and whether they, particularly as they were transitional, required implementation of design safety cases. Airservices certainly concluded that their SCARD processes should be applied to the characteristics that we were proposing to implement in 2b, to determine whether or not design safety cases were required for the characteristics.

CHAIR—Thank you very much, ladies and gentlemen, for your time and patience.

[8.55 p.m.]

Australian Maritime Safety Authority

Senator O'BRIEN—Could I get an update on the current staffing level of AMSA compared with the same time last year.

Mr Baird—Current staffing levels at the authority are 241 employees: 24 on contract, 148 on AWA, 69 on certified agreement.

Senator O'BRIEN—How does that compare with this time last year?

Mr Baird—I am not sure what the comparison is with this time last year. I would have to review that and get back to you on that.

Senator O'BRIEN—You can take that on notice. Mr Baird, you are acting in the position. Is that an ongoing position or a short-term arrangement?

Mr Baird—It is a short-term arrangement while Mr Davidson is away.

Senator O'BRIEN—We are just curious. We missed Mr Davidson's smiling face and thought we would find out why you were here in his place.

Mr Baird—I will let him know that you have missed him.

Senator O'BRIEN—I am sure he will be pleased.

Mr Baird—Just as a follow-up to your previous question, I am advised that 237 was the previous year's number.

Senator O'BRIEN—Two hundred and thirty seven employees?

Mr Baird—Yes.

Senator O'BRIEN—What about the other figures: contract, AWA and certified?

Mr Baird—I do not have that here, but I can get back to you on that.

Senator O'BRIEN—Are those figures in addition to the 241 employees you were talking about or are they subsets?

Mr Baird—They were subsets.

CHAIR—We have lost our concentration, so we will take a break and come back in 15 minutes.

Proceedings suspended from 8.59 p.m. to 9.17 p.m.

CHAIR—Ladies and gentlemen, we have resumed the hearing.

Senator O'BRIEN—I want to run through the figures on page 128 of the PBS. In the 2003-04 appropriation, the total appropriation in the budget for AMSA was \$66.646 million. However, the projected actual appropriation is \$71.104 million. Why have we seen about \$4½ million extra in expenditure?

Mr Baird—There are a number of reasons for that. The primary reason is the increase in the levies, better than expected shipping turnout in the number of ships and the tonnage that is calling at Australian ports. There is also an increase in the administered expenses for the search and rescue activity.

Senator O'BRIEN—I see it has gone up from \$4.5 million to \$6.1 million. What are the administered expenses and what is the reason for the increase?

Mr Baird—The administered expenses are the expenses that we incur for payments for search and rescue activities, aircraft hire on actual searches. In additional estimates in February this year we went forward for additional funds for that activity. That is why there is the increase to \$6.1 million.

Senator O'BRIEN—Which levies were predominantly responsible?

Mr Baird—The marine navigation levy on a budget of \$18.3 million which has gone to \$19.4 million. The RFL, regulatory functions levy, \$23.6 million to \$25 million.

Senator O'BRIEN—But you are showing them as falling back down in the current budget below the level even predicted in the 2003-04 budget in the case of the marine navigation levy.

Mr Baird—That is right. The marine navigation levy and the regulatory functions levy are both being reduced and that is reflected in the 2004-05 budget amount.

Senator O'BRIEN—At the same time you are getting an equity injection. What is that about?

Mr Baird—For the search and rescue program we are getting an equity injection, yes.

Senator O'BRIEN—But you did not get one in 2003-04?

Mr Baird—That is right.

Senator O'BRIEN—Why?

Mr Baird—Why did we not get one?

Senator O'BRIEN—Yes. I am not sure if I understood your previous answer. For the search and rescue function you get an equity injection.

Mr Baird—I may need to get some clarification. Which line are we referring to?

Senator O'BRIEN—Second-last line in the chart on page 128.

Mr Baird—The second-last line, the equity injection?

Senator O'BRIEN—Yes.

Mr Baird—The equity injection of \$1.2 million is related to the measures that are outlined on pages 130 and 131 in the table there; the equity injection of \$1.2 million for this financial year and \$0.8 million for the next financial year.

Senator O'BRIEN—Is there a specific reason for this equity injection in the coming two financial years? Is there some project that it is attributable to?

Mr Baird—Yes, there is. The government, in its 2004-05 budget, has provided us with an additional \$18.9 million over four years to enhance maritime search and rescue. That equity injection is part of that \$18.9 million.

Senator O'BRIEN—What will it buy?

Mr Baird—The equity injection will purchase equipment for the search and rescue centre and also equipment for the emergency dropping capable supplies.

Senator O'BRIEN—To develop a drop system. Is that for some innovation project that AMSA is running?

Mr Baird—We currently have a system whereby we can deliver emergency supplies from aircraft in the way of emergency equipment, such as life rafts, radios, emergency rations et cetera to people in distress at sea, which will sustain them until a suitable platform can arrive and rescue them. The current system is suitable for fitting with non-pressurised aircraft and our proposal is to develop a system that is capable of being used from twin turbine pressurised aeroplanes.

Mr Matthews—As the character of the fleet is changing—and that has a lot of advantages to do with it, particularly to do with capacity to fly further and faster and quicker to the scene of a rescue—the drop capability that was adapted to the previous form of aircraft needs to be adapted to the newer type of aircraft which are much more rapidly now being adopted in Australia as the fleet ages and currency valuations change. AMSA is in a position, starting in the coming year in northern Australia, to commence that process, but we hope that will spread across Australia in years to come.

Senator O'BRIEN—What sort of aircraft will it be developed for in particular?

Mr Baird—There is no particular aircraft type that we have singled out at this point in time, but there are a number of twin turbine aircraft, pressurised, that operate in Australia. King Air, for instance, is one that is fairly popular and is used by RFDS, for instance, for equipping that type of aircraft. That is an example, but we are not particularly focused on that aircraft. There are other aeroplanes that would be suitable in that category.

Senator O'BRIEN—Like an externally detachable pod of some sort?

Mr Baird—We are expecting to develop the system. It is too early for us to say at this point in time whether it is going to be an externally fitted pod or whether it will be a hatch arrangement or some other innovation.

Senator O'BRIEN—So this is a capital measure. Why is it in the budget papers as a capital measure?

