



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

MONDAY, 22 MAY 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**

**COMMITTEE**

**Monday, 22 May 2006**

**Members:** Senator Heffernan (*Chair*), Senator McEwen (*Deputy Chair*), Senators Ferris, Milne, Nash and Sterle

**Senators in attendance:** Senator Heffernan (*Chair*), Senator McEwen (*Deputy Chair*), Senators Ferris, Hogg, Hutchins, Johnston, Ian Macdonald, McLucas, Nash, O'Brien, Polly, Scullion, Sterle and Stephens

**Committee met at 9.29 am**

**TRANSPORT AND REGIONAL SERVICES PORTFOLIO**

**In Attendance**

Senator Ian Campbell, Minister for the Environment and Heritage representing the Minister for Transport and Regional Services and the Minister for Local Government Territories and Roads

**Department of Transport and Regional Services**

**Departmental Executive**

Mr Mike Mrdak, Acting Secretary

Mr Andrew Tongue, Deputy Secretary

**Corporate Services**

Mr Jeremy Chandler, Executive Director, Corporate Services

Mr Simon Ash, Chief Financial Officer, Corporate Services

Ms Sharon Field, General Manager, People and Planning

Mr David Banham, Chief Information Officer

**Portfolio Strategic Policy & Projects**

Mr Phil Potterton, Executive Director, Bureau of Transport and Regional Economics

Dr Andy Turner, General Manager, Regional Research and Statistics

Dr Anthony Ockwell, General Manager, Strategic Transport Policy Development

Mr Roger Fisher, Strategic Services

**AusLink**

Ms Leslie Riggs, Executive Director, AusLink

Mr John Elliott, General Manager, AusLink Planning

Mr Robert Hogan, General Manager, AusLink Road Investment

Ms Joan Armitage, General Manager, AusLink Systems and Regional Investment

Mr Jim Wolfe, General Manager, AusLink Rail Investment

Mr Simon Atkinson, Acting General Manager, AusLink Systems and Local Roads Investment

**Maritime and Land Transport**

Mr Andrew Wilson, Executive Director, Maritime and Land Transport  
Mr Alan Gascoyne, Acting General Manager, Vehicle Safety Standards  
Mr Michael Sutton, General Manager, Maritime  
Mr Stewart Jones, General Manager, Transport Integration and Reform

**Australian Transport Safety Bureau**

Mr Kym Bills, Executive Director, Australian Transport Safety Bureau  
Mr Joe Motha, General Manager, Road Safety  
Mr Alan Stray, Deputy Director, Information and Investigations  
Mr Julian Walsh, Deputy Director, Aviation Safety Investigation  
Mr Kit Filor, Deputy Director, Surface Safety Investigation

**Aviation and Airports**

Mr Neil Williams, General Manager, Airport Planning and Regulation  
Ms Marilyn Chilvers, General Manager, Aviation Operations  
Mr Stephen Borthwick, General Manager, Aviation Markets  
Mr Stuart Sargent, General Manager, Office of Airspace Management

**Civil Aviation Safety Authority**

Mr Bruce Byron, Chief Executive Officer  
Mr Bruce Gemmell, Deputy Chief Executive Officer and Chief Operating Officer  
Mr Rob Collins, Group General Manager, General Aviation Operations Group  
Mr Peter Boyd, Head of the Planning and Governance Office  
Mr Patrick Murray, Group General Manager, Air Transport Operations Group  
Dr Graham Edkins, Group General Manager, Personnel, Licensing, Education and Training Group  
Mr Greg Vaughan, Head of Manufacturing, Certification, and New Technologies Office  
Mr Peter Ilyk, General Counsel  
Mr Christopher Farrelley, Chief Information Officer  
Ms Betty Edwards, Chief Financial Officer  
Mr Gary Harbor, Head of Human Resources  
Ms Julie Fox, Acting General Manager, Corporate Relations  
Mr Kim Jones, Manager, Airways and Aerodromes  
Dr Jonathan Aleck, Manager, Enforcement and Investigations  
Mr Richard Purdie, Manager, Air Transport Field Office, Brisbane

**Australian Maritime Safety Authority**

Mrs Dianne Rimington, Acting Chief Executive Officer  
Mr David Baird, General Manager, Emergency Response  
Mr Mick Kinley, General Manager, Maritime Operations

**Office of Transport Security**

Mr Paul Retter, Executive Director, Office of Transport Security  
Mr Darren Crombie, General Manager, Aviation Security Operations  
Mr Jeremy Parkinson, Acting General Manager, Maritime Security  
Ms Sue McIntosh, General Manager, Critical Infrastructure and Surface Transport Security  
Ms Cheryl Johnson Acting General Manager, Regional Aviation and Air Cargo Security  
Mr Richard Windeyer, General Manager, Aviation Security Policy and Legislation

**Inspector of Transport Security**

Mr Mick Palmer, Inspector of Transport Security  
Mr Bill Ellis, Adviser, Office of the Inspector of Transport Security  
Mr Peter Pearsall, Section Head, Office of the Inspector of Transport Security

**Airservices Australia**

Mr Greg Russell, Chief Executive Officer  
Mr Ken McLean, General Manager, Air Traffic Control  
Ms Claire Marrison, Acting General Manager, Safety Management  
Mr Richard Dudley, General Manager, Corporate Affairs

**Regional Services**

Ms Carolyn McNally, Executive Director, Regional Services  
Dr Gary Dolman, General Manager, Regional Partnerships  
Mr Daniel Owen, General Manager, Regional and Indigenous Policy  
Ms Karen Gosling, General Manager, Sustainable Regions and Networks

**Territories and Local Government**

Mr Barry O'Neill, Acting General Manager, Local Government and Natural Disaster Relief Branch  
Ms Anna Clendinning, General Manager, Territories

**National Capital Authority**

Ms Annabelle Pegrum, Chief Executive Officer  
Mr Lindsay Evans, Managing Director, Business  
Mr Graham Scott-Bohanna, Managing Director, Design  
Mr Todd Rohl, Managing Director, Planning and Urban Design  
Ms Alison Walker-Kaye, Director, Corporate  
Mr Geoff Britt, Chief Finance Officer  
Mr Phil Wales, Director, Executive Governance  
Mr George Lasek, Director, National Capital Estate  
Mr Andrew Smith, Director, National Capital Projects  
Mr Peter Byron, Manager Events and Outreach

**CHAIR (Senator Heffernan)**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. I remind everyone, including myself, to turn off their mobile phones. On Tuesday, 9 May 2006 the Senate referred to the committee the particulars of proposed expenditure for 2006-07 and certain other documents for the portfolio of Transport and Regional Services. The committee may also examine the annual reports for the departments and agencies appearing before it. The committee is due to report to the Senate on 20 June 2006 and has fixed 13 July 2006 as the date for the return of answers to questions taken on notice. The committee's proceedings will begin with the examination of the Department of Transport and Regional Services Corporate Services and will proceed through the printed program that has been distributed.

Under standing order 26, the committee must take all evidence in public sessions. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as contempt. It is also a contempt to give false or misleading

evidence to the committee. The Senate endorsed by resolution in 1999 the following test of relevance of questions at estimates that any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth, or of a state, shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. This resolution only prohibits questions asking for opinions on matters of policy and does not preclude questions asking for explanations or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the ground upon which the objection was taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that would be contrary to the public interest to answer a question shall be made by the minister and shall be accompanied by a statement setting out the basis for the claim.

An officer called to answer a question for the first time shall state their full name and the capacity in which they appear. I welcome Senator Ian Campbell, Minister for the Environment and Heritage representing the Minister for Transport and Regional Services and the Minister for Local Government Territories and Roads; Mr Mike Mrdak, Acting Secretary; and other officers of the Department of Transport and Regional Services. If you would like to make an opening statement, you may, and we will get stuck into some deep and meaningful questions.

**Mr Mrdak**—The secretary has asked me to express his regrets that he is unable to be at budget estimates this week. The secretary, Mr Taylor, and the Executive Director, Aviation Airports Division, Mr Doherty, are currently in Hanoi, Vietnam, attending a meeting of the Transportation Working Group of APEC. Unfortunately this meeting has been scheduled for some time—these meetings are usually programmed some years out—and this is quite a critical meeting. As you are aware, Australia is hosting APEC next year. As part of that, Australia will be hosting the APEC transport ministers between 28 and 30 March in Adelaide next year. The meeting that the secretary is attending over the next few days will set the agenda for transport ministers and their work program for the coming year as well as providing agenda items for that critical APEC transportation meeting which Australia is hosting next year.

It is also an opportunity for us to build support for the key items on the agenda which we would like to see progressed at APEC next year, particularly on transport security and trade facilitation. Accordingly, the secretary's involvement in these meetings with his counterparts from across the APEC region brings our engagement to a very senior level and focuses on the agenda for next year. So the secretary sends his regrets that he is unable to be with us this week. I will also point out that, although the department's structure has not changed, a number of senior staff changes have taken place since we last met with the committee. With your



indulgence, I will briefly outline the changes, which may assist the committee when it deals with each division.

These changes reflect a number of departures by senior staff but also some changes that we have undertaken internally to reflect work requirements. Firstly, Ms Sema Varova, who was the executive director of territories and local government, has retired from the APS and, pending permanent filling of her position, my colleague Susan Page is overseeing the work of that division. We have advertised the position nationally. Mr Adrian Beresford-Wylie, who was the general manager of the local government and natural disaster relief branch within the territories and local government division, commenced as the chief executive officer of the Australian Local Government Association on 13 April. Mr Barry O'Neill is currently filling that position pending permanent filling. Brigadier Paul Retter AM was appointed to the position of executive director of the Office of Transport Security on 18 April and is now heading up the Office of Transport Security. Ms Vicki Dickman, who was the general manager of regional aviation and cargo within the Office of Transport Security transferred to take up a position in the Department of the Environment and Heritage in April. Ms Cheryl Johnson is currently filling that position pending permanent recruitment. Dr Leo Dobes, who was with the regional services division, has moved to the strategic projects area to work on a number of COAG tasks, principally the rail reform agenda.

An additional deputy director position has been created within the ATSB to allow deputy director Joe Motha to focus more on road safety issues. Mr Alan Stray has filled the new position, which includes oversight of aviation safety research and the ATSB's investigation and publication process. Mr Stephen Borthwick has been promoted to the vacant position of general manager of the aviation markets branch within the aviation division. Finally, a temporary branch has been created within the AusLink division to manage the implementation of the Roads to Recovery strategic program. The head position of this branch has been filled by Joan Armitage. The branch will operate until the end of this year as we assess the large number of applications we have recently received for the strategic Roads to Recovery program.

**CHAIR**—Thank you. Senator O'Brien?

**Senator O'BRIEN**—I certainly was not aware that Mr Taylor was not going to be here this week. You indicate that the commitments that Mr Taylor had were longstanding; did the department advise the committee secretariat that Mr Taylor would not be here?

**Mr Mrdak**—Yes. My understanding is that the department advised the secretariat early last week that Mr Taylor would not be available for estimates this week. The meeting is a longstanding one. Mr Taylor's decision to attend this meeting was really only finalised in the last few weeks because we were waiting to see whether his equivalents from some of the key APEC partner countries would be attending. So there was some uncertainty until the last few weeks, but the meeting has been a longstanding one and it has always been Mr Taylor's intention to, if at all possible, attend this meeting, as I said, because it is quite critical to form the agenda for the March 2007 meeting in Adelaide.

**Senator O'BRIEN**—I have received an indication that the secretariat received notification. You say you wrote to the secretariat some time ago?

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—How long ago?

**Mr Mrdak**—My understanding is that that letter was sent early last week.

**Senator O'BRIEN**—Chair, was there a reason that the committee was not advised?

**CHAIR**—The secretariat thought the committee had been advised, but obviously that is not the case.

**Senator O'BRIEN**—No. I have not seen an email or a copy of correspondence and my staff certainly have not. Was Mr Taylor's absence cleared with the minister?

**Mr Mrdak**—The minister has been informed, yes.

**Senator O'BRIEN**—So last Monday Mr Taylor wrote to Senator Heffernan?

**Mr Mrdak**—That is my understanding, yes.

**Senator O'BRIEN**—I guess we will have to take that up with the secretariat. I take it that Mr Taylor will be back in Australia at the end of the week?

**Mr Mrdak**—That is correct. He is in Hanoi for the next couple of days. He will then travel on to a number of key APEC partners to further discuss APEC agenda items. He will visit China, and then Canada and the US before returning to Australia at the end of this week.

**Senator O'BRIEN**—I see. I take it that the APEC meeting itself was the only non-reprogrammable part of this itinerary.

**Mr Mrdak**—Yes. Mr Taylor has taken the opportunity to also travel to a number of key partner countries but, as I say, the APEC meeting has been locked in for some time and is the critical part of his trip.

**Senator O'BRIEN**—So, if we had known about this, we could have had him here this week instead of his travelling on to other parts of the world.

**Mr Mrdak**—As I say, he has taken the opportunity to also travel on to key APEC partners in the transport world—that is, China, Canada and the US. They may have been itineraries that could have been changed but they fitted in well with his travel, and he was able to do that in the space of this week.

**Senator O'BRIEN**—So his itinerary is from Australia to Vietnam, China, Canada and the US and then back to Australia?

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—Is Mr Doherty travelling with him all the way?

**Mr Mrdak**—Mr Doherty is travelling only to Vietnam for the APEC meeting. For the remainder of the trip Mr Taylor will be accompanied by another senior officer, from the aviation area of the department.

**Senator O'BRIEN**—Who is that?

**Mr Mrdak**—Mr Wood.

**Senator O'BRIEN**—What area does Mr Wood work in?

**Mr Mrdak**—Mr Wood looks after our bilateral air service negotiations.

**Senator O'BRIEN**—When was the last time the secretary failed to attend a budget estimates hearing?

**Mr Mrdak**—I am not aware of that. I will take the question on notice. My understanding is that he has attended every hearing in the time he has been in this portfolio.

**Senator O'BRIEN**—It makes it more difficult because I had prepared particular questions for Mr Taylor in his role as secretary. Presumably I can ask those questions of you, Mr Mrdak?

**Mr Mrdak**—Yes.

**Senator O'BRIEN**—Has Mr Taylor's generous remuneration arrangement changed since we last met?

**Mr Mrdak**—I am not aware of any change to the remuneration arrangements that Mr Taylor outlined to the committee at its last hearing.

**Senator O'BRIEN**—So he is still being paid \$680 per fortnight to maintain temporary accommodation—that is, the arrangement that has been in place for six years?

**Mr Mrdak**—My understanding is that all those arrangements are as he advised previously, and there has not been any change to any of them.

**Senator O'BRIEN**—So the reunion travel allowance of \$6,600 has not changed?

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—At our last hearing Mr Chandler provided details of the amounts claimed by Mr Taylor with respect to his special accommodation and travel entitlements. How much of the reunion travel allowance did Mr Taylor claim this financial year?

**Mr Chandler**—I will need to go back to the figures and confirm that.

**Mr Mrdak**—We will check those figures and come straight back to you during the course of today, if that is okay.

**Senator O'BRIEN**—Alright. How much of the so-called temporary accommodation allowance did Mr Taylor receive this financial year? Are these allowances taxable?

**Mr Chandler**—I would just need to check the taxation status in relation to those before I gave you an answer.

**Senator O'BRIEN**—Is Mr Taylor still the only officer in this department to enjoy allowances of this kind?

**Mr Mrdak**—As Mr Taylor outlined, his remuneration package was put in place some time ago, when he first joined the Commonwealth. To my knowledge, there are no other equivalent arrangements in place across the department. I will check that, but I am not aware of equivalent arrangements for any other officer. These matters were negotiated at the time of his appointment to the position of secretary with the Commonwealth.

**Senator O'BRIEN**—Could the department provide on notice to the committee some details of the costs associated with Mr Taylor's employment, excluding those related to the

allowances we have just discussed. I am interested in details of Mr Taylor's domestic travel, international travel, travel allowances and hospitality allowances.

**Mr Mrdak**—For this financial year?

**Senator O'BRIEN**—Yes.

**Mr Mrdak**—We will take that on notice and come back to you.

**Senator O'BRIEN**—Thank you. I regret to say that this department has again failed to comply with the committee's direction on the provision of answers to questions on notice. At the commencement of the last hearing, the chair expressed the committee's concern about the department's failure to provide answers by the required deadline. In fact, the chair described the department's compliance as 'a joke'.

**CHAIR**—Did I say that?

**Senator O'BRIEN**—Yes, I am quoting you. You have used more colourful language in your time, Mr Chairman, but on that occasion that was the term used.

**CHAIR**—I was well behaved.

**Senator O'BRIEN**—Mr Taylor and other senior officers were present when the chair advised the department:

... the committee is concerned that a pattern is developing where the department does not provide answers at the estimates hearing; instead, questions are taken on notice but not answered for several months. This is not acceptable to the committee and we will be monitoring the situation closely. During this estimates round, answers to questions taken on notice and additional information should be received by the committee no later than 6 April 2006.

Yet I am advised by the committee secretariat that as at 6 April, 56 answers to questions taken on notice at the February additional estimates round were still outstanding. What is the department's excuse this time?

**Mr Mrdak**—Can I say at the outset, and as the secretary indicated to the committee at the time, the department deeply regrets the delays on the last occasion in providing answers to the committee. We have instituted measures inside the department to ensure that its performance is improved, and I think the department has made a great deal of progress. You are right: on 6 April, when the answers were due, of the 433 questions on notice, 383 were back with the committee; the outstanding ones were still being actioned. We have made efforts. Apart from a whole range of factors where we have been seeking to pull information together from some of our agencies or where there have been delays in the preparation of answers, I do not think there is a single excuse. The department again regrets the delay and has instituted procedures to at least improve its performance, although it is not there yet.

**Senator O'BRIEN**—So the 56 answers that had not been provided and had sat on the minister's desk were still with the department?

**Mr Mrdak**—I will get Mr Chandler to give us a breakdown of where those 56 were. But I think it was a combination of areas where the department has not completed them by the deadline as well as matters which have not been cleared the office.

**Mr Chandler**—Our records show a slightly different figure. Our records indicate that 383 were e-lodged with the secretariat by the 6th—so there were 50 outstanding. We tried to get the others to the committee progressively from the 26th, and the last date they were lodged was on the 19th. Of the outstanding 50, at the cut-off date four had still not reached the minister's office. The others had at some point been to the minister, and some of them quite late—that is, by 5 April—but many of those required further consideration and revision. As I indicated, as we got final clearance on those, we forwarded them progressively to the committee.

**Senator O'BRIEN**—What is the date by which they would need to be with the minister to give the minister an opportunity to at least clear the matter by the due date?

**Mr Chandler**—We generally try to have responses with the minister at least a week before they are due to the committee.

**Mr Mrdak**—In response to the concerns of the chair, expressed at the last hearing, we set targets within the department to ensure that the minister's office had sufficient time to clear answers. As Mr Chandler has indicated, while we made a great deal of progress there are still a number of questions that the department did not complete in time to give the minister sufficient time to clear them.

**Senator O'BRIEN**—Of the 46 questions that were with the minister, how many were lodged a week prior to 6 April?

**Mr Chandler**—I do not have the specific number right in front of me. Most of them would have been lodged about the week before—that is, just a week before. Some were lodged during that week.

**Senator O'BRIEN**—Can you identify the questions the answers to which had not been forwarded to the minister's office by 6 April?

**Mr Chandler**—I will need to confirm the numbers for those questions. I will get back to you during the morning.

**Mr Mrdak**—We will have those for you during the morning, if that is okay?

**Senator O'BRIEN**—I would appreciate that. I want to ask some questions about staff numbers within the department. According to the answer to question on notice No. 0405, the department had 1,227 full-time equivalent positions as at 28 February this year, which is about 20 positions under budget. The answer says that 'the department expects to recruit another 40 or so staff by the end of the financial year'. What is the current position?

**Ms Field**—As at 31 March, the department had 1,230.6 FTE—that is, a 1,264 headcount.

**Senator O'BRIEN**—Can you provide us with a breakdown of the staffing by division?

**Ms Field**—We can provide you with that information.

**Senator O'BRIEN**—How many departmental liaison officers are assigned to the offices of Mr Truss and of Mr Lloyd?

**Mr Mrdak**—There are two departmental liaison officers assigned Minister Truss's office, and there is one departmental liaison officer assigned to Minister Lloyd's office.

**Senator O'BRIEN**—Do those numbers reflect the position over the financial year, or has there been a change?

**Mr Mrdak**—No, that has been consistent over the full year.

**Senator O'BRIEN**—Over the past two estimates rounds I have asked whether the department has adopted a policy to force new employees to sign an Australian workplace agreement, denying them the right to be covered by a certified agreement, and each time I have been told that the department has no policy to that effect 'at the present time'. Has the department's policy changed?

**Mr Mrdak**—No, it has not. The department is currently engaged in collective agreement negotiations, which Mr Chandler is leading on behalf of the department. What you have outlined remains the position of the department.

**Senator O'BRIEN**—Has the implementation of the government's extreme industrial relations changes had any impact on the way the department deals with new or existing staff?

**Mr Mrdak**—The department is negotiating its collective agreement in accordance with the government's workplace legislation. We have looked closely at the legislation and the changes it has created, and, of course, our collective agreement is being drafted to ensure that it complies with that legislation.

**Senator O'BRIEN**—So the proposals that the department is including in its negotiations reflect changes to the legislation?

**Mr Mrdak**—The legislation has made a number of changes to the way our collective agreement would operate vis-a-vis our current agreement, which Mr Chandler might give you some more detail on. Those changes largely affect the mechanics of the agreement in terms of what can and cannot be included and the way the agreement will operate.

**Mr Chandler**—As Mr Mrdak has indicated, we are still working through the collective agreement negotiation. We are doing that in consultation with staff, with the CPSU as party to the agreement, with our legal advisers, Blake Dawson Waldron, and in consultation with DEWR. We are still just working through the implications of the legislation. For the most part, the changes go to references to the previous legislation, but we are still working through the actual detail of the agreement.

**Senator O'BRIEN**—Does the Department of Employment and Workplace Relations play any role in the process?

**Mr Chandler**—The Department of Employment and Workplace Relations has a role in reviewing the proposed collective agreement for each agency, consistent with government policy, and in looking to ensure that proposals for the CA and remuneration increase arrangements are consistent with that policy. It provides advice back to departments on compliance or otherwise.

**Senator O'BRIEN**—Do you report to them after each negotiation process?

**Mr Chandler**—We consult with DEWR through the process. Do we consult after each meeting? Certainly we do not, no; but we consult progressively through the process, yes.

**Senator O'BRIEN**—I am aware of some concern among departmental staff about issues related to unpaid work time. Is it the case that some staff are required to undertake business travel in their own time?

**Mr Chandler**—At times staff do undertake part of their travel out of core hours, that is correct.

**Senator O'BRIEN**—How are staff compensated for time engaged in business travel?

**Mr Chandler**—There is a provision within the CA that allows them to claim up to two hours or 75 per cent of the time travelled, whichever is the lesser—so two hours is the maximum. At times officers get some degree of time in lieu recognition.

**Senator O'BRIEN**—So they can claim up to two hours time in lieu?

**Mr Chandler**—No, they can claim up to two hours as worked hours. Effectively, that is flex time and is up to two hours or 75 per cent of the time travelled, whichever is the lesser.

**Senator O'BRIEN**—Is that available to all staff across the department?

**Mr Chandler**—That arrangement applies to staff under the collective agreement. It is typically availed of by staff at the APS 1 to APS 6 levels.

**Senator O'BRIEN**—There are two structures above that, aren't there?

**Mr Chandler**—Staff at executive level 1 and executive level 2 do not typically have a formal entitlement to flex time, so arrangements can be negotiated with supervisors for a degree of time in lieu, and that applies not just to travel but to other additional time worked.

**Senator O'BRIEN**—Does that apply to the level above that?

**Mr Chandler**—To the SES?

**Senator O'BRIEN**—Yes.

**Mr Chandler**—No.

**Senator O'BRIEN**—At the last estimates hearing we discussed the role of the department's governance centre which was established in February last year. Is that still headed by Mr Cerasani?

**Mr Chandler**—It is.

**Senator O'BRIEN**—What is the current staff allocation?

**Mr Chandler**—It is the same as last time. It is eight including Mr Cerasani.

**Senator O'BRIEN**—In February, Mr Chandler, you described the centre as 'progressively assuming responsibility' since its establishment. Does that mean its role has continued to grow?

**Mr Chandler**—What I was reflecting at the time was that it was taking over functions from other areas of the department. It has progressively assumed some of the functions performed, for example, by the finance branch in terms of managing the chief executive's instructions. It has taken over oversight of, for example, financial and HR delegations, which were previously managed solely within finance branch or the people and planning branch.

**Senator O'BRIEN**—In February we were told that the centre 'is the first point of contact for complaints' and we were also told that the centre 'manages the allocation' of complaints and follows up to ensure they are dealt with appropriately. Can you provide more detail about the department's complaints handling procedure please?

**Mr Chandler**—The complaints we were referring to are those external to the organisation. The complaints will at times be directed to an individual division. Somebody will contact an individual division and, typically, they are dealt with in that area and they are not recorded formally. They are dealt with and, assuming they are dealt with satisfactorily, then they are not reflected as formal complaints. Where an individual may have gone through that process or submitted a complaint to the department through its client services charter arrangements then those are recorded by the governance centre and managed. That typically picks up complaints referred through our 1800 number in our client services charter, our client service email address which is also published in the customer services charter or if a person writes in with a formal complaint—those are referred as the first point for coordination to the governance centre.

**Senator O'BRIEN**—Is there a database recording all the complaints?

**Mr Chandler**—Yes, the governance centre now records those in a small database.

**Senator O'BRIEN**—How small is the small database?

**Mr Chandler**—We have had six complaints since these arrangements were put in place last year. That is all.

**Senator O'BRIEN**—Do the nature of complaints vary from individual's performance, activities of the department or problems with government policy? What is the nature of the complaints?

**Mr Chandler**—They are failure to respond to communication, they can go to recruitment type processes, if the individual has applied for a job and they pursue that avenue—a request for some form of review of processing of an application in some area. It is those sorts of things.

**Senator O'BRIEN**—What communication has there been with members of the public to make them aware that there is a part of the department to deal with any complaints they have?

**Mr Chandler**—We have issued a new client services charter with the contact details. We have information available now through our website. If people phone through to the switchboard, they are aware that we have a 1800 number for that purpose.

**Senator O'BRIEN**—As this is the first financial year that this unit has been operating, do I take it that there has not been a formal complaint bureau before?

**Mr Chandler**—We had not had a standard approach to dealing with the complaints prior to that time. We had a client services charter, but it is correct that we did not have a formalised system for recording those complaints. That is part of the slightly expanded role of the governance centre. It is one of the initiatives that we have taken through that area.



**Senator O'BRIEN**—Table 2 in the department's portfolio budget statement identifies Indigenous expenditure as \$1,923,100 for the coming year. What programs or services account for the increase in expenditure from the current year?

**Mr Mrdak**—It principally relates to our work with the COAG Indigenous trial in the East Kimberley, but I will ask Mr Owen, who manages that matter for the department, to give you some details of that.

**Mr Owen**—Table 2 in the PBS reflects the estimates of expenditure for two programs. One of them is the Remote Aerodrome Inspection Program and the other is the COAG Indigenous trial.

**Senator O'BRIEN**—Which page are you referring to?

**Mr Owen**—I am on page 7 of the 2006-07 PBS.

**Senator O'BRIEN**—Could you repeat your answer, please.

**Mr Owen**—The figures that reflect Australian government Indigenous expenditure at the portfolio level reflect two programs or two activities of the department which are both funded through departmental expenditure. They are the Remote Aerodrome Inspection Program and the COAG East Kimberly Indigenous trial lead agency role of this department.

**Senator O'BRIEN**—How much is attributable to the Remote Aerodrome Inspection Program?

**Mr Owen**—Of that figure of \$1.923 million, the Remote Aerodrome Inspection Program is estimated at \$332,308 and the COAG Indigenous trial is \$1,590,760.

**Senator O'BRIEN**—Over recent estimates rounds I have asked a number of questions about this department's role in the East Kimberly trial, including the leadership role exercised by Mr Taylor. I am interested in these issues in part because of the role of the government and Mr Taylor being emphasised on the government's website that promotes the COAG trial process. According to this website, this department is the lead agency and Mr Taylor is the Australian government sponsor and partner. Did Mr Taylor visit the trial site on 9 March this year?

**Mr Owen**—Yes, Mr Taylor was at the trial site on 9 and 10 March this year.

**Senator O'BRIEN**—How long was he there?

**Mr Owen**—He was there overnight.

**Senator O'BRIEN**—So he arrived on the ninth and left on the 10th?

**Mr Owen**—Yes, I accompanied Mr Taylor on the trip.

**Senator O'BRIEN**—What was his role while he was there?

**Mr Owen**—Essentially it was a meeting of the COAG trial regional reference group and representatives of each of the communities gathered there and we had one of the regular meetings that occur about twice a year.

**Senator O'BRIEN**—Was there one meeting or a number?

**Mr Owen**—We met with many parties involved with the trial, but there was one core meeting that was attended on the second day.

**Senator O'BRIEN**—What are the key performance indicators used to measure the outcomes of the East Kimberly trial?

**Mr Owen**—The COAG trial activity is measured against the objectives of the COAG Indigenous trials in total. Those key objectives for the COAG trial in Indigenous communities go to issues such as tailoring government action to identified community needs and aspirations; coordinating government programs and services where this will improve service delivery outcomes; encouraging innovative approaches to some of the presenting problems there; cutting through blockages and red tape to resolve issues quickly; working with Indigenous communities to build the capacity of the people in those communities to negotiate as a genuine partner with the government; negotiating agreed outcomes; benchmarks for measuring progress and management of responsibilities for achieving those outcomes with the relevant people in Indigenous communities; and, building the capacity of government employees to meet the challenges of working in this new way with Indigenous communities.

**Senator O'BRIEN**—Can you give us a breakdown of the department's expenditure on the trial in the current financial year?

**Mr Owen**—To the end of March 2006 salaries and operational expenses related to the Halls Creek community initiatives coordinators totalled \$221,111, salaries and operational expenses related to the team who work with me in Canberra totalled \$384,793 and projects directly funded into communities to that date totalled \$95,821.

**Senator O'BRIEN**—Are the Halls Creek salaries for employees of the department?

**Mr Owen**—They are.

**Senator O'BRIEN**—And the Canberra ones obviously are?

**Mr Owen**—Yes.

**Senator O'BRIEN**—The projects; \$94,000, did you say?

**Mr Owen**—To that date, \$95,821.

**Senator O'BRIEN**—Can we extrapolate, effectively, that expenditure on salaries is three-quarters of what we would expect over the full financial year?

**Mr Owen**—That is a fair basis for extrapolation. I think the salaries and operational expenses elements, with some slight lumps and bumps with lease payments and things like that are on a fair trajectory there. I note that the projects expenditure is very different from that in that we have done a lot of work to put all the arrangements in place for a number of projects for which payments will be made before the end of the financial year, so we expect that expenditure to be significantly higher.