Mr Baird—Because there are some capital components to the whole project.

Mr Matthews—I do not think it is only capital.

Senator O'BRIEN—I did ask what the figure was, so perhaps it is my misinterpretation of the answer to what the capital injection was about. Thanks for clarifying it. It is part of the funding for this project.

Mr Matthews—That is correct.

Senator O'BRIEN—What is it going to purchase in particular?

Mr Matthews—The things that are to be deployed.

Mr Baird—Are we talking about the whole project or just the capital injection?

Senator O'BRIEN—The capital amount.

Mr Baird—The capital injection will purchase the hardware that is developed for the drop capable system. It will also purchase the equipment for the rescue coordination centre, which will be modified and updated.

Senator O'BRIEN—How much is actually being provided to develop the search and rescue equipment that you are researching to deploy out of pressurised—

Mr Baird—I do not have the breakdown of the fine detail of the individual components of this total project, but I can get those to you, if that is what you require.

Senator O'BRIEN—Thank you for that. Could you supply us with the details of the vessel numbers and tonnage upon which the levies were based, so that we can better understand the chart on page 128, please?

Mr Baird—We can provide you with information relating to the number of ships that the levy is gleaned from, their tonnage, and the quantum that they pay.

Senator O'BRIEN—And the details of the change in the rate of levy as well, if you would, please.

Mr Baird—We can provide you with that.

Senator O'BRIEN—I take it that the reduction in the rate of levy anticipates no substantial change to the number of ships and tonnage to which the levy is attracted. Is that a fair comment?

Mr Baird—Forecasting indicates that there is an increase in the amount of shipping and the tonnage that is coming to Australia. That has been reflected in history, as you noted with the 2003-04 budget and the projected, and the levy is associated with those ongoing projections.

Senator O'BRIEN—How does this impact on AMSA's ability to inspect ships visiting Australia? How many ships does AMSA inspect per year and what is this as a proportion of ships visiting Australia?

Mr Baird—We inspected 2,827 ships last year for port state control at 61 ports. That is consistent with our targeting regime. We would not expect that a reduction in the levy will impact in any way on how we perform our port state control function.

Senator O'BRIEN—Are we inspecting a smaller proportion of the number of vessels that come to Australia now with the increased visitation, or have we increased the number of vessels that we inspect?

Mr Baird—Our target is to inspect 50 per cent of ships that, under our scheme, are eligible for inspection. We are currently meeting those targets.

Senator O'BRIEN—Will AMSA need to undertake additional ship inspections as a result of the changed maritime security legislation?

Mr Baird—The question of the administration of the maritime security legislation is a matter for the Office of Transport Security. We will not be changing our ship inspection targeting system, which is predicated on safety and pollution prevention. We will not be changing our targeting regime in any way.

Senator O'BRIEN—That has no impact on the operation of AMSA?

Mr Baird—It should not have any impact on AMSA's ship inspection program.

Mr Matthews—The plan at this stage is that the first boarding would continue to be by Customs officers. Customs officers would also be discharging certain new responsibilities under the maritime security legislation as agents for DOTARS. That would include duties such as the ship's security certificate.

Senator O'BRIEN—Thank you. I do not have any more questions for AMSA.

CHAIR—Thank you for your attendance.

[9.36 p.m.]

Australian Transport Safety Bureau

CHAIR—We now move to the Australian Transport Safety Bureau.

Senator O'BRIEN—What is the budget allocation for ATSB for the 2004-05 financial year?

Mr Bills—Are you asking for the group budget or the all-up budget, including attributed corporate costs?

Senator O'BRIEN—The Safety Investigation Group budget. When you talk about the attributed costs, they are taken out before you get your budget, are they?

Mr Bills—That is correct, but in some parts of the PBS—for example, on pages 44 and 60 to 61—you have figures that include the corporate overheads that are attributed to the Safety and Investigation Group and other groups.

Mr Matthews—Senator, of the choices you were given, the one you have chosen is the one that is analogous to the other group numbers that you have got before, so the figure that Mr Bills is about to give you is the one that compares with the Policy and Research Group et cetera.

Senator O'BRIEN—Thank you.

Mr Bills—The comparable or the net cost-to-department figure, then, is \$16.144 million for 2004-05.

Senator O'BRIEN—How does that compare with 2003-04?

Mr Bills—Did you want a comparison with the initial budget or the likely out-turn? Sorry to be difficult, but I can give you either.

Senator O'BRIEN—Give me both.

CHAIR—That is what I would have said, too!

Mr Bills—In terms of the budget the comparable figure was \$13.688 million. In terms of the likely out-turn it is just under \$12.5 million, but we do not have an exact figure at this stage.

Senator O'BRIEN—To what do we attribute the increase?

Mr Bills—The main increase is a result of policy measures in the federal budget this month, the largest being aviation investigations, where there is roughly \$2 million a year additional from the government, but there is also a sum for developing a replacement database for the OASIS aviation safety database; that is almost half a million dollars. In addition to that, there are some movements from this year into next that have been agreed from the department.

Mr Matthews—Senator, if I may: a point that was made many hours ago but I need to make again is that this year ATSB is the only group that does not have to find the additional 4.1 per cent reduction which has been applied to all groups. The government is responding to suggestions that ATSB investment is important.

Mr Bills—The effect of that is a bit over half a million dollars extra in 2004-05 compared with what would have been the case had the secretary and the executive not made that decision, but in addition to that there are some carryover amounts from this current financial year into next year.

Senator O'BRIEN—Can you tell me what the staffing of ATSB was at the start of financial year 2003-04 and what you expect it to be with the 2004-05 budgetary allocation?

Mr Bills—In terms of 30 June 2003—and you asked for 1 July, so it is basically the same day—the figure I have is 94.3 full-time equivalent staff. The figure at 30 April 2004—which

you did not ask for, but just to give you an indication—is 88.5. And the figure that we expect it to be in 2004-05 is not set in stone yet, but it will be in the range 102 to 106.

Senator O'BRIEN—What sort of staff are being sought to fill the vacant positions?

Mr Bills—We have already started to recruit a number of aviation investigators, as you would expect, given that there was about \$2 million a year extra for that purpose. There is a range of specialties that have already been advertised for, including high-capacity jet pilots, air traffic controllers, human factors and/or cabin safety, a structures engineer, either a highly qualified licensed aeronautical mechanical engineer or a mechanical engineer—that type of discipline. That is in terms of external recruiting, but you will probably recall that, because last year we had an increase in money for some new functions—rail and aviation research being the principal ones, but also other areas—other groups experienced a cut and we transferred staff from aviation into rail and research. Those staff will be able to move back, which will enable us to recruit specialist researchers and rail investigators, so there will be some recruitment of those people because the aviation investigators that had moved internally will go back to aviation investigation. There are also some administrative support staff, but I am not quite sure how much detail you want.

Senator O'BRIEN—What is the expenditure on IT committed to? It is the OASIS program, but is it hardware, is it purely software, is it both?

Mr Bills—This year it is basically getting to a point where we hope to be able to sign a contract for a new database system. When I say 'this year' I mean 2004-05. The \$500,000 roughly that is allowed for that year is to get to a point to sign a contract for a new database system, and the large capital lump is then in 2005-06 and there is a little bit in the out years. Basically, with the assistance of our project manager and specialist advice, what we hope to do this year is to get to a point where we can sign a contract.

Senator O'BRIEN—Is your group's budget broken down between investigations and other functions?

Mr Bills—There are various ways of carving up the budget, but in terms of the PBS there are basically three outputs which Safety Investigation Group are involved in: 1.1, 1.3 and 1.5. 1.3 is basically the safety investigation output; 1.1 is the ministerial and parliamentary, which is fairly small; 1.5 is basically the research component.

Senator O'BRIEN—Where will I find those numbers?

Mr Bills—They are the numbers I was referring to on pages 44 and 60 to 61 of the PBS. Look at page 44. These are the numbers that do incorporate the corporate overhead that we were referring to earlier. 1.3, Transport safety investigation, is all ATSB plus the corporate overhead, and the ATSB has got slightly more money than the PBS because of the executive decision on that of not having to have the 4.1 per cent cut next year. If I give you the figure with that 4.1 per cent added back in, the \$10.624 million of that \$16.813 million, which will have a little bit more in it, is safety investigation. In terms of 1.1, our share of that is \$0.701 million. And in terms of output 1.5, our share of the \$15.75 million is \$4.919 million.

Senator O'BRIEN—What was your share of 1.3 again?

Mr Bills—It is all of 1.3, but the bit that goes to ATSB—the bit out of the \$16 million we talked about earlier—is \$10.624 million.

Senator O'BRIEN—How many safety incidents have your resources permitted you to investigate over the current financial year to date?

Mr Bills—To date, in terms of new investigations—there are, of course, still a number of older ones—the figure is 57. That is year to date, and we have a little while to run yet till 30 June.

Senator O'BRIEN—How many ongoing investigations are involved?

Mr Bills—At any time during the year?

Senator O'BRIEN—Yes.

Mr Bills—I would need to take that on notice. The trouble is some of the new ones this year have already been completed.

Senator O'BRIEN—What I am after is those that were carried over from the previous financial year or years. If you started 57, then you are working on 57 new ones. How many old ones were you also working on?

Mr Bills—I cannot find that number at the moment.

Senator O'BRIEN—I would like to know, if you can tell me, how many investigations this current funding allocation will permit, on the basis of your experience in past years.

Mr Bills—It depends on the categorisation of the investigations but, based on a reasonably typical year, up to 100.

Mr Matthews—That compares with, I think, around 60 over the last few years. The 100 also gives the opportunity to increase the depth of investigation, probably, for a number of investigations. That was the objective that the government set out to achieve in this budget.

Senator O'BRIEN—Has there been a trend over the last couple of years that aviation safety investigations take more of ATSB's time?

Mr Bills—Compared with before?

Senator O'BRIEN—I suppose, because you picked up some other responsibilities more recently, it is hard to make that comparison.

Mr Bills—That is right. You are not comparing like with like. To the extent that we have new functions, obviously the proportion of aviation safety investigations would be a lower amount of the total of all staff.

Senator O'BRIEN—Are they more time consuming than other transport investigations?

Mr Bills—It is very difficult to generalise. Each investigation is different, and there is nothing inherent about an aviation investigation that makes it more time consuming than a marine or a rail investigation, but within rail, marine and aviation there is a layer of complexity that involves taking more time.

Senator O'BRIEN—What road safety activities are currently under way within ATSB?

Mr Bills—There is a range. We have our role working with the states and territories under the National Road Safety Strategy. In particular, we are developing a new national road safety action plan for 2005-06, which needs to be presented to ministers by the end of the year so that it can kick off at the beginning of 2005. That is a major stream of activity. Secondly, there is a stream of research activity, where we are undertaking road safety research ourselves, through consultants, and in collaboration with the states and territories, Austroads and others. Then there is a national statistical role, where we continue to put out monthly national road safety data and statistical research papers and so forth. Mr Motha can certainly give you more detail on any of those areas.

Senator O'BRIEN—How many staff are engaged in the road safety research activities?

Mr Motha—There are two sections. One is statistics and the other is research. In the research section, there are five staff.

Senator O'BRIEN—And statistics?

Mr Motha—An equal number.

Senator O'BRIEN—Is that the 1.3 grouping that we are talking about—10 people—or is that 10 people plus support staff?

Mr Bills—Output 1.5 is the research output which includes the 10.05 FTE road funding safety staff inclusive of support and aviation safety research staff and support. Within that is not just the research element but also the statistical people and a number of people in the communication and education areas, so we would need to total all of those together to get the staff number under 1.5. I think we will have to get that number for you on notice.

Senator O'BRIEN—Could you also get me the total staffing under 1.3 and 1.1?

Mr Bills—Yes.

Senator O'BRIEN—I note from the communiqué issued following the Australian Transport Council meeting last month that the council considered the issue of seatbelt reminder systems and indicated a regulation impact statement would be released this month on that issue. Is that the statement released by ATSB on Monday this week?

Mr Bills—That is from VSSB. Mr Peter Robertson told me this morning that they are just answering a few questions involving the RIS for that with the Office of Regulatory Review.

Mr Yuile—RIS is regulatory impact statement.