**Senator O'BRIEN**—When you say significantly, do you mean double?

**Mr Owen**—More than double. We are expecting that total expenditure through to the end of the financial year on projects will be over \$400,000.

**Senator O'BRIEN**—Can you give us a breakdown of those projects?

**Mr Owen**—I do not have sufficient detail with me, but I could do that.

**Senator O'BRIEN**—Can you give us a breakdown of the expenditure of the \$95,821 to date?

**Mr Owen**—That figure relates to community maintenance equipment covered by a shared responsibility agreement for the community of Ringers Soak and expenditure for a school trip to Canberra which occurred in the second half of last year.

**Senator O'BRIEN**—There are two items, are there?

**Mr Owen**—There are three items.

**Senator O'BRIEN**—So there is maintenance of community equipment?

**Mr Owen**—Community maintenance equipment, in fact.

**Senator O'BRIEN**—What does that mean?

**Mr Owen**—It was for mowing equipment and for things to keep the snakes out of houses, which was a presenting issue at one of our visits. We funded a school trip to Canberra for a group of children who had performed particularly well at school and whose results and attendance had been very high. They came to Canberra last year as a capacity building exercise. We also funded a group of women from the communities to go to a women's gathering coordinated by the Office of Indigenous Policy Coordination, which had a range of people from COAG trial sites coming for development activities as well. Those are the ones we have paid for so far.

**Senator O'BRIEN**—How much has been expended on each of those items?

**Mr Owen**—The community maintenance equipment shared responsibility agreement was \$8,179. The school trip was \$53,000 and the OIPC women's gathering contribution was \$34,642.

**Senator O'BRIEN**—That would have been for cost of travel, accommodation, meals, hospitality—and whatever you want to describe it as—in both cases.

**Mr Owen**—In both those second cases, that is right. The others were for equipment.

**Senator O'BRIEN**—You cannot indicate what you expect expenditure will be in that additional \$300,000-odd you were talking about?

**Mr Owen**—Most of that expenditure relates to supporting activities for youth in and through the communities—things such as sport and recreation activities coordinated by an Indigenous-run sport and recreation group, which will be extending their activities into the COAG trial area; some infrastructure projects in the communities relating to immediate presenting needs; and some contributions to things around youth activities in the communities themselves and support of those. There are some other projects here, but I would prefer if I could to set those out for you.

**Senator O'BRIEN**—Sure. In terms of infrastructure, is any money going towards housing?

**Mr Owen**—Not from this expenditure and, appropriately, not from our department. There is a major Fixing Houses for Better Health program, initially funded through ATSIIC, which

has now been taken over by FACSIA—Family and Community Services and Indigenous Affairs, which has continued for some time and is an ongoing program involving expenditure in the area.

**Senator O'BRIEN**—At our last hearing, Mr Taylor described his participation in meetings of the Australian Government Secretaries Group as a 'major priority' but on checking the *Hansard* I could not tell whether that attitude translated into regular attendance. It may be that you need to provide this on notice, but perhaps we could be provided with advice on the meetings of the Secretaries Group that Mr Taylor has not attended.

**Mr Owen**—I will take that on notice.

**Senator O'BRIEN**—And any reasons for non-attendance as appropriate. If that happens, does another senior officer attend in Mr Taylor's place?

**Mr Owen**—That is subject to the view of the chair of that group. I am aware that one of our deputy secretaries has attended in Mr Taylor's stead before, but I would like to check whether that was the case.

**Mr Mrdak**—Generally, as he has outlined previously, the secretary regards his involvement in that committee as being of great importance. Generally, subject to the chair's views, if he is unable to attend because of exceptional circumstances, my colleague Ms Page would attend in his place. But we usually do make arrangements for senior attendance at every meeting with agenda items that require us.

**Senator O'BRIEN**—How many Indigenous staff does the department employ now? It was six full-time and one part-time on 7 February.

**Ms Field**—The current number of Indigenous staff in the department is 10. In addition to those 10, three cadets are currently working with the department, and we expect another cadet to be coming on board later this year.

**Senator O'BRIEN**—Of the 10, how many are full-time?

**Ms Field**—All of those staff are full-time.

**Senator O'BRIEN**—Has the department established an Indigenous support group yet?

**Ms Field**—We have. The Indigenous professional development network is in place and is currently working through the terms of reference for the network.

**Senator O'BRIEN**—What does that mean?

**Ms Field**—This is a network of Indigenous staff. They have had one meeting. We are setting up a structure for the operation of that network. The network will be looking at how it can support Indigenous staff within the organisation in terms of professional development, retention, recruitment and so on. We will be seeking the views of this network as we go through that process.

**Senator O'BRIEN**—Table 2.2 of the PBS identifies a \$1.5 million expense item in 2006-07 as 'Council of Australian Governments—supporting its agenda'. Can someone explain to me what that means?

**Mr Mrdak**—That refers to additional resourcing which the department has been given by the Australian government to implement a number of actions that came out of the 10 February COAG meeting which set the future competition and regulation reform agenda. As you would be aware, in February COAG established that transport was one of four key areas which would be going forward in a new competition regulation reform agenda. That \$1.5 million will support two critical tasks. The department is providing the working group to take forward the urban congestion study for COAG. We are doing that in partnership with state and territory governments, but essentially the working group and the secretariat for that work are located within our department and some of that \$1.5 million will be used for that.

The funds will also be used to support the work on road and rail regulation reform. This agenda sets out a whole range of actions whereby COAG has agreed to lift productivity, performance and safety outcomes across road and rail. The range of measures include future of mass limits, future rail safety legislation reform and those types of matters. That funding will also support our work, along with the National Transport Commission, on those matters.

**Senator O'BRIEN**—So there is no funding in the forward estimates. Does that mean that all of this work has to be completed by the end of the 2006-07 financial year?

**Mr Mrdak**—That is correct. Most of the work has to be completed by December. Certainly work such as the urban congestion report and the like have to be with COAG by the end of this year to enable them to be considered at the first COAG meeting next year. Hence, it is funding for only the coming year to support that work.

**Senator O'BRIEN**—Are there interdepartmental committees on both of those matters?

**Mr Mrdak**—There is a competition and regulation steering committee, which is chaired by a deputy secretary in the Prime Minister's department. That brings together senior people from across all of the jurisdictions—from premiers and treasuries. The steering group oversees all of the competition agenda, which includes the implementation of the infrastructure agreement which the heads of government signed. It takes forward the reforms that I have outlined on road and rail, logistics and urban congestion—all the tasks that are within our portfolio. We report back through this steering group, which will then take the papers to the COAG senior officials and eventually to COAG.

**Senator O'BRIEN**—Have any departmental staff been seconded to Prime Minister and Cabinet or any other department to work on COAG related issues?

**Mr Mrdak**—Yes. We seconded a senior officer, remunerated at SES band 1 level, for a period of around five months between July and November last year for the preparation of the officials' report for COAG on future competition reform.

**Senator O'BRIEN**—So there are currently no staff seconded?

**Mr Mrdak**—Currently, there are no staff. That was a taskforce within the Prime Minister's department in preparation for the February COAG meeting. We seconded an officer to the taskforce, and that officer has subsequently returned to the department.

**Senator O'BRIEN**—On that same page is the item headed 'Aircraft en route charges—extension of the current payment scheme'. Does that extend only to the end of the coming financial year?

**Mr Mrdak**—That is right. That matter will be reconsidered by the government as part of the next budget process.

**Senator O'BRIEN**—The item headed 'National security—strengthening air cargo security arrangements' does have some flow-through into coming financial years, but it is only in small amounts. Can you remind me of what the expenditure under that item is intended to be for the coming financial year?

**Mr Tongue**—The money for air cargo security arrangements tends to be front-end loaded because what we are doing is working with the air cargo industry to trial the application of existing technologies, particularly for X-ray, explosive trace detection and so on, with a view to seeing how we can insert them into the cargo stream so that we do not slow down air cargo. If we do, we will get a shift to road. So the money is largely front-end loaded. There is a small amount, \$0.9 million, in the outyears for departmental staff to continue work in the area.

**Senator O'BRIEN**—I am sorry, I think it is actually \$0.7 million.

**Mr Tongue**—I am sorry, it is \$0.7 million.

**Senator O'BRIEN**—The air and maritime security is \$0.9 million.

**Mr Tongue**—Yes. My apologies, Senator.

**Senator O'BRIEN**—They are probably not necessary. There is probably an overlap between the items 'National security—strengthening air and maritime security arrangements' and 'National security—strengthening air cargo security arrangements', isn't there?

**Mr Tongue**—The air and maritime arrangements, in part, relate to some existing work we have been doing on CCTV trials. It is related in that it is in the same policy space, but the staff perform very different functions.

**Senator O'BRIEN**—Mr Tongue, is this an indication that it is your area that has been the beneficiary of staff growth?

**Mr Tongue**—Certainly the Office of Transport Security has been a significant growth factor in the change in the department's overall profile.

**Senator O'BRIEN**—What is the growth in that area?

**Mr Tongue**—In this financial year I think it is in the order of 100 full-time equivalents. For example, as at 30 June 2005 there were 237.6 FTEs and as at 31 March we were at 287.3 FTEs. So that is a growth of about 50, and there is some further growth to come in the remainder of the financial year.

**Senator O'BRIEN**—So in number you are approaching about a quarter of the department?

**Mr Tongue**—Approximately, yes.

**Senator O'BRIEN**—What are the permanent arrangements between this division and agencies such as Customs and Defence, for example? Do you have an ongoing departmental committee working on security issues?

**Mr Tongue**—Yes, we do. I chair what is called the Australian Government Transport Security Policy Committee. It has representatives from all of the relevant Australian government agencies and reports to the Australian Government Counter-Terrorism Policy

Committee, which is chaired by my colleague Duncan Lewis from the Department of the Prime Minister and Cabinet, and thence on to the Secretaries Committee on National Security and the National Security Committee. So we have in place a sort of whole-of-Australian-government governance arrangement.

**Senator O'BRIEN**—Are they the three tiers you would go up through on the issues?

**Mr Tongue**—It depends a little on the nature of the issues. Sometimes for fairly standard items they would work their way through the process, but, if we had a particular item that we felt needed to be drawn to the attention of government, as the Department of the Prime Minister and Cabinet sits on the committee that I chair we can, if you like, short-circuit the process. Typically, though, we would always work through the Secretaries Committee on National Security. They are a key cog in the process.

**Senator O'BRIEN**—Does Mr Taylor sit on that committee?

**Mr Tongue**—He is not a permanent member, but he is called in for those items that affect our purview.

**Senator O'BRIEN**—Who are the permanent members?

**Mr Tongue**—From memory, it is chaired by the Department of the Prime Minister and Cabinet and includes the Attorney-General's Department, intelligence agencies, the Department of Defence, the AFP and the Department of Foreign Affairs and Trade—I think that is it.

**Senator O'BRIEN**—And DOTARS is involved as required?

**Mr Tongue**—Yes. My impression has been that we would attend most meetings but only for those items relevant to transport security.

**Senator O'BRIEN**—What is your division's budget for the current financial year?

**Mr Tongue**—I think it is indicated in the portfolio budget statement that the pricing of the function is in the order of \$70 million.

**Senator O'BRIEN**—Where is that?

**Mr Tongue**—Figure 3.4 at the bottom of page 36, under 'Transport security'.

**Senator O'BRIEN**—Does that include administrative expenses?

**Mr Tongue**—No, but it would include overhead expenses associated with the whole activity.

**Senator O'BRIEN**—Can you give us the total of administrative expenses that the Office of Transport Security would administer in dollar terms?

**Mr Tongue**—My colleague Mr Ash informs me the figure is approximately \$14 million. It is on page 37, which lists the various programs associated with this budget.

**Senator O'BRIEN**—Is \$14 million the total?

**Mr Tongue**—Yes. It is typically not a big program funding type of activity.

**Senator O'BRIEN**—What would you expect the staffing of the division to be at the end of the financial year?

**Mr Tongue**—Somewhere in the order of 300 to 320.

**Senator O'BRIEN**—Is that FTE?

**Mr Tongue**—That is FTE.

**Senator O'BRIEN**—Would you expect that to be the staffing over the coming financial year? Or would you expect a variation upwards or downwards?

**Mr Tongue**—I would expect, subject to our business planning that we are working through at that moment, that it would settle at around that for the next financial year—subject to any further government decisions, of course.

**Senator O'BRIEN**—Will that figure of \$70.3 million increase proportionately?

**Mr Tongue**—Sorry, Senator—

**Senator O'BRIEN**—Your budget—

**Mr Tongue**—I see what you are saying.

**Senator O'BRIEN**—Perhaps I have misinterpreted your answer, sorry. I will take a step back. Can you tell us what your staff costs are expected to be or what the equivalent figure is to the \$70.3 million for the coming financial year as set out on page 36 of the PBS. What is it expected to have been for this financial year?

**Mr Ash**—I am the chief financial officer. The equivalent number for the transport security outcome is \$65.5 million for the year 2005-06.

**Senator O'BRIEN**—How much of that is actual staff costs?

**Mr Ash**—I do not have that particular breakdown with me. I would have to get that.

**Senator O'BRIEN**—If you could, I would appreciate it. Thank you. How is the staffing function going? It seems that there have been some delays in filling positions in the past.

**Mr Tongue**—Yes, in some markets, because we have staff in each of the major capitals and also in Canberra and there has been a significant growth in the security function generally across government. We are a little bit behind on our projected staffing numbers but we hope that we can close that gap in the next month to six weeks and then keep it relatively stable—as long as our good people do not get pinched.

**Senator O'BRIEN**—Did you say 'pinched'?

**Mr Tongue**—That is me being a bit emotive. I apologise.

**Senator O'BRIEN**—Poached, you mean?

**Senator Ian Campbell**—The vice-president at ALGA is very pleased with his recent acquisition!

**Senator O'BRIEN**—I am assuming you were not talking about one position.

**Mr Tongue**—No. Our staff are attractive in a growing area.

**Senator Ian Campbell**—They are high-quality people.

**Senator O'BRIEN**—Does that mean you are not paying enough?



**Mr Tongue**—I do not think so. I think there are just so many challenging roles on offer. Often we do not necessarily lose people for more money. They come in, we skill them up, they see that they can touch down in transport security for a year or 18 months to two years and then they can move into some other dimension of security. It is a pretty exciting area.

**Senator O'BRIEN**—So they are not leaving for more money?

**Mr Tongue**—That is not my impression, no.

**Senator O'BRIEN**—Thanks for that. In February we were informed that the department's travel contract with American Express operated on a transactional basis. Does that mean the more trips booked, the more money for American Express?

**Mr Chandler**—To the extent that there are a greater number of transactions and there is a fee for transactions then, yes, inevitably that is the case. However, we do get under the arrangements a refund of commissions which comes to about \$200,000 in a year under that same contractual arrangement. That, again, is driven by the number of trips and value of trips.

**Senator O'BRIEN**—What is the value of the contract so far this year?

**Mr Chandler**—To American Express? I would have to calculate what that figure is. I do not have the transaction fees compared to commissions, but I can certainly provide that to you.

**Senator O'BRIEN**—Presumably that is a monitoring exercise to see whether you have made the right decision in your contracting process?

**Mr Chandler**—The American Express contract does run until the end of this calendar year. At present we are giving some thought to what approach we might adopt going into next year. We will be looking at approaching the market to see whether there are other approaches that could work for us, rather than the current travel agency type arrangement we have with American Express. We have not made a decision on what might be the—

**Senator O'BRIEN**—Presumably, you are testing your current arrangements against past arrangements to see how cost effective they are?

**Mr Chandler**—The nature of the department—the size and the volume of travel—has changed over time. We do not really test against previous arrangements. We will be looking to see what arrangement we should go to the market with at the end of the year to get a competitive cost-effective solution. At this stage I am not sure what that will be.

**Senator O'BRIEN**—Was the previous arrangement a transactional arrangement or a payment to the agent for doing whatever number of transactions were required?

**Mr Chandler**—I would need to check what those terms were.

**Senator O'BRIEN**—Was it just agent's commission?

**Mr Chandler**—I think it was an agent's commission, but I would need to check the detail. I do not recall it precisely now.

**Senator O'BRIEN**—There has been no assessment to see whether you are better off under the current arrangements?

**Mr Chandler**—There was an assessment done at the time on the arrangement we put in place and the judgment was that that was a good arrangement for us in terms of the transaction fee vis-a-vis the commissions that were returned. As I say, we will be looking at a range of options that might be available in the marketplace for us as we approach the end of this contract. We are doing some work on that at present. We do not have a fixed view on whether an arrangement similar to the one we have with American Express at present will best suit us. We will be consulting with other departments to see what arrangements they have and what benefits they might return, so we will be approaching it that way.

**Senator O'BRIEN**—So there has been no ongoing assessment on whether you made the right decision to go to the American Express transactional structure?

**Mr Chandler**—We have a contract in place to the end of this year and we are managing that contract. No, we have not been testing that against past arrangements.

**Senator O'BRIEN**—So, if that has not happened up to now, presumably you are having a look at it now?

**Mr Chandler**—As part of approaching the marketplace again and deciding what sort of arrangement we might put in place past the end of this calendar year.

**Senator O'BRIEN**—Your staff are in charge of that, are they?

**Mr Chandler**—That is correct. The contract is managed through the office services team within Corporate Services. I have an officer at present who is, among other duties, commencing a review of what sorts of options might be available to the department next year. It is early stages. I would be expecting to take some options and recommendations to the departmental executive later this calendar year.

**Senator O'BRIEN**—When?

**Mr Chandler**—I have not put a specific time frame on that at the moment. As I said, the officer is working on this, amongst other duties. I would anticipate that I would need to go back to the executive around August-September.

**Senator O'BRIEN**—Am I correct in understanding that the department's best fare of the day policy is simply that: a policy; it is not reflected in the contract with American Express?

**Mr Chandler**—That is correct; it is not in the contract. I think I reflected that last time. That reflects the fact that the contract was put in place just following the demise of Ansett Airlines and the arrangements we had there and that was before the best fare of the day policy arrangement had been articulated as departmental policy. So that is correct: it is not in the contract. But we have written assurances from American Express to the secretary that they apply our best fare of the day policy in providing their services to us.

**Senator O'BRIEN**—So the requirement to offer the best fare of the day will be incorporated in the department's next travel contract?

**Mr Chandler**—I would expect it to be, absolutely—or whatever arrangements we put in place, yes.

**Senator O'BRIEN**—Who will oversee that to make sure that happens?

**Mr Chandler**—In an oversight capacity, that would still fall to Corporate Services as contract managers, but we will have to look at what reporting arrangements are available to us and how we then administer that if we use an alternative provider or if we use Amex again.

**Senator O'BRIEN**—If it is departmental policy, why can you only say, 'I would expect it would be in the contract'? Can't the department require that it be in the contract?

**Mr Chandler**—Perhaps my terminology was loose. Yes, I would expect we would be putting it into the contract, if we have a new contract—

**Senator O'BRIEN**—I am trying to find out who is responsible for overseeing it to make sure that happens.

**Mr Chandler**—That would come to my division.

**Senator O'BRIEN**—I now turn to the answer to question on notice CORP 06, which refers to reports generated when the lowest fare is not selected for official travel. Who generates those reports?

**Mr Chandler**—We receive those through our travel service provider, Amex travel, and they come initially to the office services team within corporate.

**Senator O'BRIEN**—Have any of these reports ever resulted in an action against an officer for failing to adhere to the best fare of the day policy?

**Mr Chandler**—No, Senator.

**Senator O'BRIEN**—Does the policy apply to travel by all officers, including the Secretary?

**Mr Chandler**—The policy is the one we look to when we make bookings across the department, yes.

**Senator O'BRIEN**—So the answer is yes?

**Mr Chandler**—Yes, Senator.

**Senator O'BRIEN**—I think we are all aware that vigorous competition between Virgin Blue and Jetstar has resulted in lower costs for Australian air travellers. In February I asked if rigorous adherence to the best fare of the day policy had resulted in reduced travel costs for the department. The answer to CORP 07 suggests no fall in the average trip cost since July 2003—that is, for the past three years. Is that a fair reading of that answer?

**Mr Chandler**—Across those three years, that is correct. The figures were \$578, \$527 and \$593, but they are significantly less than figures previously—\$747 in the 2002-03 year. As I think I indicated last time, it is difficult to really get a meaningful comparison. I think it depends on not just the rate of the airfare but the nature of travel: the trips that are undertaken and the sorts of sectors that are undertaken.

**Senator O'BRIEN**—So we should have a kilometre average breakdown or something to get an understanding. How would we get an understanding of whether the Commonwealth was getting an advantage from the policy of best fare of the day?

**Mr Chandler**—A measure like that may give it to you. It would be tremendously difficult to calculate, but a measure like that would probably be a better indicator, I agree.

**Senator O'BRIEN**—In the context that if you have a policy and if it is not adhered to there is no consequence, how would we expect it would have an impact on the costs?

**Mr Chandler**—Whilst there are occasions when the best fare of the day is not taken, it is in general terms. I think I reflected last time that there were 142 occasions out of 10,000-odd sectors in the previous year when the best fare of the day was not taken. I am just trying to pull up the number, and it is a smaller number this year. Last year there were 142 occasions out of 10,987 sectors. At 31 March this year, 15 out of 9,310 sectors had been notified as being not the best fare. Whilst there will be some instances where the best fare of the day is not taken for some reason, I think there is substantial compliance.

**Senator O'BRIEN**—If the department's travel costs are not declining in a fiercely competitive domestic aviation environment, should we understand that to mean that there is more travel over longer sectors?

**Mr Chandler**—I do not know that we can say from the data that the travel costs are not declining. In absolute terms, our travel is increasing and therefore the cost of travel is higher. On the data we have, the average is higher and I believe that reflects the fact that the profile of travel has changed over time.

**Senator O'BRIEN**—More business class travel for the SES?

**Mr Chandler**—No, I think it has to do with the nature—

**Senator O'BRIEN**—Longer sectors?

**Mr Chandler**—I think it is longer sectors.

**Senator O'BRIEN**—Are we able to get a breakdown by airline?

**Mr Chandler**—We provided a breakdown at the previous hearings and I think clarified the answer in questions on notice. Yes, we have that information to 31 March this year.

**Senator O'BRIEN**—Perhaps you could supply that.

**Mr Chandler**—I will provide a table.

**Senator O'BRIEN**—Is the department's national office refit on time and on budget?

**Mr Chandler**—We are on time, and I think within \$100,000 of budget at the present time. There is a weekly project meeting and I keep that under review.

**Senator O'BRIEN**—So you are expecting you will be about \$100,000 over budget?

**Mr Chandler**—At the moment, the figures I have for the scope of work approved indicates about \$100,000 over but I am testing that at the moment. I am working through that with the project managers, and that is an ongoing process each month.

**Senator O'BRIEN**—So if it exceeds \$13.1 million, what process do you have to go through to get that money out of the appropriations?

**Mr Chandler**—The works, as capital works, are funded from the cash reserves—if I can use that term—that we hold for asset replacement. So the funds are available to the department now, but it would require a formal decision by the secretary and the executive to allocate additional funds to the project. It is an internal process.

**Senator O'BRIEN**—I want to ask about the presentation of information in the department's portfolio additional estimates statement. The document purports to inform senators and members of parliament of the proposed application of extra appropriation resources to government outcomes by agencies within the portfolio. I refer you to table 1.4 on page 6 of the PAES. According to this table, the additional appropriation for administered items in appropriation Bill (No. 5) is \$271,841,000, but in table 1.2 on page 5 of the PAES the additional appropriation for administered items in Appropriation Bill (No. 5) is identified as \$242,941,000.

**Mr Ash**—The issue there is that, at the time of the 2005-06 additional estimates, there was a measure included in the appropriations that had not been announced by the government, which was the Canberra International Airport. There was an appropriation of \$28.9 million for that. Since that time the government has announced that measure at \$28.5 million. The \$28.9 million is the difference between the two figures. What you are looking at on table 1.2 is the additional appropriation required in excess of that already available to the portfolio.

**Senator O'BRIEN**—What is in 1.4?

**Mr Ash**—It is a list of those items which are additional to—

**Senator O'BRIEN**—It is the same thing but different?

**Mr Ash**—It is the reconciliation, but the difference is that the \$28.9 million needs to be added back to the figures because it is actually already available. So the actual level of appropriation is lower than what is required. The figure of \$271.841 million is what is required. To meet that you only require \$242.9 million of appropriation because \$28.9 million is already available under bill 3.

**Senator O'BRIEN**—So there was not a requirement for an additional appropriation—is that what you are saying?

**Mr Ash**—There had already been an appropriation provided in bill 3 for the Canberra International Airport measure, but at the time that the additional estimates were provided the government had not announced that particular measure. It is now included in the reconciliation table 1.4.

**Senator O'BRIEN**—So we approved that appropriation without the government saying what it was for. Is that what you are telling us?

**Mr Ash**—As a 'decision taken but measure not announced'.

**Senator O'BRIEN**—The money was approved and the decision had been taken but it simply was not announced? The government had that measure approved without telling the parliament what the money was for.

**Mr Ash**—Yes.

**Senator O'BRIEN**—Is that common procedure?

**Mr Ash**—It does occur at times when there are commercial sensitivities involved. If you go back and look at the additional estimates documentation, you will find that it alludes to the fact that there are decisions taken but not yet announced.

**Senator O'BRIEN**—What was the commercial issue around the funding for Canberra International Airport?

**Mr Ash**—My understanding at the time was that there were negotiations between the government and Canberra International Airport. They had not been finalised. If you had actually published that particular measure in the additional estimates documentation, it obviously means that the government then has no room but effectively to provide that level of funding. As you will note at the end, the final agreement with Canberra International Airport was in fact for slightly less. If you actually publish—

**Senator O'BRIEN**—So we appropriated more than was necessary because the government wanted the appropriation approved even though it had not finalised negotiations?

**Mr Ash**—Yes.

**Senator O'BRIEN**—Whereas it could have, as is done with other expenditure, put that through the budget processes for additional expenditure in the current financial year. Is that correct? It put \$2.3 billion extra into roads this year, so it could have put that in—

**Mr Ash**—At the time those negotiations were going on, it was appropriate to seek that appropriation at that time. It is the normal course of events.

**Senator O'BRIEN**—So it is normal for the parliament to approve amounts that it is not told about for contracts or negotiation that have not been concluded?

**Mr Chandler**—I am not sure about using the word 'normal'—

**Senator O'BRIEN**—I am using Mr Ash's term.

**Mr Chandler**—I understand. I think it is true to say that this does happen on occasions but how often it is or how normal is something that you really needs to be addressed by the Department of Finance and Administration. It is not a common occurrence for this portfolio, no, but it was the presentation on this occasion so that the funds could be made available for this project in accordance with the time that the government had agreed to.

**Senator O'BRIEN**—Can you explain how it would have been represented if negotiations had not been concluded at this time, or would it simply have sat there on the basis that they might be concluded in the future?

**Mr Chandler**—To the extent that the appropriation was provided then it would have been provided, but the funds would presumably simply have lapsed. Assuming there was no agreement, the appropriation would have lapsed. That would be the normal arrangement.

**Senator O'BRIEN**—But there was not a specific allocation for that. There was an allocation of funds but it was not specifically for that project—is that how I should understand it?

**Mr Chandler**—I think the figure in the additional estimates process reflected the expected outcome in terms of quantum for that project.

**Senator O'BRIEN**—Can you show me where in the additional estimates for the current financial year these matters were referred to.

**Mr Ash**—There is a footnote on page 5 down the bottom which says:

Excludes decisions taken but not announced at the time the portfolio additional estimates statement was prepared.

That is also repeated on page 6, table 1, footnote (b), and on page 13, footnote (1) at the bottom of the page.

**Senator O'BRIEN**—Could we now go to page 13 of the current PBS. Again you have a footnote which says:

Data within the statements for the Department excludes decisions taken but not announced at the time the PBS were prepared.

I would like you to show me what amounts that refers to.

**Senator O'BRIEN**—On page 13 of the current PBS, again you have a footnote which says:

Data within the statements for the Department excludes decisions taken but not announced at the time the PBS were prepared.

I would like you to show me what amounts that refers to.

**Mr Mrdak**—They refer to decisions taken in relation to contingencies in the event that the government has to take actions, but at this stage those contingencies or the decisions to provide them have not been publicly announced by the government. They are appropriations which are there as contingencies on the Australian government's budget processes but which, for a variety of reasons, have not been publicly announced.

**Senator O'BRIEN**—How much money is involved?

**Mr Ash**—It is about \$6 million.

**Senator O'BRIEN**—I am still trying to understand how it relates to contingencies. According to this, the \$6 million relates to decisions taken but not announced, as did the PSAS.

**Mr Mrdak**—These are a little different from the earlier matter in relation to the Canberra airport in the sense that these are amounts which the government has made some provision for in an eventuality which it has not publicly canvassed at this time. Unlike the Canberra airport where the decision was taken, as Mr Chandler has outlined, subject to reaching final agreement to proceed, these amounts are a result of government decision-making processes where it was believed that it would be prudent to make some provision, but it is not for events that the government has publicised at this time.

**Senator O'BRIEN**—Which items within the PBS include the \$6 million or thereabouts?

**Mr Mrdak**—I do not know whether they are directly attributable to any one item.

**Senator O'BRIEN**—No, there might be a number of items. That is why I am asking.

**Mr Mrdak**—I think they are not provided for. They are provided across both outcomes.

**Senator O'BRIEN**—Does that mean they are in totals but not in individual items?

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—Which totals do they relate to?

**Mr Ash**—They are going to be in the budgeted financial statements.

**Senator O'BRIEN**—Perhaps you can show me.

**Mr Ash**—Effectively, the \$6 million is excluded from all totals in this document.

**Senator O'BRIEN**—Are you saying that the data excludes that \$6 million? There is \$6 million that we are not appropriating, but the government has made decisions which raise contingent liability?

**Mr Ash**—The \$6 million does not appear in any total in this document. It is included in the actual appropriation bills themselves, so there is a difference between the two. It is based on an event that may occur in the future, at which time the government would then make an announcement and have those appropriations to draw upon.

**Senator O'BRIEN**—Is it in Budget Paper No. 2?

**Mr Ash**—If that is the bills, yes. I think that should be the measures document.

**Senator O'BRIEN**—Yes, budget measures.

**Mr Ash**—It is not included in the budget measures.

**Senator O'BRIEN**—Where would I find it? I have not got all of the budget papers here.

**Mr Ash**—It was included in the additional estimates bills.

**Senator O'BRIEN**—It was included in the additional estimates bills or in the supplementary additional estimates?

**Mr Ash**—No, in the additional estimates. So, again, it is in the appropriation bills but it is not included in the additional estimates document.