Mr Bills—He is hopeful that that will be completed very soon. Mr Motha, is there anything else we need to add?

Mr Motha—No.

Mr Bills—Thank you.

Senator O'BRIEN—The report in summary states that there is potential economic benefit with regard to the retrofitting of driver-only seatbelt reminder devices in vehicles up to 10 years of age, as long as the device costs less than \$45 and would guarantee a minimum of 20 per cent increase in seatbelt wearing. Have I interpreted that correctly?

Mr Motha—The findings suggest that the retrofitting of seatbelt reminder systems would be worth while for driver seat implementation only as long as the device would cost no more than \$35 and would guarantee a minimum rate of 20 per cent improvement in wearing seatbelts.

Senator Ian Campbell—A 20 per cent improvement in the driver wearing a seatbelt?

Mr Motha—Yes, a minimum 20 per cent improvement in the wearing rate.

Senator O'BRIEN—With respect to these findings, what is the next step which is to be taken in relation to seatbelt alarms? On the basis of these findings will any further work be undertaken to advance the issue?

Mr Motha—The research has already been done. We have done two studies. The first study was on the introduction of alarm systems in new vehicles. The one you just referred to was the retrofitting of the existing fleet. We do not envisage any further work.

Senator Ian Campbell—I think the statistics on new vehicles inform us that we expect close to 100 per cent fitting of audible and intrusive seatbelt alarms within a couple of years. I think that was the brief I read before the transport ministers' meeting.

Mr Motha—The market is responding—that is what we are told. Over time there is a view that there will be an increasing number of these devices fitted in the fleet.

Senator Ian Campbell—I might provide that statistic to Senator O'Brien if he is interested. We might have it to hand and, if we do, I will table it tonight. It will be pretty close to saturation within a couple of years.

Senator O'BRIEN—In the new vehicle fleet?

Senator Ian Campbell—In new vehicles, yes. Of course, it is a different issue for retrofitting. At \$35 though, anecdotally, it would have to be a home handyman fitted one.

Mr Motha—It would be a very basic one, yes. It is difficult to meet that cost.

Senator O'BRIEN—In that context, is the mandatory retrofitting of driver-only seatbelt reminders being actively considered in the context of satisfying the National Road Safety Action Plan?

Senator Ian Campbell—It is not before me at the moment.

Mr Motha—I think the action plan referred to new vehicles—an ADR for new vehicles.

Senator O'BRIEN—What is the expected time frame to address the Australian design rules on this front?

Mr Motha—It was as early as possible. The item is in the 2003-04 action plan. It says 'introduce an ADR for intrusive audible seatbelt warning devices'.

Senator O'BRIEN—Introduce?

Mr Motha—Introduce an ADR—Australian Design Rule—for intrusive audible seatbelt warning devices. They are the words in the action plan.

Senator O'BRIEN—All right. Does anyone know of an expected time frame for the introduction of such an ADR?

Mr Bills—This is a VSSB action item.

Senator O'BRIEN—I understand that, but—

Mr Bills—All we can do is refer it to our colleagues in that branch.

Senator O'BRIEN—That is programs, is it not?

Mr Bills—It is within the regulatory group and the Vehicle Safety Standards Branch, which Peter Robertson heads up.

Senator O'BRIEN—The ATC communiqué released on 10 May stated:

The Council noted that school bus safety was a matter of strong concern for many parents and that jurisdictions will continue to pursue safety measures that are likely to be most effective in reducing risks to children.

What does that mean, in the context of what actions the ATC is taking in relation to seatbelts on school buses?

Mr Motha—Some time ago the ATC considered the introduction of seatbelts in school buses. The matter was referred to Austroads. Austroads produced a series of reports on school bus safety. There were three reports, in fact. The key issue here was the safety of schoolchildren after they alighted from the bus. The overwhelming majority of fatalities associated with school bus use is when children alight from the bus and attempt to cross the road. The issue was not really the safety of children in the bus, but after they alighted from the bus. Jurisdictions were asked to take note of the findings of those reports. This was one of the key findings. There are obviously other measures that need to be implemented to secure the safety of those children.

Senator O'BRIEN—So nothing is happening about the fitting of seatbelts in school buses?

Mr Motha—One of those reports found that introducing seatbelts on the existing fleet would cost very close to \$700 million. There were also other measures that were looked at. There was a series of five measures, one of which was the introduction of seatbelts. All of those measures, if implemented, would cost over \$6 billion and would take 15 to 20 years to implement. The average number of fatalities in a bus per year is less than one, so the numbers speak for themselves; the cost-benefit equation is very plain.

Senator Ian Campbell—I was the one who got this put on the ATC agenda at the meeting because of the urging of Jo Gash, the member for Gilmore, and an action group centred in her electorate. The evidence that was put before the ATC was a report from the Queensland government, which had done a trial and some investigations on this. One of the practical issues is actually getting children on the buses to wear the seatbelts. The compliance and how you get that happening is one of the practical issues.

For our state and territory governments there are a lot of other things, as Jo has said, that jurisdictions can do to improve the safety of children around getting on and off buses. That is where the fatalities and serious injuries occur with kids running from behind buses and getting knocked over. If we can put the regulatory effort, and that is what the communique was seeking to encourage jurisdictions to do, into designing better traffic movements around schools, better places for people to drop off and pick up, better information for parents about

the risks around schools, ensuring that schools actually provide information to children about road safety risks and so forth, then that is an effort that is far more likely to get much better safety outcomes for children than imposing a requirement to retrofit buses with seatbelts.

Senator O'BRIEN—Apart from fatalities, what is the injury rate in buses, and accident rate?

Mr Motha—I can give you some figures. I have only fatalities here with me. The injury rate obviously has to be a bit higher, but they are not huge. Bus travel is by far the safest mode of road transport. The fatality rate is, as I said, less than one per 100 million vehicle kilometres travelled. It is a very low rate. For cars, it is about eight times that. The injury rates would be probably higher than the number of fatalities, but not huge.

Mr Bills—Let me give you the figure that you asked for a few minutes ago on the number of aviation occurrence investigations at the beginning of 2003-04. The number is 66, as indicated on page 35 of the ATSB annual review. Those 66 are all listed in appendix 5 of that publication.