**Senator O'BRIEN**—Can you identify the name of the bill and where I would find it so I can look this up?

**Mr Chandler**—It is in budget paper No. 3, and we are just trying to find—

**Mr Ash**—It is in bill No. 3.

**Senator O'BRIEN**—Sorry, budget paper No. 3 or bill No. 3?

**Mr Ash**—Bill No. 3 for 2005-06.

**Senator O'BRIEN**—Whereabouts?

**Mr Ash**—In the transport totals.

**Senator O'BRIEN**—And it does not appear anywhere in the portfolio budget statement.

**Mr Ash**—Correct.

**Senator O'BRIEN**—On page 21 of the PBS, you have an explanation for a different amount for capital appropriation. Can you explain that exception for me, please?

**Mr Ash**—In which sense?

**Senator O'BRIEN**—You say:

This amount differs from the \$101.2m capital appropriation shown at Section 2, Table 2.1 due to the difference in timing between appropriation and drawdown.



**Mr Ash**—I will have to come back to you on that one. We will get the answer quickly.

**Senator O'BRIEN**—Can you explain what the footnote to 'Expense Measures' outcome 1 on page 15, which appears on page 16, means?

**Mr Ash**—Is that note (a)?

**Senator O'BRIEN**—Note (a) on page 16 refers, obviously, to expense measures for outcome 1, or that is how it appears from the document. Is that right?

**Mr Ash**—There is a slight difference between how a measure is disclosed and how the actual expenses are shown in the documentation in the sense that the measures are shown as the impact on underlying cash, whereas expenses would include expenses such as depreciation which do not appear in the measures documentation.

**Senator O'BRIEN**—So expense measures are cash.

**Mr Ash**—They are done on an underlying cash basis, consistent with the remainder of the budget papers.

**Senator O'BRIEN**—But the actual expense measure in the department's accounts would include depreciation, for example.

**Mr Ash**—Yes. So, for example, you will see there are a couple of capital items in there. The underlying cash will show the two capital expenditures, but the actual depreciation associated with that is not shown in the measure, but it will appear in the department's profit and loss statements.

**Senator O'BRIEN**—Perhaps while we are at it you could explain the note on page 17.

**Mr Ash**—Again, it is this issue of looking at what the cash revenue is vis-a-vis what the accrued revenue is. So again we are looking at the differences between cash flows and receipts and revenue.

**Senator O'BRIEN**—Sorry, between cash flows and accrued revenues?

**Mr Ash**—There is cash flow that appears in the cash flow statement and revenue as it appears in the revenue. There are going to be timing differences associated with the two because of when you book your cash flow and when you book your revenue.

**Senator O'BRIEN**—So revenue that is paid for a period, perhaps later than the period, is the revenue, and cash flow is what you have actually got?

**Mr Ash**—Again, it gets back to the previous question you asked on the \$101.2 million, which we are again exacting. It is to do with when the revenue is actually provided, vis-a-vis when the previous money, the appropriations provided—

**Senator O'BRIEN**—You were going to give me the answer to that one. I will not understand this in the context of that until you give it to me, but you are starting to explain it.

**Mr Ash**—I will come back to that one.

**Senator O'BRIEN**—On page 27 of the PBS, the last line of table 3.1.1 shows that total estimated resourcing for outcome 1 in 2005-06 exceeds \$4.4 billion, but in 2006-07 it is expected to total \$2.4 billion and in last year's PBS—the same page, I think—we were told

the resourcing for outcome 1 would be \$2.12 billion. Can you explain the dramatic change and drop?

**Mr Mrdak**—This is the funding being provided this financial year for the measures which are in table 1.1 of the portfolio supplementary additional estimates statement, which is the additional funding the government is providing to a range of measures, largely the additional investment in AusLink, which is being paid in 2005-06.

**Mr Ash**—For which the appropriations are being provided in 2005-06.

**Senator O'BRIEN**—So the column that relates to 2005-06 is \$308 million—in PSAS, is that right?

**Mr Mrdak**—They are the measures.

**Mr Ash**—No, it is the next—

**Senator O'BRIEN**—I understand that the next columns refer to other years. But this column on page 27 of the PBS refers to 2005-06, and there is an additional \$2 million or thereabouts.

**Mr Ash**—Yes. It is the \$2,067,018 that is shown on page 6 of the portfolio supplementary, so it is the bill No. 6 component.

**Senator O'BRIEN**—I am sorry; I heard table 1.1.

**Mr Mrdak**—Yes, I am sorry. I was referring to the measures in order to describe what they were. But as Mr Ash indicated, table 1.4 gives you the total.

**Senator O'BRIEN**—If we take the \$28½ million out of those figures, that will tell us what has really been approved in addition in the PBS. Is that right?

**Mr Ash**—The \$28 million refers to bill No. 5. If you look at bill No. 6, and again we will have to go back to the additional estimates, you will see that there is a variance of about \$307 million between those tables, on the bill No. 6 side. It largely relates to the reclassification of appropriation for grants to local governments from specific purpose payments, which was what occurred in the 2005-06 appropriations, to other administered expenses. That was a movement of about \$316 million. That \$316 million is an appropriation still available under bills Nos 2, 4 and 6. So you have to take that off, which gets you back to the \$1,759,989 shown on table 1.3. There are a couple of other small items to do with the movement of funds, where appropriations are still available, which occurred at additional estimates, and there is some reallocation between SPPs and other administered expenses.

**Senator O'BRIEN**—Do you have a chart that sets this out?

**Mr Ash**—Yes, I can provide you with one. It is quite complicated.

**Senator O'BRIEN**—It is not very transparent from the documentation, is it?

**Mr Ash**—As you move between the three sets of appropriation bills and 5 and 6 there are funds that are still available—the department no longer requires them. But, because an appropriation does not lapse, those appropriations are still available at the department of finance but we do not have any access to those funds.

**Senator O'BRIEN**—So the appropriation has been done for some amounts but the funds are not currently required. The appropriations are still available but the department of finance will not let you have them?

**Mr Ash**—Correct. Once the parliament makes an appropriation within that year, it does not lapse until the end of that financial year.

**Senator Ian Campbell**—So you have an overlap between budget night and midnight on 30 June, basically.

**Mr Ash**—So when we seek an additional appropriation we do not in effect double-dip by asking for the full amount, we ask only for the amount above what is already available.

**Senator Ian Campbell**—They try to, but Finance will not let them.

**Senator O'BRIEN**—So the local government amount that you are referring to, the \$307 million, is that the \$307 million that appears at the first item on page 6, appropriation bill No. 6, titled 'Payments to the states, ACT, NT and local government'.

**Mr Ash**—There is a difference of \$307,029,000 between table 1.3 and table 1.4 in bill No. 6, and that is made up of the \$316.5 million associated with grants to local governments. I think that was for the Roads to Recovery program. There was \$16.6 million, which relates to movement of funds that were in the 2005-06 additional estimates statement, and a reallocation of around \$26 million, which is positive—the other two were negative—giving a net of \$307 million.

**Senator O'BRIEN**—So the reallocation of \$26 million was reallocated from what to what?

**Mr Ash**—It is, effectively, again within the AusLink program and it is moving between non-state road research, non-state rail research, the ARTC and state road projects. There is a difference in the appropriation bills between whether we make a payment to a state and a non-state organisation as to which line in the appropriation bills that fund is provided from. If we have a change in internal funding within a program that moves between funds provided to a state or a non-state organisation, we actually need to move funds between the two lines in the appropriation bills.

**Senator O'BRIEN**—So that plus \$26 million is a negative somewhere else, is it? That is the last of the three items you mentioned. You said the \$316.5 million was a minus from—

**Mr Ash**—It is internally consistent within the total aggregate of the appropriation bills. It is moving between different subelements of the appropriation bills. It is moving between administered expenses, payments to state and territory governments and other administered expenses, so it is movements in between those three line items in the appropriation bills. But when you look specifically at just that one item in table 1.3, which is just the payments to the states, the ACT, Northern Territory and local government you are only seeing one side of the transaction there.

**Senator O'BRIEN**—When I look at payments to states et cetera in appropriation bill No. 6 I am seeing the other side. You are explaining to me the difference, which is minus \$316.5 million from the Roads to Recovery program; is that right?

**Mr Ash**—Yes.

**Senator O'BRIEN**—Which disappears from appropriation bill No. 6 when it is reflected in appropriation bill No. 6, as set out in table 1.3? You have taken away that amount—

**Mr Ash**—In a sense, yes, because the appropriation is already available under payments to the states. As I said, if we go back to the beginning of the year, in the 2005-06 budget, \$316 million was appropriated as a payment to the states. Some legal advice was provided which put some doubt on whether you can make payments to local governments through that particular appropriation bill, so it was taken out of the SPP component and put into the normal annual appropriations. So when we get to bill 6 at the end of the year, that appropriation is still available at \$316.5 million.

**Senator O'BRIEN**—That \$316.5 million is not new money; it has just been moved from one allocation to another because of the legal—

**Mr Ash**—It is money that was previously appropriated and then was not required because it was appropriated through another source.

**Senator O'BRIEN**—And the \$16.6 million, which you described as movement of funds between, I think you said, 2005 and 200-06?

**Mr Ash**—It is a movement of funds.

**Senator O'BRIEN**—Where is it moving from and where is it moving to?

**Mr Ash**—If you look at the top line on page 19 of the 2005 portfolio additional estimates bills, about three lines lower you will see the \$26 million. That is the movement reclassification between appropriations. The other side of that—

**Senator O'BRIEN**—Those two items: the minus \$16 million and the plus \$26 million had already been dealt with at additional estimates?

**Mr Ash**—Yes.

**Senator O'BRIEN**—So what I understand is that the additional payments to the states are more correctly identified in table 1.3. That is more the real figure than the accounting figure.

**Mr Ash**—Table 1.3 is the additional appropriation that is being provided.

**Senator O'BRIEN**—Looking at the table 1.4 Appropriation Bill (No. 6) structure, what are the actual appropriations that I should understand? That is, 1.3 and 1.4 set out additional amounts—you have different line items there. Can I understand those better? Can you attribute another figure to them in actual terms?

**Mr Ash**—In what sense? We are looking at a bill that is adding additional funds to what has already been provided, so that \$307 million difference is what you are seeing. The gross impact of all that the government has decided is shown in table 1.4, of which there are already some appropriations previously appropriated which, at additional estimates, were either moved or no longer required, so the actual net increase in appropriations is shown in tables 1.2 and 1.3 to the two relevant bills.

**Senator O'BRIEN**—Table 1.2 shows a figure of \$220.5 million. Where can I see that administered item explained? Is there a breakdown somewhere of how that administered item will be expended?

**Mr Ash**—Sorry, which one?

**Senator O'BRIEN**—In table 1.2 the administered item total, which is outcome 1.

**Mr Ash**—So that is the—

**Senator O'BRIEN**—Roughly \$220.5 million, which apparently also includes decisions taken but not announced at the time that the PAES was prepared. Does that include the Canberra airport?

**Mr Ash**—It does.

**Senator O'BRIEN**—Is that the only thing it refers to?

**Mr Ash**—Yes. That is effectively the material that was provided in the additional estimates process.

**Senator O'BRIEN**—Which page of the additional estimates statement refers to that?

**Mr Ash**—Page 16. At the top you have \$191.598 million, and to that you would add the \$28.9 million.

**Senator O'BRIEN**—So the equivalent figure did not include the Canberra airport?

**Mr Ash**—Correct, because at the time of the additional estimates the decision had not been announced.

**Senator O'BRIEN**—So the money was not approved then—is that right?

**Mr Ash**—The \$28.9 million is still contained in the actual appropriation bills themselves. It was not shown in the portfolio additional estimates statement document.

**Senator O'BRIEN**—Again, the only money that appears in the appropriation bills now that are not in the additional estimates statement for this department is that \$6 million roughly?

**Mr Ash**—Correct.

**Senator O'BRIEN**—And they are contingencies relating to some items that are unidentified.

**Mr Ash**—Correct.

**Senator O'BRIEN**—Which items within the PBS will be potentially affected by that amount or parts of that amount?

**Mr Mrdak**—The contingency amount—

**Mr Ash**—It is 2005-06 comparatives only.

**Senator O'BRIEN**—You are talking about expenditures?

**Mr Ash**—Yes.

**Senator O'BRIEN**—Which output group would they fall into?

**Mr Mrdak**—It is a difficult one for us. As I say, the government has not made any public statements on these matters, but I think it is fair to say it falls across both outcome groups potentially.

**Senator O'BRIEN**—So the government is not going to tell the parliament what it is appropriating the money for?

**Senator Ian Campbell**—We have not appropriated it. We are making a contingency. Governments always make contingencies and when they are announced they go before the parliament.

**Senator O'BRIEN**—But it is in the bill, isn't it?

**Senator Ian Campbell**—Yes. It is a contingency. Governments always put contingencies in the reserve.

**Senator O'BRIEN**—So it is in the contingency items?

**Senator Ian Campbell**—Yes. It is a contingency.

**Senator O'BRIEN**—It is not in any other items; it is in the contingency items?

**Mr Mrdak**—It is an appropriated amount that is being held as a contingency for an item which the government has considered but is yet to publicly announce. It would be drawn down only if certain events took place.

**Senator Ian Campbell**—It may never arise, or it may arise, depending on events.

**Senator O'BRIEN**—When there are contingency items in the budget, it is normal for the parliament to understand what the contingencies are. So I ask: what are the contingencies that we are talking about here?

**Senator Ian Campbell**—It is not always normal. Governments have to make decisions about making provisions for things that may not even occur.

**Senator O'BRIEN**—So the government can put in an amount as a contingency, decide whether it is going to make an announcement about it later and ask the parliament to approve it?

**Senator Ian Campbell**—That is how contingency reserves work.

**Senator O'BRIEN**—What is the purpose of these appropriations? We are talking about a transparency of government here, but you are saying that it is an amount of money that the government does not have to tell anyone about.

**Senator Ian Campbell**—If the contingency occurs and the government makes a decision, it will announce it. It cannot be any more transparent than that.

**Senator O'BRIEN**—Yes, it can. The government can say that, if a certain contingency occurs, it is providing \$6 million towards it. In this case, you are saying, 'We're providing \$6 million and, if we decide to exercise the contingency, we'll tell you why you have approved it.'

**Senator Ian Campbell**—That might be your way of looking at it; another way might be to think that there are contingent circumstances that could be exasperated if the government were of a mind to announce that it had some millions of dollars available in the event of those

contingencies. It is something that has applied under previous governments of all political colours.

**Senator O'BRIEN**—I am sorry, I do not follow that.

**Senator Ian Campbell**—If you announce that there is a huge bucket of money should something occur, that might actually force something to occur. If you think about it carefully, you might understand that.

**Senator O'BRIEN**—The government has announced all sorts of buckets of money, and we will come to some of them in these processes. All I am trying to find out is, if we are approving this \$6 million, what the parliament should understand it is for—now that we have discovered that it exists, because it was not clear that it existed until I asked certain questions this morning. Some non-specific amount exists; it is about \$6 million. Officers of the department are saying that they are not comfortable with telling us because the government is somehow entreatting them to keep it confidential. Is that right?

**Mr Mrdak**—The government has taken a position on certain matters. All I can say is that, as the minister has outlined, an appropriation has been prepared in the eventuality that certain things take place, but the matters involved are at such a fluid state that it would not be appropriate at this stage for the department to go into any further detail in advance of a government announcement.

**Senator O'BRIEN**—It is about potential legal obligations, is it?

**Mr Mrdak**—Potential obligations if the government decided to take certain steps to address certain matters.

**Senator O'BRIEN**—There are eventualities beyond the government's control that it makes provision for, often in terms of normal budgetary processes. Is this eventuality of that nature?

**Mr Mrdak**—They are matters where the government has been looking at situations. If certain events took place then the government could decide to use this contingency for that purpose.