Senator Ian Campbell—Senator O'Brien, we have a 2001 publication on Australian bus safety with statistics in it, which I am happy to make available to you or the committee.

Senator O'BRIEN—Thank you. I want to ask some questions about the voluntary code of practice for motor vehicle advertising.

Mr Bills—Just as you do that, can I answer the other question that we took on notice, which was the staff numbers per output split. Based on the assumption that the number of FTEs for 2004-05 is 105.6, the split will be 9.2 for 1.1, 62.2 for 1.3 and 34.2 for 1.5.

Senator Ian Campbell—A new code of advertising was endorsed, I think unanimously, at the transport ministers meeting in Perth on 30 April.

Senator O'BRIEN—I note that the Advertising Standards Bureau will now provide an annual report summarising the handling of complaints under the code. When will that report be published each year?

Mr Motha—The decision at ATC was that this code will be closely monitored and a review of this code will be undertaken 12 months after it is implemented.

Senator O'BRIEN—That is the review. What about its annual report?

Mr Motha—There is no report as such. The monitoring is on an ongoing basis.

Senator O'BRIEN—The revised code contains a mechanism for the Advertising Standards Bureau to schedule additional meetings in the event that there were 'an unusual number of complaints to be dealt with and if it were felt that a more timely determination was required'. What constitutes 'an unusual number of complaints'?

Mr Motha—The ASB has not defined or explained that.

Senator Ian Campbell—What we would want—and you chair it—is timely consideration of the complaints so that action can be taken if they are outside the code.

Senator O'BRIEN—The Federal Chamber of Automotive Industries statement of December claims:

There was little evidence that the existing cycle of monthly meetings was inadequate yet the revised code incorporates this new mechanism.

Was the number of complaints overall, or criticism of the way the code was being administered, a factor?

Senator Ian Campbell—It certainly was in my view. I was keen to ensure the code was held in high regard and that it was applied and adhered to. We certainly want to make sure that it is properly scrutinised and that people who make complaints have them dealt with fairly.

Senator O'BRIEN—Is it really the case that there was no evidence to support changing the way determinations are made?

Senator Ian Campbell—I know that there is evidence, even though it is limited. It strikes me, in my short period in the portfolio, that there are a number of people who feel very strongly about this. From the cases that I have looked through—and I have read through many of them personally and in fact spoken to a number of the complainants to seek to understand how they view the code, how they view the ads and how the ASB does—in many cases the people who make the complaints have very sound reasons to. I know, on the other hand, that the industry is very keen to respond to it. I raised this issue at the FCAI's national conference here in Canberra a fortnight ago. I told them the government is very keen to make sure they comply with it.

The practical reality is that you have a very aggressive, very competitive market. You probably have young, enthusiastic people in the marketing departments and the advertising agencies trying to just drive their product further. I told the managers of these firms, at the CEO level of the motoring companies in Australia, that it is their responsibility to take responsibility for what happens within their organisations and for each of their ads and make sure they comply. Partly it is a governance issue, from my perspective. They have to know that the community is watching their behaviour, the government is watching their behaviour and that there is a threat of regulation hanging over their heads.

Senator O'BRIEN—On the issue of prevetting advertisements, I understand that there will now be a system whereby FCAI members can seek to assess an advertisement prior to it being aired. Is that right?

Mr Motha—Yes, that is right. That is entirely voluntary.

Senator O'BRIEN—How will it work? How will a decision be made on which ads to look at prior to them hitting the airwaves? It is only on application, is it?

Mr Motha—Yes.

Senator Ian Campbell—I guess in a way, going back to my governance idea, if an executive has a bit of a concern, then it gives an opportunity to have a set of eyes go over the ad and help them with their governance responsibilities—because it is going to be very costly. If they are told that the ad does not comply and have to take it off the air, it is an expensive operation, so it is in their interests to get it right.

Senator O'BRIEN—What are the reasons behind the decision not to implement a separate prevetting panel?

Mr Motha—That was discussed, but we could not get to a point of agreement on that so it was not decided to go that way.

Senator O'BRIEN—Does that mean the industry was vehemently opposed to it?

Mr Motha—It was difficult to gain agreement. What we really achieved was a much stronger code, a strengthened code, and that was a significant improvement, a significant advancement on the previous code. That was a good outcome for us and there seemed to be a commitment on the part of the industry to try and make this code work. Apart from that, we did not go further than that, and we could not get agreement for the prevetting thing. That would certainly be an option for the future, of course, depending on how the code is applied.

Mr Bills—But it is fair to say that all ministers of ATC agreed that this new code should be given 12 months to see if it delivers what we are expecting it to deliver, what Minister Campbell said we are expecting. All jurisdictions, I think, agree with that decision and we are very hopeful that the standard of advertising will continue to improve.

Senator O'BRIEN—There is an assessment in 12 months?

Senator Ian Campbell—Yes. The key point is that we do want these companies, from the CEO down, to take responsibility for what they put on the television for their marketing campaigns, and in a way you reduce that responsibility if you palm it off on some sort of panel. The ad agencies say, 'What can we get away with? Can we stretch it?' and you end up reducing the responsibility. We want to put the responsibility firmly with them, and if they breach the code it will cost them a lot of money, because they would have wasted all the work on producing the ads.

Even the most strident critics of the old code and its enforcement—whom I have spoken to one to one in meetings—think the code is a huge step forward, it is a credit to the industry and it is a credit to Joe and his team. Even the most strident critics who have corresponded with me and whom I have sought to meet with have said, 'It is a big step forward, so let us see it work.' Even the ministers around the transport ministers table said the same thing, so it is a step forward, but we need to be vigilant. It is a very important thing to get right.

Senator O'BRIEN—Yes. I am sure that there are those who would say the goodwill of the advertising industry and car makers means that they will endeavour to get it right, but, if the wrong ads get on the airwaves, part of the problem has been caused. Yes, there is a cost after the argument has been established that there is a breach of the code, but, in a way, that is resolving a problem after it has occurred, rather than trying to deal with it beforehand. I hear what you say about no consensus on prevetting, but prevetting would be the safest way of implementing the code, wouldn't it?