**Senator O'BRIEN**—So it is a matter within the government's control?

**Mr Mrdak**—It is a matter on which the government may decide to take a subsequent decision to utilise the appropriation for certain matters. It is in the public domain that the government has taken a firm decision to do something, and the government will review it in the light of events.

**Senator O'BRIEN**—I thought the process was that the government went to the parliament and said, 'This is what we want to spend the money on.' The government sets out the proposals for expenditure and the parliament approves it. This is a matter within the control of the government—it is not an eventuality beyond the control of the government—but the government does not want to tell us.

**Senator Ian Campbell**—No, that is not what the deputy secretary said at all. The events are outside the control of the government, but the government's response is obviously a matter for us to decide. But we cannot make a decision until we know what might occur. That

is what a contingency is: something may or may not happen. If it happens, we need to have a contingency in place—and that is what we are putting in place as a prudent and sensible way to address contingencies in the future. That is what a contingency is. It is not a matter that is directly within the control of the government; however, our response is.

**Senator O'BRIEN**—There are a lot of variables in life. I am trying to understand which sort of variable we are talking about here, because it might simply be—

**Senator Ian Campbell**—As I said, there are some variables such that if a very large organisation, such as the Australian government, has a very deep pocket and suggests that we may respond in some way to a contingency, then it might become a self-fulfilling prophecy.

**Senator O'BRIEN**—So we are talking about one item, are we?

**Senator Ian Campbell**—I am talking about contingencies generally. I have just been through the entire expenditure review process. I do understand that the government faces a number of contingencies in a range of portfolios, and this is one of them—and a relatively small one I might say.

**Senator O'BRIEN**—The sum of \$6 million in the context of the budget is a relatively small item, but it is not a small amount of money.

**Senator Ian Campbell**—Compared to a range of contingencies across various portfolios, this is normal.

**Senator O'BRIEN**—So we should shut our eyes?

**Senator Ian Campbell**—It is a normal provision.

**Senator O'BRIEN**—Is it one item or a number of items?

**Senator Ian Campbell**—If you are looking at things that may occur over the budget year or even the budget out years that the government may need to respond to in a timely, sensible and prudent manner, it is sensible that you make money available in the case of a contingency occurring. That is what a contingency is, and that is what we are doing here.

**Senator O'BRIEN**—Are we talking about one item about a number of matters or items with this \$6 million-odd?

**Mr Mrdak**—It deals with one specific area of the portfolio but it may cover both outcomes, depending on the way in which the government may choose to respond.

**Senator O'BRIEN**—Are there other funds allocated to this item otherwise in the Portfolio Budget Statements?

**Mr Mrdak**—There are certainly funds allocated across this outcome.

**Senator O'BRIEN**—Is there a time line for this unknown eventuality? Should we understand that it will be dealt with in a point context? At the next round, would it be a matter we should expect to know about?

**Mr Mrdak**—I really could not give a timeline. It is something the government is keeping a close eye on, and decisions will come as necessary.

**Senator Ian Campbell**—They say it may never happen.



**Senator O'BRIEN**—Are we talking about an eventuality that is beyond the government's control.

**Mr Mrdak**—Yes.

**Senator O'BRIEN**—I want to turn to the issue of the department's fleet procurement and use policy. I am aware that the Department of Finance and Administration provides guidance on fleet selection. When selecting vehicles to be included in the department's fleet, does this department take into account star ratings awarded by the Australian New Car Assessment Program?

**Mr Chandler**—No, it does not take account of that rating system.

**Senator O'BRIEN**—Isn't that somewhat unusual, given the importance of national road safety responsibilities that this department carries?

**Mr Chandler**—The department's pool vehicles are selected, having regard to operational requirements, by individual areas of the department. They do not specifically have regard to that rating system.

**Senator O'BRIEN**—So safety is not an issue?

**Mr Chandler**—We always have regard to safety.

**Senator O'BRIEN**—How?

**Mr Chandler**—By virtue of the fact that vehicles we select from are typically vehicles that are licensed to be used in the Australian road system. We do not look to that particular ANCAP system.

**Senator O'BRIEN**—So, as long as the vehicle comes to Australia, it does not matter what its relative safety is, it is acceptable?

**Mr Chandler**—No, I did not say that. I said that we do not use that system as a reference point in making decisions on vehicles.

**Senator O'BRIEN**—What do you use?

**Mr Chandler**—We draw upon vehicles that are available in the Australian market. As I say, we have particular regard to operational requirements, but we do not refer to a specific rating system.

**Senator O'BRIEN**—There are lots of cars available in Australia. I take it you are saying that it is the operational requirements, not the safety features, of vehicles that determine whether a vehicle is acceptable.

**Mr Chandler**—I think there is a general presumption that the vehicles that are commonly available and that we select from are safe.

**Senator O'BRIEN**—That is the department's presumption, is it? If the vehicle is available it is safe.

**Mr Chandler**—Effectively, yes.

**Senator O'BRIEN**—And the department has no regard to the Australian New Car Assessment Program in determining what it considers safe or less safe?

**Mr Chandler**—It does not refer to that rating system in making a decision on individual vehicles, no.

**Senator O'BRIEN**—On 14 May this year the *Sun Herald* reported on the European New Car Assessment Program testing of a car called the Chevrolet Aero, which is sold in Australia as the Holden Barina. The car scored two out of a possible five stars due to the likelihood of life-threatening chest injuries to the driver after a front-on collision. This assessment was supported by recent Australian New Car Assessment Program testing. The Department of Finance and Administration has the Holden Barina on its list of eligible general fleet passenger vehicles. Does your department have any Holden Barinas in its fleet?

**Mr Chandler**—I understand we do not, no.

**Senator O'BRIEN**—Do you know why not?

**Mr Chandler**—They have not been identified as suitable for operational reasons. We have a range of vehicles, but nobody has specifically selected a Barina as being suitable for operational needs.

**Senator O'BRIEN**—So it is a matter of what individuals' select as their operational need or what comes under their entitlement?

**Mr Chandler**—Regarding 'under their entitlement', you are referring to SES vehicles. Individuals select vehicles individually through the DASFLEET arrangements. Regarding pool vehicles, the vehicles are typically ordered through or in consultation with our office services area, so it is not solely an individual choice. Because these are operational vehicles there will be consultation within the area and with office services in selecting a vehicle. But they do not have specific regard to the ANCAP system. I cannot tell you more, beyond the fact that, clearly, nobody has selected a Barina as suitable—I am not aware of the details of the report you are referring to and I do not necessarily expect staff would be either.

**Senator O'BRIEN**—So the department does not have a specific policy on selection of vehicles on the grounds of safety.

**Mr Chandler**—No, not a stated policy as such.

**Mr Mrdak**—Not in relation to the ANCAP rating guide.

**Senator O'BRIEN**—What is the policy, then? If it is not specific to ANCAP, what policy do you have?

**Mr Mrdak**—Certainly, we do apply the guidance which is forthcoming, as you have referred to, from the department of finance and the like in relation to listed vehicles. As would any person, we do make judgments at the time that an individual leases the vehicle through their scheme or the department purchases one and makes judgments. What Mr Chandler has been outlining is that that specific program is not something that we refer to in our decisions per se.

**CHAIR**—Could I just ask: surely there would be a primary hurdle in Australia that you have to jump over with a new car that says it is safe.

**Mr Mrdak**—That is right.

**CHAIR**—It is just a question of how safe. Obviously a Rolls Royce with a bullbar would be safer than a Hyundai whatever with no bullbar—for the driver. I don't know about the pedestrians.

**Mr Mrdak**—The Australian design rules set the primary requirements for all vehicles in this market.

**CHAIR**—I notice down in the parliamentary car park that Canberra drivers do not go for Barinas. They go for XRs and all the flash wheels, just to drive around Canberra. So they are pretty good judges, these politicians here. I would give them a pushbike.

**Senator O'BRIEN**—I do not think many of us drive a Land Rover or any of those big four-wheel drive vehicles, but there are a few larger vehicles down there.

**CHAIR**—He is in contest with me now.

**Senator O'BRIEN**—I am, because you have tried to deflect to some nonissue.

**CHAIR**—No, I haven't.

**Senator O'BRIEN**—The reality is that I have been asking questions about the department's policy and, Mr Mrdak, what you are telling me is that you simply use the Department of Finance and Administration guidelines as to the vehicles you should purchase. Do I understand your answer correctly there?

**Mr Mrdak**—Certainly in terms of formal advice we rely on those types of procedures. It is open to individuals, obviously, to look at ratings like ANCAP if they wish to when they make their own lease judgments. But, as the chair has outlined, we also work off the basis of a very robust ADR regime in this country which sets requirements for vehicles being manufactured in and also entering this country.

**CHAIR**—Wouldn't it mean, though, that if a Barina—who makes a Barina, Holden?—were not safe Holden would get the backside sued out of themselves for selling it? You would have thought so.

**Senator O'BRIEN**—When the car that comes into Australia is a lesser vehicle than the one sold in Europe with the same badging, it probably says something about our market. It may say something about our design rules but it certainly does not say anything about what the government is requiring for its employees.

**Mr Mrdak**—Sorry, I am not personally familiar with that issue with the Barina, but I am happy to refer that and come back to you.

**Senator Ian Campbell**—I think Mr Chandler said there are no Barinas in the entire fleet.

**Mr Chandler**—That is correct.

**Senator O'BRIEN**—He did say that there were no Barinas. What he also said is that the Barina is available. 'Someone can select the Barina,' I think is what you said earlier.

**Mr Chandler**—I think it is part of the range of vehicles that would be available. Nobody has selected it.

**Senator Ian Campbell**—I think it is imported. It probably is not available.

**Senator O'BRIEN**—No, it is. It is on the department of finance list.

**Senator Ian Campbell**—Is it? I see.

**Senator O'BRIEN**—That is what we established.

**Senator Ian Campbell**—I think all of us would encourage government vehicle drivers, whether their cars be on lease or departmental vehicles, to look at all of the masses of information that is available about the various qualities of cars. We publish a Green Vehicle Guide, which has a lot of information about the environmental performance of vehicles. I would certainly encourage people to look at that before they make a purchase.

**Senator O'BRIEN**—I certainly would agree. I am interested that the department of transport, which includes within its folds important issues such as road safety, would not have a specific safety policy about the vehicles that it allows to be chosen from its funds for its employees. Mr Mrdak, you are saying it does not have any such policy?

**Mr Mrdak**—Not in relation to that ANCAP rating.

**Senator O'BRIEN**—Or any other? I asked you specifically whether there was a policy and you have directed me to the department of finance fleet guidance and related material.

**Mr Mrdak**—That is right. If there is anything further to add, I will come back to you.

**Senator O'BRIEN**—I would appreciate it if you could. Thank you. I take it that means that there are no minimum safety accessories required for vehicles, such as airbags. I am assuming that.

**Mr Chandler**—That is correct.

**Senator O'BRIEN**—Does the department have any guidelines in relation to mobile phone use, driving when fatigued or alcohol consumption whilst operating a departmental vehicle?

**Senator Ian Campbell**—This line of questioning presumes that the department should have a special set of rules for its employees apart from those that should apply to the broader community.

**Senator IAN MACDONALD**—The law shall apply.

**Senator Ian Campbell**—If you go to the department of finance, you draw on the cheapest car; if you go to the department of the environment it means everyone has to drive a Prius. I can see a press release coming out of this, but I cannot see a lot of other good coming out of it.

**Senator IAN MACDONALD**—If they are legally operating in Australia—

**Senator Ian Campbell**—So you would have one rule for Commonwealth public servants and another one for the punters. This could be the new Gillard Labor way.

**Mr Mrdak**—We require that all our vehicles operate in accordance with Australian law in the various jurisdictions. I cannot go any further than that.

**Senator O'BRIEN**—So there is no policy on fatigue?

**Mr Mrdak**—There is no departmental policy.

**CHAIR**—That assumes that people would get fatigued working for the department.

**Senator Ian Campbell**—I think we should get a deputy secretary to write a whole new set of rules for the department and no-one else.

**CHAIR**—We know what you mean, though, Senator O'Brien.

**Senator Ian Campbell**—I cannot wait for the next question. Who writes this stuff?

**Senator O'BRIEN**—Does the department not have a policy in relation to alcohol consumption or do you simply rely on the legal limits?

**Mr Chandler**—All staff are required to comply with the APS Code of Conduct, which of itself requires compliance with laws and that applies to the use of alcohol associated with the use of a vehicle.

**Senator O'BRIEN**—In terms of mobile phone use—

**Senator Ian Campbell**—What about smoking in the cars? Have you got a policy on that?

**Senator O'BRIEN**—That is another issue. It certainly might not be a very green vehicle.

**Senator Ian Campbell**—You are on a roll here; I am thinking up my own questions now.

**Senator O'BRIEN**—That may have an impact on the value of the vehicle.

**Senator Ian Campbell**—The chairman will probably call me to order shortly.

**CHAIR**—We have only four days to go!

**Senator Ian Campbell**—What about kissing in the back seat? Have we got a policy on that?

**CHAIR**—Come on!

**Senator Ian Campbell**—That is the best one I have thought of so far. I think Senator O'Brien was about to ask that. I am sorry for stealing his thunder.

**Senator O'BRIEN**—I was going to ask whether there was any policy on carrying parrots across state lines but perhaps I will not ask you to answer that one.

**CHAIR**—I think we should all pray for rain!

**Senator O'BRIEN**—During the last estimates round my colleague Senator Carr raised a matter of a threat, directed to the editor of the *Norfolk Islander* newspaper, by Minister Lloyd's office if the newspaper published details of the cabinet discussion about the island's governance arrangements. It appears that the editor was told that a federal police inquiry would be launched and charges laid under the Crimes Act if the newspaper published cabinet-in-confidence material—and, of course, action of this kind is not unknown under this government. According to the *Australian Financial Review*, as at 19 November last year the Howard government had called in the Australian Federal Police to investigate leaks on no fewer than 113 occasions. I could not help but notice that an article on the front page of the *Australian* on 24 April headlined 'Nats win \$1 billion roads upgrade'. Was the editor of the *Australian* treated the same way as the editor of the *Norfolk Islander*?

**Senator Ian Campbell**—Firstly, I think Minister Lloyd's office totally denied that. Secondly, the question has nothing to do with this portfolio.

**Senator O'BRIEN**—The question about a leak to the *Australian* about roads has nothing to do with this portfolio. Is that what you are saying, Minister—that a leak of the details of a road funding matter has nothing to do with this portfolio?

**Senator Ian Campbell**—I do not think leaks have anything to do with this particular set of estimates, do you?

**Senator O'BRIEN**—Yes. It is about the actions of the department.

**Senator Ian Campbell**—Senator Carr came along and made an outrageous accusation under the veil of parliamentary privilege against Minister Lloyd, and you then ask a question about a story on the front page of the *Australian*.

**Senator O'BRIEN**—And the *Financial Review*, which said there were 113 occasions on which the AFP have been called on to investigate leaks. I am asking whether the department called for an investigation into the leaks about \$1 billion in road funding.

**Mr Mrdak**—No. As you know, in the lead-up to every budget there is an enormous amount of media comment and speculation about what may or may not be in budgets. That specific article is not one that the department has in any way investigated or pursued.

**Senator O'BRIEN**—So, when the Secretary of the Department of the Prime Minister and Cabinet, Mr Shergold, said:

Leaking blows apart the Westminster tradition of confidentiality upon which the provision of frank and fearless advice depends—

and promised a police investigation every time a leak occurred, he did not mean a pre-budget leak by the National Party.

**Senator Ian Campbell**—You cannot ask questions about the Department of the Prime Minister and Cabinet in this portfolio. You should go across to another committee where they are meeting.

**Senator O'BRIEN**—So there was no consideration by this department of investigating that particular leak. Is that right, Mr Mrdak?

**Mr Mrdak**—I do not know whether I would characterise that article the way you describe it, as a leak.

**Senator Ian Campbell**—It is pre-budget speculation, I would have thought, from the way I read it.

**Mr Mrdak**—I do not think it contained any imputation that the department or any of its officers were at all involved in any of that speculation or involved in any departmental matters.

**Senator IAN MACDONALD**—That was an article that I was rather interested in myself.

**Senator O'BRIEN**—If Senator Macdonald wants to get across the table there and be questioned, he is entitled to, otherwise I am entitled to ask the questions without interruption.

**Senator Ian Campbell**—Chair, is this a one-man committee, or can other—

**CHAIR**—Order!

**Senator IAN MACDONALD**—You have been asking questions—

**Senator O'BRIEN**—He is entitled to ask his questions; he is not entitled to purport to answer—

**Senator Ian Campbell**—The chair decides who speaks. The chair is the chair of the meeting and not you, Senator O'Brien.

**Senator O'BRIEN**—No, he is not entitled to purport to answer them.

**Senator Ian Campbell**—You do the monotone questions and the chair chairs the meeting.

**CHAIR**—Order!

**Senator O'BRIEN**—The article said:

The Nationals leader secured the additional funding during recent budget negotiations—referring to the budget process. That was treated as speculation, was it, Mr Mrdak?

**Senator Ian Campbell**—You are now asking a question about the Minister for Trade.

**CHAIR**—I think the question is irrelevant because the assumption is not true. Someone was playing political games, I think.

**Senator O'BRIEN**—It is not untrue.

**Mr Mrdak**—I have no knowledge of the basis on which the article was written, so I cannot possibly comment on that.

**Senator O'BRIEN**—So the department was not aware—

**Senator Ian Campbell**—It is like the speculation about who in the New South Wales Right has leaked all the opinion polling about the various leadership aspirants in the Labor Party.

**CHAIR**—I am thinking about a John Robinson. But, in any event, it is factually not true. Obviously there are a few worn out old Liberals that have a bit to do—and I guess old Labor blokes too—that have a bit of input into roads.

**Senator O'BRIEN**—I am inquiring whether there was a process to consider a leak investigation. What you are telling me, Mr Mrdak, is there was not.

**Mr Mrdak**—There was not.

**Senator O'BRIEN**—On how many occasions has the department considered seeking an investigation into a leak over the last financial year?

**Mr Mrdak**—I am not aware of anything in the portfolio which you would say was a leak in that sense. Certainly in my time in this position I do not think I can count any situation where we have formally investigated such a matter. Our portfolio deals with matters which are constantly front-page news by virtue of the work we do. There is media speculation about a whole range of matters in the lead-up to budgets or a whole range of things, but I am not aware of any matter which we would have considered investigating as a leak in the way you would use the term.

**Senator O'BRIEN**—And that includes any matter related to Norfolk Island?

**Mr Mrdak**—I am not familiar with that particular issue. My colleague Ms Page, who oversees territories matters, unfortunately is ill today, but I am certainly not aware of any such matter in relation to Norfolk Island.

**Senator O'BRIEN**—So someone might be aware; it is just that you are not.

**Mr Mrdak**—I think the minister dealt with that issue, if you are referring to the earlier matter.

**Senator Ian Campbell**—My recollection of the additional estimates is that the allegation was made by Senator Carr and that, within minutes, we had a quite categorical rejection by the minister and his office before this committee. The recollection could be proved wrong or correct by looking at *Hansard*, but that was my recollection.

**Senator O'BRIEN**—Did Minister Truss attend the memorial service at Bamaga on 15 May to remember the 15 Australians who lost their lives in the 7 May air disaster on Lockhart River?

**Mr Mrdak**—Not to my knowledge.

**Senator O'BRIEN**—Did Minister Truss send a representative to that service?

**Mr Mrdak**—My understanding was that there was a representative from the Australian Transport Safety Bureau who attended the memorial service, but I will check that and confirm it for you.

**Senator O'BRIEN**—Was that at the request of the minister or on their initiative?

**Mr Mrdak**—I will take that on notice, if you would not mind. I will come back to you this morning with the circumstances of that.

**Senator O'BRIEN**—If the representative did not attend at the request of the minister, is there a reason the government made no provision for the minister to be represented and has that been communicated to the families of the victims?

**Mr Mrdak**—Again, I apologise; I do not have direct knowledge of that. I will come back to you as soon as I can on that matter.

**Senator O'BRIEN**—Can the department provide details of its media monitoring arrangement, including the costs of those arrangements over the current financial year, and details of any changes over the previous couple of years?

**Mr Chandler**—We are in the process at the moment of retendering for the provision of these services, and that tender will close on the 30 June, as I recall.

**Senator O'BRIEN**—Is it a fixed fee for a period?

**Mr Chandler**—It is driven by actual costs in levels of service. The level of costs is in the order of \$850,000 per annum, which includes research and clipping fees and printing and distribution costs.

**Senator O'BRIEN**—Is that an annual contract or is it a contract that runs over a long—

**Mr Chandler**—There is an ongoing contractual arrangement at the present time. Some of the services are provided through Pickfords, who are our outsource provider for office services. Some of the costs are by way of internal staff, so it is not one contract figure.



Without going too far into the issues, given that we do have a request for tender in the marketplace, the tender at the moment is looking for alternative arrangements and full provision of media monitoring services.

**Senator O'BRIEN**—When would the answers you were going to be able to provide us today be available? I want to move to the next item unless they are available now.

**Mr Mrdak**—We can cover the questions on notice now and I will come back to you on the other matters at the end of the lunch break, if that is okay.

**Senator O'BRIEN**—Sure.

**Mr Chandler**—I need to correct the earlier advice on the outstanding questions. When I referred to four having been to the minister after 6 April, what I focused on were questions which were going to the minister for the second time and, indeed, that was the case with those which went to the minister in the week before. I am advised that, of the 50 questions which we had not lodged by 6 April, all bar one were with the minister up to a week before 6 April.

**Senator O'BRIEN**—So they were with the minister in time for them to have been supplied by the appropriate time?

**Mr Chandler**—Many questions are subject to subsequent review. I understand that, of those 50 questions, 30 were subject to subsequent review. So they went back to the department and returned to the minister at some point.

**Senator O'BRIEN**—So did they come back to the department after the deadline or before it?

**Mr Chandler**—It would have been the case that most would have come back before it, but some would have come back after.

**Senator O'BRIEN**—Thank you for that. I now want to proceed to Portfolio Strategic Policy and Projects.

**Mr Ash**—Before we move on, I have an answer to the difference between the \$101.2 million and the \$104.9 million. The \$101.2 million is the amount being appropriated this year, of which \$100 million is for the national disaster relief arrangements loan, which was noted on that page. The \$1.2 million reflects the transfer of the Jervis Bay territories program from a departmental to an administered program. That is the cash reserve from accumulated depreciation in the Jervis Bay territories program, which in 2005-06 is a departmental program and in 2006-07 becomes an administered program.

**Senator O'BRIEN**—That explains the \$101.2 million?

**Mr Ash**—That is the \$101.2 million.

**Senator O'BRIEN**—And the higher figure?

**Mr Ash**—The \$104.9 million was \$100 million for the NDRA, which was a new appropriation, \$2.1 million for the IOTs, which had been previously appropriated, and \$2.8 million for the Sydney West airport, which had also been previously appropriated.

**CHAIR**—Thank you very much.

**Ms Field**—Senator O'Brien, you also asked me for some information broken down by division. I can give that to you now if you are ready.

**Senator O'BRIEN**—Yes, please.

**Ms Field**—The figures are: Executive, 7.7; Corporate Services, 155.6; Regional Services, 213; Territories and Local Government, 82.8; Australian Transport Safety Bureau, 111.5; Office of Transport Security, 287.3; Aviation and Airports, 117.3; AusLink, 91.6; Maritime and Land Transport, 103.4; and Portfolio Strategic Policy and Projects, 60.4. That gives a total of 1,230.6.

**Senator O'BRIEN**—I think you predicted expected growth; do you know where that is going to be? Will it be entirely in transport security?

**Ms Field**—There will be growth certainly in the Office of Transport Security, but there will also be small growth in some of the other divisions, including the Australian Transport Safety Bureau and the Maritime and Land Transport division.

[12.18 pm]

**CHAIR**—Thank you very much. We now call for Portfolio Strategic Policy and Projects.

**Senator IAN MACDONALD**—My questions are directed more towards AusLink, which is the next area. But in relation to strategic policy and projects has the department ever considered doing more of the project engineering and project design for road works itself rather than getting the various state agencies to do them? I raise this issue because those of us who represent areas outside the capital cities are increasingly frustrated by the fact that the federal government puts in money to investigate issues—for example, in my case into the Bruce Highway—and I particularly have in mind the Cardwell Range.

The money was provided in April 2005 to the Queensland main roads department to start planning and project work on whether that could be done. I have actually written to Minister Lloyd about this and I do not think I have yet received a response about that particular issue. But this goes more to the policy and project area. In that case there was a fatality earlier this year, and it was not until some 15 months after the money was made available that the Queensland main roads department decided they had better start the project management. They had the money 15 months ago and have not done anything in the 15 months. When you speak to Queensland main roads, they say they are busy and they have other priorities and are serving obviously more than one master. I wonder whether the federal government has ever considered trying to do a lot more of the project design work itself rather than relying on state governments which, as I say, sometimes have different priorities?

**Mr Mrdak**—As you have identified I think those frustrations you have outlined are ones which the government has had for some time across a range of projects, not simply the one you have mentioned, with a range of road authorities. Part of the shift to AusLink, where we started to strategically drive project selection much more than we have in the past, and the thrust of AusLink, where we become much more involved in project selections through the planning process, was designed to do that. We are trying to develop some more capabilities. Certainly in the past, we have had issues with individual projects. We have often engaged our

own consultants and the like, not so much at the detailed planning stage but more at the project selection stage where we have engaged our own analysis.

It is ultimately very difficult because much of the data to enable planning to be done is held by the roads authorities rather than by us. That is a very difficult one because we employ a range of skills but we do not necessarily have the data or the engineering expertise inside our department. We would have to hire consultants who then become very dependent on cooperation from the main roads department who physically own the asset and all the data relating to it. We would need their approval and even some basic physical measuring and design work, so it is a difficult one. It has been considered and, as part of AusLink, we are trying to find better ways to move those sorts of things forward, but to this point we have not done so. I will defer to my AusLink colleagues, but at this stage I am not aware we have actually gone into the detailed planning and construction ourselves. We do recognise it is an issue, particularly in those circumstances where there have been delays where Commonwealth has committed to a project, has provided funds and then we have not seen those projects go forward as much as they can. That is why we have tried to then come to arrangements with those jurisdictions for us to jointly engage consultants and the like to try to get things moving a little more quickly.

**CHAIR**—Does the interest that accumulates on that money go to the project or go to the consolidated revenue of the state?

**Mr Mrdak**—It depends on the individual project. In the past, we have provided money to a national highway based on a program of works that was provided by the state governments. Under the new arrangements we are not providing that, unless we are making special arrangements where we have contracted in that they get to retain any earned funds. But, generally, we then require that they be applied to that project to meet costover runs and the like. We manage that and we do not allow it. Under the new AusLink bilaterals, we actually require that the states cannot expend those moneys on general administrations within their roads departments; they can only expend the funds we are providing on the actual project or direct project costs. Previously, we had had concerns that some of our Commonwealth NHS money was being used to fund RTAs and the like and general administrative costs, and we preclude that under the new AusLink bilateral arrangements.

**Senator IAN MACDONALD**—Do we have any ability to go in and do urgent maintenance work as a Commonwealth authority or can we get contractors to do it? Or do we have to allow that to be done by the relevant state authority?

**Mr Mrdak**—The difficulty for us is that the states are the asset owners. We would need their permission before we could do anything. We do not own any of the road assets as a Commonwealth, apart from small amounts in the territories that we control. We do not own any of the road assets so, even if we were to reach a view on urgent works, we would still need permission and the works to be done through the various RTAs and main roads departments.

**Senator IAN MACDONALD**—I do not want to hold other senators up from asking their questions, but I want to be a bit more specific about the Cardwell Range, where some important safety guardrails on the Bruce Highway were knocked down months ago, which

would be part of the Commonwealth funded maintenance and which are just not being dealt with by the Queensland main roads department. I also want to ask about the Mount Low Parkway, about which, again, I have written to the minister but received no reply. I will be more specific about that when questioning around the AusLink program begins. At this stage, though, I hear what you say, but something has to be done. I know it is difficult when you have state governments that own the asset, as you say, and that have the capacity. I do not have a solution, but my question, I guess, is: is it being continually explored that we have to find some better way of handling the national highways, which we fund and therefore take responsibility for but cannot action because the various state governments just do not have the ability or, for other reasons that I would not venture to guess about, just do not do the work?

**Mr Mrdak**—Certainly, the intention with AusLink is to give us much more of an ability to be directive of where our money is going and the like. The mechanisms for doing that have some limitations because of simple questions around who owns the asset and how we are able to do it from where we sit, but we are continually looking at that. In certain circumstances we have gone to state main roads departments and said, ‘This is an urgent area where we want rectification; we want to see a plan of works and all those sorts of things coming forward.’ So we do have that constant discussion. I am sure my AusLink colleagues will be able to give you more detail in relation to those matters, but we do have that constant interaction with the main roads departments and the state governments to ensure that our money is being properly and effectively spent.

**Senator IAN MACDONALD**—When you say the states own the asset, you mean they own the bit of land on which the road was constructed 100 years ago and therefore they have actual control of it. Has anyone ever looked at the suggestion that, when we enter into roads agreements with the states, it should be part of the agreement that we will pay for the roads provided the states transfer to us control of these roads?

**Mr Mrdak**—Not that I am aware of.

**Senator IAN MACDONALD**—Is there anything wrong with examining that?

**Mr Mrdak**—The Commonwealth would have to consider whether it wished to come to an arrangement where, essentially, it is purchasing or at least putting those assets on its books. At the moment we do not; we simply provide funding to the states. The value of that asset and how that asset is treated for depreciation and asset maintenance purposes are matters for the state governments. We have not, to this point, that I am aware of—

**Senator IAN MACDONALD**—Yes, but we spend all the money, whether it be for maintenance or capital construction. The states do not spend a cent on them.

**Mr Mrdak**—Certainly, with the AusLink arrangements we are looking for a state contribution to maintenance. We have shifted away from—

**Senator IAN MACDONALD**—On the national highways?

**Mr Mrdak**—On the national highways. The new arrangements do not provide that the Commonwealth has 100 per cent funding responsibility, although, in practice, under AusLink we have provided 100 per cent of the funding for most of the non-urban roads on the network under this first program. However, we are seeking a state contribution to maintenance.

**Senator IAN MACDONALD**—I was not aware that that was the arrangement. How many of the states have agreed to contribute to maintenance of the national highways?

**Mr Mrdak**—Under the bilateral agreements they have all agreed that the Commonwealth is providing \$300 million per annum for network maintenance and that the states are required to maintain the network to a fit-for-purpose standard.

**Senator IAN MACDONALD**—I do not want them now, but do you have details of how much actual cash money each state has contributed to maintenance of the national highways since this arrangement started?

**Mr Mrdak**—I think we do get maintenance information. I will defer to my AusLink colleagues, if I may.

**Ms Riggs**—Under the bilateral agreements we have with each of the states and territories, we will be collecting robust data that goes to this maintenance issue for the whole of the national network.