Senator Ian Campbell—Not necessarily, because we are trying to create a sense of responsibility within the organisations who are being regulated, and, if you do not have that sense of responsibility, you will probably get—

Senator O'BRIEN—Yes, but I suppose you could say that there is a cost if you prepare an ad. You pay the production cost and you have it vetted and it fails; you still have a cost, but it has not been aired. If you prepare the ad, engage in the preparation and production costs and run it, you have additional expense, but you have also got some publicity out of it.

Senator Ian Campbell—We have got the best of both worlds, because you can get it vetted if you want to.

Senator O'BRIEN—Yes. I guess that means that those who were confident that it would pass vetting might want to do that, but there is no incentive really, is there?

Senator Ian Campbell—The incentive is exactly what you said. You can seek to save some of that production cost.

Senator O'BRIEN—No, but I think the incentive is the other way, in a sense. You cannot get it assessed until you have engaged in some production costs anyway, but, if pre-assessment means you do not run it, then you get no benefit at all, whereas, if you run it and then someone says, 'That's breaching the code,' and after it is argued it does breach the code it is pulled, at least you have been able to run the ad for a while.

Senator Ian Campbell—The other risk of running the ad and having it pulled because you have gone through the standards board is the reputational damage to the organisation. It would be all over the newspapers. It is a very competitive industry. There is a lot of media attention. There is a lot of reputation damage done if someone says, 'Toyota has breached this,' or 'Ford has breached this,' or 'Holden has breached this code,' and they are putting people's safety at risk by doing so.

Senator O'BRIEN—There have been plenty of ads about speed, haven't there, that car makers were very happy to run and argue the case and gradually take them off the air as they lost the case. I am not sure that that resolves the problem. I hear what you say. I hope in 12 months we make some more progress.

[10.25 p.m.]

Civil Aviation Safety Authority

CHAIR—We now welcome officers from the Civil Aviation Safety Authority. Senator O'Brien?
Senator O'BRIEN—Page 105 of the PBS indicates that CASA will be provided with additional funding of \$29.2 million over four years. What does that make the total CASA budgeted expenditure for 2004-05?

Mr Byron—Good evening. The planned expenditure for 2004-05 is \$114.721 million.

Senator O'BRIEN—How many staff do CASA have at the moment?

Mr Byron—The total staff held at the moment against the establishment is 704, and we have an additional staff of 21 which are made up of various project staff and inoperative staff.

Senator O'BRIEN—What do you mean by 'inoperative staff'?

Mr Byron—For various reasons, staff that are not on duty at any given time. It may be extended sick leave or something like that.

Senator O'BRIEN—What does 'project staff' mean? Are they contractors or are they staff off with someone else doing a project?

Mr Byron—Some staff are held against long-term projects. We have a number of significant projects under way, so there are some staff held against positions in that activity. Would you like a further breakdown?

Senator O'BRIEN—I am trying to understand what that means. Does that mean you have 725 staff?

Mr Byron—Yes.

Senator O'BRIEN—What staffing do you expect at the end of the coming financial year, with the additional funding that you will have?

Mr Byron—I am undertaking an establishment review of CASA, which I made known to the staff back in February, commencing this month. Until that activity is completed, I will not be able to give you a precise figure. I would expect to see some slight adjustment in that. As some of the projects come to maturity, I would expect to see the total number decrease slightly from what it is now. The resourcing issues that I will be looking at through the establishment review will particularly look at how our resources are allocated against CASA's core functions.

Senator O'BRIEN—The PBS indicates that CASA's additional funding is dependent on identification of structural changes within the organisation. You are about to conduct a review. Is there any preliminary thinking on the structural changes that may be needed?

Mr Byron—Nothing about which I could give you any firm information at this stage. I am, effectively, looking at all options. I have asked Mr Gemmell, the chief operating officer and deputy chief executive officer, to pull together some options that he and I will be discussing in the coming months. I am particularly keen to ensure that our resources are allocated most effectively against the appropriate industry sectors to achieve the best results. By 'industry sectors', I mean, for example, the airline sector and the general aviation sector. That may result in some minor structural changes, but I cannot guarantee that at this stage.

Senator O'BRIEN—Does CASA have any special obligations in relation to the Melbourne Commonwealth Games?

Mr Byron—Not specifically that I am aware of. My colleagues have advised me that based on the experience from the Sydney Olympic Games, where CASA undertook extensive special education for pilots, particularly, relating to airspace changes around the venues, it is likely that CASA will conduct similar activities. That issue is being worked through at the moment to determine what, if anything, we need to do. If we do anything, it will relate to education material for pilots operating in the area of the Commonwealth Games.

Senator O'BRIEN—Is there any special off-budget money for that additional responsibility?

Mr Byron—The portfolio budget statement highlights that \$210,000, I believe, has been allocated as a contingency for that activity.

Senator O'BRIEN—Will that cover the cost?

Mr Byron—Based on the experience from the Olympic Games, I understand that that will be adequate to cover the cost at this preliminary stage.

Senator O'BRIEN—Going back to the \$29.2 million over four years in the PBS, I presume that is straight from consolidated revenue. It is not out of any other special fund raising measure levy or the like?

Mr Gemmell—The majority of that funding is the pass-through to CASA via appropriation of receipts from fuel excise. In this calendar year, there was an increase in fuel excise to provide additional funding to CASA of about 0.3c a litre. That excise was set in last year's budget only for this year. That has been continued on through to forward estimates. It is around \$6 million a year that is collected in that way and passed on to CASA.

Senator O'BRIEN—On the day of the budget, Minister Anderson issued a press release. On page 2 it makes the claim:

The government will also allow CASA to increase its regulatory fees and charges for the first time since it was established in 1995.

Is that true?

Mr Byron—Yes, that is correct.

Senator O'BRIEN—Fees and charges have not increased since 1995?

Mr Byron—That is correct.

Senator O'BRIEN—They must have been high in 1995! What is the situation regarding the average cost of the re-issue of an AOC?

Mr Byron—The cost of an AOC comes down to the size of the operation. For example, a general aviation company with a small fleet and small activity would be considerably different to the AOC of an airline, so an average figure might not really paint an accurate picture. We can get you a precise figure, if you wish.

Senator O'BRIEN—I have a series of letters from an AOC holder in the Bankstown district. While she kept the hourly rate the same, the number of hours involved in the re-issue kept growing, so the fee went from \$75 in 1997, to \$150 in 1998, to \$300 in 1999 and to \$600 in 2000. You did not increase the rate, but you managed to screw the fee up by 800 per cent.

Mr Byron—I would be happy to look at any case like that; I am obviously not aware of that particular case. It has been my observation in the last five months that the activity of AOC renewal and renewal of certificates of approval for maintenance organisations has been handled over the last little while in the general aviation sector—which presumably that operation would be related to—by our regulatory services division. The time taken on each case to renew or issue each AOC or C of A, on average, has come down significantly over the last two years—quite significantly. If there is a problem with a particular case, I would certainly be happy to look at it. It may be that that particular case may have been rather complex.

Senator O'BRIEN—It got more complex every year, apparently.

Mr Byron—The average figures are down; there is no question of that. I would be happy to look at that particular case.

Senator O'BRIEN—I am not sure whether I want to put them in. They might get an even bigger bill next time.

Mr Byron—There will be no charge.

Senator O'BRIEN—They might think that means they are not going to get an AOC. We heard from Airservices Australia that fundamental changes to our aviation airspace

management system implemented just six months ago are being finalised. Does CASA accept that stage 2b of the National Airspace System implemented in November was fundamentally flawed?

Mr Byron—No; we do not accept that broad statement. I think I reported the last time we appeared here that we looked at the implementation in November. We believe that the implementation process can be improved, particularly in relation to training and education activity, and I gave evidence about my approach to that for future stages of the NAS at our last appearance. Nevertheless, since the 2b introduction, in response to recommendations from the ATSB, we have looked at some particular areas relating to the procedures and the educational material. We determined in February, I believe, that there should be some minor adjustments, and they are proceeding. We certainly have not taken a position that the whole system—the introduction of it—was fundamentally flawed. It needed some adjustment.

Senator O'BRIEN—You do not accept that any members of the aviation travelling public were placed in a position of greater risk as a result of the implementation of the National Airspace System than they would have been if the system had not changed?

Mr Byron—I have no objective evidence to lead me to that conclusion.

Senator O'BRIEN—If there is no increased risk associated with the NAS stage 2b, why is Airservices Australia investigating in detail two options that change class E airspace near airports?

Mr Byron—I can only respond to the objective information. I believe that is the best way for CASA to deal with its statutory requirements. In relation to what Airservices are doing, I believe that is a question probably best asked of Airservices. Of course, in relation to the declaration of airspace, they have the statutory obligations, not CASA.

Senator O'BRIEN—What was your interest in the process of implementing the National Airspace System?

Mr Byron—CASA was asked to review the safety case leading to the introduction of the 2b stages, which CASA did, and identified some areas that needed to be addressed differently. They were passed back to Airservices and the NAS Implementation Group, and the appropriate changes were made. Post implementation we have, of course, in response to the only objective information that I have been given—from the Airservices investigation—suggested that additional changes be made. Our interest really related only to those areas.

Senator O'BRIEN—Does CASA agree that a design safety case needs to be conducted by Airservices Australia prior to the implementation of either or both of the options now being considered?

Mr Byron—In any introduction of any phase of the National Airspace System that represents a change to what we currently have, a safety case should at least be considered. In the normal course of events, it would be appropriate that particularly a design safety case be prepared.

Senator O'BRIEN—Mr Byron, were you aware of the options that were going to be considered by the board of Airservices Australia last Friday prior to that meeting?

Mr Byron—No.

Senator O'BRIEN—Did CASA have any role in the development of those options?

Mr Byron—Formally, no. I believe that there were working-level discussions, but they certainly did not involve formal input from CASA into any of the options. If I can recall correctly, CASA had observer status at a number of the industry meetings that Airservices conducted. We have had no formal input and I have not been aware of any request for that.

Senator O'BRIEN—Does that mean there was some informal input? Were you silent observers at meetings?

Mr Byron—The summary answer to that is, no, we have not made an input.

Senator O'BRIEN—I want to ask a few questions that relate to a minute from the department to the minister on 23 June, numbered P2003-372. This minute clearly purports to represent CASA's views as well as the department's. Was CASA aware of the preparation of this minute?

Mr Byron—No.

Senator O'BRIEN—Did CASA contribute to its drafting?

Mr Byron—No. Although I was not in the job at the time, I understand we did not participate in that.

Senator O'BRIEN—Did CASA agree with the recommendations of the minute?

Mr Byron—I have not seen the minute, so I am not aware of what the recommendations were.

Senator O'BRIEN—The recommendation to the minister was:

You note that:

- AA and NAS IG will be conducting a formal analysis of various NAS elements (the SCARD process) to determine whether a Design Safety Case (DSC) is required;
- any impact of NAS on the Australian model to which they are being introduced would also be considered by AA and NAS IG;
- the preliminary view of Qantas, AA and CASA appears to be that a DSC is required for some NAS elements;
- the NAS IG will continue working on the implementation process on the outstanding characteristics on a 'business as usual' basis, unless a DSC is required;
- You will be provided advice on the outcomes of the SCARD process;
- Mr Toller proposes to issue an exemption to CAR 166 to permit radio-equipped aircraft to perform SIAs as the approach most likely to pass through the Senate;
- Mr Dick Smith's stated preference is for CAR 166 to be amended, and failing that, may seek a postponement of this characteristic; and
- CASA would welcome any strategic advice on airspace issues.

Does that accord with the position CASA was taking in June 2003?

Mr Byron—My research of this issue is that CASA had the position at the time—and I certainly have the position now—that in the event that there is introduction of new characteristics of the NAS that represent a significant change of what we are doing now, or

from any other model overseas, then it should be the subject of a design safety case, best done as each element is introduced. From my position, it would be consistent for CASA to expect to see that. As to what CASA's view at the time was formally, I am not aware.

Mr Matthews—Can I just add that Mr Byron can look after himself very well, but it is difficult for an officer to react to a set of recommendations read out that he has not seen before.

Senator O'BRIEN—You have got them up there.

Mr Matthews—And he was not on the job at the time.

Senator O'BRIEN—You have got them up there. You can show them to him.

Mr Matthews—Yes, but he might need some time to reflect on it all.

Senator O'BRIEN—I am happy if he wishes to take the matter on notice.

Mr Byron—Okay.

Senator O'BRIEN—Thank you.

Mr Byron—If we can get a copy of I will have a look at it.

Senator O'BRIEN—I am sure Mr Matthews can give you a copy of it. What do you understand will now happen with regard to the National Airspace System component 2b and the performance of design safety case, or cases, on the general National Airspace System and 2b?

Mr Byron—In relation to 2b, in the event that Airservices decide to make changes to what currently exists, I would expect to see a design safety case put forward for consideration by CASA and it would be the normal process that Airservices would take it. They are quite willing to give us a look at any design safety cases that propose changes. That is my understanding, so I would expect that that would happen.

Senator O'BRIEN—Have they told you which design safety cases they are proposing?

Mr Byron—They have not told us of a firm decision of which model they are going for.

Senator O'BRIEN—Will CASA review any design safety cases undertaken by Airservices?

Mr Byron—If they are submitted by Airservices, we will look at them. I should add there, my colleague Mr Gemmell has reminded me that we were provided with a design safety case from Airservices recently which I believe was labelled 'option 1,' which was a considerable change to the current airspace system. But it has not been put forward on the basis of a decision made by Airservices. We do not know exactly what they are proposing to do at this stage.

Senator O'BRIEN—Also in that minute was advice to the minister in relation to the replacement of mandatory broadcast zones at uncontrolled airports by US style common traffic advisory frequencies as part of the NAS stage 2c. Sections of industry opposed this change because it would diminish safety. Has CASA undertaken any analysis to determine if it will diminish safety at these uncontrolled airports?

Mr Byron—CASA has conducted extensive consultation into the proposed change. NAS 2c has a number of characteristics associated with it. Some of them relate to proposed changes to the structure of airspace; some of them relate to the introduction of procedures around airports in class G airspace. CTAF MBZs are not really classifications of airspace; they are procedural zones within class G airspace. The proposal to replace or to introduce a common US CTAF style in airports in class G airspace required a regulatory change; a change to regulation 166. The NASIG asked us to conduct our normal regulatory function and conduct a full, formal industry consultation in relation to that regulatory change.

In addition to a description of that regulatory change, which is regulation 166, the NASIG offered, and we included in the NPRM document—the notice of proposed rule making document—a lot of other elements or characteristics that you would expect to find in a US CTAF, not requiring regulatory change but related to procedures. These issues related to the use of radio, circuit joining procedures and that type of thing. CASA formally consulted with industry and we have received responses to all of that.

In addition to that, in early January this year, we started to engage a process of consultation with industry organisations, large companies, industry sectors, pilots and air traffic associations on stage 2b, but we were also gathering at that time comments in relation to the proposed US CTAF and old MBZ concept in it, so we have that body of information.

On top of that I conducted, for about a month, personal discussions with major organisations, large operators and industry groups so that I could understand personally their views and, not only their views, but what were the reasons and the information and positions behind that. So certainly we have collected all that information and we know exactly where the body of opinion lies on 2c, particularly the US CTAF MBZ issue.

Senator O'BRIEN—So CASA is satisfied that there is overall support for these changes, or that they are safe, or—

Mr Byron—No, I did not say that, Senator.

Senator O'BRIEN—No, I am just trying to understand what you are saying.

Mr Byron—The views for the whole change are fairly polarised; they are mixed. There are large groups of, I suppose you would call it the sport and recreational aviation, who were very supportive of the proposed change and there were large groups of the charter airline sector and that type, who were against the change. Interestingly enough, putting together all that information, we have a clear understanding of what the issues are from the various industry sectors, what their views are and clearly, we have to come to a position on it. I have not formally articulated CASA's position back to the implementation group, but there are a number of elements of the proposed change that I have made a decision on. Until we put that formally—I suppose put the meat around the skeleton of that and give it back to the implementation group particularly—I cannot really articulate all the points. But there are a number of elements that I have made a decision on. In other words, I have not conveyed any decisions from CASA to any of the other players at this stage.

Senator O'BRIEN—Is this a change that requires amendment to CAR 166?

Mr Byron—That is only one of the elements. Certainly the overwhelming responses to the changes to CAR 166 were in favour of the changes to 166. I see no reason why we should not proceed with the proposed change to regulation 166.

Senator O'BRIEN—When will you be introducing a regulation, promulgating a regulation change?

Mr Byron—The exact time frame would ideally be lined up to make it applicable to be effective in November this year, which was the original time frame. But the regulation change, as I say, is only one element. We received comment back on a lot of other elements of it. The one other element, I suppose, that I have made a decision on is the use of radio. I will be going back to the NAS implementation group to indicate that CASA will not accept the removal of mandatory radio at certain locations yet to be defined, so we need to flush out the detail on that.

Senator O'BRIEN—The minute indicates that the department is unsure about the significance of aircraft being unable to conduct a straight-in approach at uncontrolled airports. Does CASA have an opinion of the significance of this?

Mr Byron—There are different types of uncontrolled aerodromes at this stage. There are common traffic advisory aerodromes, and they are ones with mandatory radio and MBZs. The ability for certain aircraft groups to conduct straight-in approaches at current MBZs exists today, and at aerodromes where we determine that it is appropriate for mandatory radio requirements to remain, I see no reason why the ability to conduct straight-in approaches could not continue.

There are numerous elements of the proposed changes to aerodromes and class G airspace that have been put forward in the proposal that CASA believes will provide a better operating environment. For example, the use of a common term will certainly make it quite clear that all these aerodromes are as exposed to potential risks whether or not there is mandatory radio, because there is not the provision of a third party like a Unicom or an air traffic controller or something like that. Certainly where the third party is provided, such as the Unicom—which is able to be provided—that would be an enhancement; that is a characteristic of a suggestion of the proposed change and CASA would fully support that. The use of a menu or a suite of recommended radio calls to provide a common standard across all aerodromes in class G airspace, whether or not there is mandatory radio, seems like a good idea in that it provides a uniformity of procedure. The only element of the proposed changes where CASA has taken a different position is the mandatory requirement to carry and use radio in certain locations.

CHAIR—Thank you very much, ladies and gentlemen.

Committee adjourned at 11.01 p.m.