**Senator IAN MACDONALD**—I thought you were going to say we would be collecting robust money!

**Ms Riggs**—That would be nice, but data will do to start with. That will give us a much clearer picture of the state of the network—its meeting of the fit-for-purpose standard in each state and territory. We will also get data on the total expenditure on maintenance on the network.

**Senator IAN MACDONALD**—But can you tell me—I do not mean today—whether, to your knowledge, any of the states have made a cash financial contribution to the maintenance of the national highway?

**Ms Riggs**—When it was the national highway, that would not have been the case. But the AusLink National Land Transport Network is more extensive than the national highway, and given that some of it was previously state road, yes, I have to say that the states have and do contribute to maintenance on the AusLink national network.

**Senator IAN MACDONALD**—Are you aware now whether New South Wales has made a contribution to maintenance of the Hume Highway and whether the Queensland has made a contribution to maintenance of the Bruce Highway?

**Ms Riggs**—In the data that we are collecting from the states, we are not collecting data on maintenance on a highway-by-highway or corridor-by-corridor basis in terms of expenditure.

**Senator IAN MACDONALD**—I am not asking you to give me the amounts. I am asking: are you aware of whether those two state governments have put any cash money into the maintenance of the Bruce Highway and Hume Highway respectively?

**Ms Riggs**—Not at this stage.

**Senator IAN MACDONALD**—You are not aware if they have at this stage or they have not at this stage?

**Ms Riggs**—Where I started this line of answers was that, under the AusLink bilateral agreements, we will soon get access to data annually about the state of the network and, among other things, about expenditure on maintenance on the network. The first year's worth

of reports are not due yet, so at this stage I cannot answer that question because we do not have that data.

**Senator IAN MACDONALD**—So, until you get the data, no-one can tell me whether the states have actually done work on maintenance that has not been paid for entirely by the federal government? You cannot tell me that?

**Ms Riggs**—No. That is right. The states have not had to report to us in the past about their own expenditure on maintenance.

**CHAIR**—I will have a little punt with you on that one!

**Senator IAN MACDONALD**—Yes! If maintenance is urgently required on the Bruce Highway, you would know whether you funded that, wouldn't you?

**Ms Riggs**—Not necessarily. Under the current arrangements, we make provision in the funding that goes to each state for certain projects in any given year and also a sum for maintenance. The states have to define that schedule of maintenance and tell us each year that they have carried it out, but we do not instruct them as to what that maintenance work should be.

**Senator IAN MACDONALD**—I drive from Ayr to Townsville along the Bruce Highway every day that I am working in my office, and I know—and other people who do the same also tell me—the road badly requires maintenance. I have always been a bit defensive, thinking that it was entirely a federal government responsibility to maintain that road. You are now saying to me that, under AusLink, it is not.

**Ms Riggs**—When it was the National Highway, the federal government met the expenditure outlays on the National Highways System. The network is bigger than the National Highways System, and it is no longer 100 per cent the responsibility of the Australian government.

**Senator Ian Campbell**—For all intents and purposes, up until very recently it was the case that that highway was fully funded by the Commonwealth, but the maintenance schedule—

**Ms Riggs**—Is determined by the state.

**Senator Ian Campbell**—We basically write them out a cheque, which is for a predetermined amount, and then they decide how to spend it and they spend it. So, if they did not particularly care about the route between Ayr and Townsville, it could fall into disrepair, and it sounds like that is what occurred.

**Senator IAN MACDONALD**—So I am quite accurate in saying to people who complain to me, 'Go and see the Queensland government Department of Main Roads about the state of maintenance on this road'?

**Ms Riggs**—Yes.

**Senator IAN MACDONALD**—Okay. You live and learn. That will very useful.

**CHAIR**—Does that complete your task for the day?

**Senator IAN MACDONALD**—It does—not for the day, just for this period.

**CHAIR**—For the morning then.

**Senator O'BRIEN**—Mr Fisher, your name enjoys a prominent place in the department's organisational structure published on its website. The letters 'ED' appear after your name. Do they stand for 'Executive Director'?

**Mr Fisher**—Yes.

**Senator O'BRIEN**—In February, Mr Taylor told us that you were continuing to do work on Telstra for Mr Truss in his capacity as Deputy Leader of the National Party. I was surprised by that. You are not doing party political work, are you?

**Mr Fisher**—No.

**Senator O'BRIEN**—Can you outline the nature of the work that you are doing on Telstra?

**Mr Fisher**—Telecommunications has a major impact on the prosperity of regional Australia. When government considers issues in relation to telecommunications, it is useful to advise on whether those issues might have impacts on regional Australia, the nature of the impacts and whether alternative approaches might be possible.

**Senator O'BRIEN**—Are you on any working groups on Telstra in either the Department of Finance and Administration or the Department of Communications, Information Technology and the Arts?

**Mr Fisher**—Yes.

**Senator O'BRIEN**—On Telstra?

**Mr Fisher**—Yes.

**Senator O'BRIEN**—Which ones?

**Mr Fisher**—There are a number of meetings that take place in relation to telecommunications policy and telecommunications regulatory arrangements. The nature of the meetings and the issues that those meetings have addressed have developed over the past 12 months or so.

**Senator O'BRIEN**—You might need to refer to your diary for this. Can you supply us on notice with the details of the groups?

**Mr Fisher**—I am not sure that consultation—

**Senator O'BRIEN**—Are they working groups of those departments?

**Mr Fisher**—Officials come together from time to time to discuss issues that might be relevant or which ministers may be seeking advice on. I do not think consulting the diary will be particularly helpful. The meetings take place under a broad umbrella of interested departments, and the issues have changed.

**Senator O'BRIEN**—They are not formal working groups; they are just meetings on issues. Is that how I should understand your answer?

**Mr Fisher**—I am not sure whether I understand the difference, but I think meetings on issues between officials is probably a good description of what happens. The officials change sometimes as issues change and different input is required.

**Senator O'BRIEN**—How does the work on Telstra fall within the responsibility of this department?

**Mr Fisher**—What happens in telecommunications is of vital importance to regional Australia. The minister is the minister for regional services. He seeks advice from time to time and issues go to cabinet from time to time on which the minister needs to be briefed.

**Senator O'BRIEN**—What other policy issues are you working on?

**Mr Fisher**—A number of issues such as the National Water Initiative—water reform—and native vegetation arrangements, both of which are very important to regional Australia. There are also issues related to national competition policy and competition reform. And, as issues go to cabinet, we may be asked for advice on whether they have regional implications and the nature of those implications.

**Senator O'BRIEN**—So it is a matter of routine? You are looking at cabinet documents to see whether there are implications for the portfolio?

**Mr Fisher**—Yes. It is not all cabinet issues, but cabinet issues that are referred to us.

**Senator O'BRIEN**—You are working closely with Minister Truss's office, obviously, to fulfil that function.

**Mr Fisher**—Through the department. I am not sure that I am working any more closely with the office than any other senior official in the department. I hope that the office feels that we are working closely with them in keeping them informed, but the work that I do is through the department and the work is allocated by the executive for the department.

**Senator O'BRIEN**—So the referral does not come to you from a minister's office; it comes to you from the executive of the department?

**Mr Fisher**—Anything I do is mandated by the executive of the department. Issues will sometimes come to us from the office, but through departmental channels.

**Senator O'BRIEN**—From the office of the minister?

**Mr Fisher**—Yes.

**CHAIR**—Were you pleased that we standardised rail gauges in Australia?

**Senator O'BRIEN**—We did not, actually—sort of. That question is irrelevant because it is not true.

**CHAIR**—I was going to ask whether you think we should standardise the rivers.

**Senator O'BRIEN**—That would be good. Are we going to dig them out?

**Mr Mrdak**—We are now going to the next stage of rail—one of the tasks Mr Fisher's team is taking on—which is looking at national regulatory approaches to rail.

**CHAIR**—That is what I am talking about.

**Mr Mrdak**—We are currently moving towards having a single national piece of legislation by the end of this year, we hope. But the next test will be whether we need to have six regulators per rail or whether we can move to alternative arrangements. As Mr Fisher has



outlined, that is one of the key areas that Dr Dobes is going to pick up as part of Mr Fisher's team over the next few months in reporting back to COAG.

**Senator O'BRIEN**—Are you looking at picking up responsibility for the grain lines of New South Wales?

**Mr Mrdak**—I do not think I mentioned grain lines.

**Senator O'BRIEN**—You did not; that is why I am asking the question. You want to pick up the traces—

**CHAIR**—Have a look at them before you pick them up!

**Senator O'BRIEN**—on national regulation. I thought, 'We'll see how far they go.'

**CHAIR**—You will get a quid out of the old sleepers for garden landscaping. That is about all you will get out of it.

**Mr Mrdak**—We are certainly looking at regulation approaches, but issues on the future of those grain lines remain with the owners of those grain lines.

**Senator O'BRIEN**—Do you agree with Senator Heffernan that we should pull those lines up?

**CHAIR**—No, I said—

**Senator O'BRIEN**—You have to sell the sleepers somewhere. You have to pull the lines up to sell the sleepers.

**Mr Mrdak**—I do not think my knowledge of the grain lines is as good as Senator Heffernan's.

**CHAIR**—The railway lines make good fence posts, I have to say.

**Senator O'BRIEN**—That is an interesting comment. I had better check your property out and see what fence posts you have.

**CHAIR**—You will find there are plenty.

**Senator O'BRIEN**—Is rail another area you are working on?

**Mr Mrdak**—There is a specific rail project which is part of the competition reform agenda to look longer term at the issues of a single national regulatory approach to rail safety and operations.

**Senator O'BRIEN**—To rail safety—

**Mr Mrdak**—and operations. At the moment, we have a process whereby the National Transport Commissioner has been tasked by his transport ministers to bring forward a single national piece of model legislation on rail safety regulation. The next stage, which COAG has asked, is should we then start to look at a single national regulatory approach—not only model legislation but also taking it to the next stage of a single national regulator. That is advice which we are currently doing some work on with the states through the rail group for the Australian Transport Council and then to COAG.

**Senator O'BRIEN**—Is this in your area, Mr Fisher, or have we jumped across into other areas?

**Mr Mrdak**—That specific task in the longer term is an area that Mr Fisher and Dr Dobes will pick up from here with the view to report back to COAG by the end of this year.

**Senator O'BRIEN**—It has not happened yet?

**Mr Mrdak**—It is work that is just getting under way as part of the whole competition reform agenda which we are required to report back on to COAG. Other elements of that are being dealt with in the Maritime and Land Transport Division and also in other parts of strategic policy. Principally, the urban congestion work is being done by Dr Ockwell, and Maritime and Land Transport have the bulk of the task on regulation reform.

**Senator O'BRIEN**—Another area, I take it, is doing the work on modelling Australia's growing freight task?

**Mr Mrdak**—That is correct, and that has been done by the Bureau of Transport and Regional Economics.

**Senator O'BRIEN**—I will come to that. Mr Fisher, your group has an internal budget allocation of \$1.1 million for 2005-06, as I understand it. How much has been expended so far?

**Mr Fisher**—I think the budget was about \$1 million, and it has probably been spent pro rata pretty close to that.

**Senator O'BRIEN**—As at October last year there were five staff. Is that still the case?

**Mr Fisher**—We have seven.

**Senator O'BRIEN**—So it has increased by two.

**Mr Fisher**—Yes. When you say October last year, I suspect you are referring to evidence at estimates in about October last year.

**Senator O'BRIEN**—Yes, 31 October. Current staff, Mr Mrdak said, was five.

**Mr Fisher**—Yes. We have seven now.

**Senator O'BRIEN**—Where are the staff based?

**Mr Fisher**—In Canberra.

**Senator O'BRIEN**—Do you work in Canberra or Sydney?

**Mr Fisher**—Canberra.

**Senator O'BRIEN**—So that has changed since October as well.

**Mr Fisher**—No.

**Senator O'BRIEN**—Mr Taylor told us in October that you work from the department's head office in Sydney. He was wrong, was he?

**Mr Fisher**—The department's head office is in Canberra.

**Senator O'BRIEN**—I am reading from the *Hansard*.

**Mr Mrdak**—It is obviously an error in *Hansard* which we failed to pick up.

**CHAIR**—A typographical error.

**Senator O'BRIEN**—A misspelling of Canberra—spelling it S-y-d-n-e-y.

**Senator Ian Campbell**—Many people would still suggest Sydney was a preferable place for the national capital. I think that horse has bolted. That train has left the station.

**Senator O'BRIEN**—It is a separate question. I was asking the question because that was the answer that was given.

**Mr Mrdak**—Apologies. That is an error on our part. We did not check the *Hansard* closely enough.

**Senator O'BRIEN**—You normally do, though. Who normally does that? You do not check the *Hansard* to see if the answers you have given us are accurate? We often get corrections to *Hansard* from different officers.

**Mr Mrdak**—We do have officers who check their evidence, and that is obviously one where we have not checked enough.

**CHAIR**—You are not going to throw the first stone, are you, Senator O'Brien?

**Senator O'BRIEN**—Throw the first stone? No. It is just an unusual error not to have been picked up. It is so unequivocal in the *Hansard*.

**Mr Mrdak**—I do not recall the secretary saying that, so it must have been an error.

**Senator O'BRIEN**—Apparently you were there.

**Mr Mrdak**—I was there.

**Senator O'BRIEN**—I wanted to ask some questions about BTRE, so I suppose Mr Potterton will be able to help us. How much does the BTRE earn from the provision of external consultancy services? Let's start with the current financial year.

**Mr Potterton**—I will need to come back to you with a precise figure. It would be a very small amount. It will be well below \$100,000.

**Senator O'BRIEN**—We are told that BTRE's funding for the year is \$5.4 million.

**Mr Potterton**—Since we provided that answer in December, the bureau's funding has increased to \$6.1 million for 2005-06. That reflects a shift in functions at the end of the year with the establishment of the Strategic Transport Policy Development Unit, headed by my colleague Dr Ockwell, which was previously part of the Maritime and Land Transport Division.

**Senator O'BRIEN**—So funds are transferred across with that?

**Mr Potterton**—Correct.

**Senator O'BRIEN**—Minister Truss has refused to release the economic analysis undertaken by the BTRE on the impact of liberalisation of the transpacific route. Many of BTRE's findings are publicly released, aren't they? Much of your research is publicly available?

**Mr Potterton**—Yes. However, this work was undertaken in a specific policy context for cabinet decision making.

**Mr Mrdak**—Perhaps I can explain. That piece of work was commissioned by the department specifically to assist the review of international aviation policy which was being undertaken for the government. It was a specific task commissioned by the bureau to do modelling work. That work formed part of the cabinet submission, which went forward for cabinet consideration of the overall policy settings. The minister has decided not to release that work because it did form part of the government's deliberations on international aviation policy settings.

**Senator O'BRIEN**—How often does BTRE do work in the context that it is not released to the public?

**Mr Mrdak**—The bureau is tasked quite often with producing work for the minister or the government, which is internal to the portfolio. The bureau has a research program which is publicly disseminated and the results of which are publicly available. As well as that, the bureau undertakes specific work tasks for the portfolio in relation to assessments of a whole range of measures which are not publicly available.

**Senator O'BRIEN**—What proportion of the bureau's budget would be taken up by work which was specifically for advice to government and not for public release, Mr Potterton?

**Mr Mrdak**—I do not think it is possible to break it down. The bureau works within its resources. At times Mr Potterton and his team make judgments about impact on work and deliverables in their published research program to accommodate some of this other work, but I do not think it is possible to identify or breakdown. It would vary. Sometimes the bureau does not have specific requests and it focuses on its long-term research programs and, at other times, it can be quite a high priority and, therefore, resources are required to do that. I do not think it can be easily broken down to say how much time would be apportioned to publicly available research tasks as opposed to those tasks which are done for advice to the government.

**Senator O'BRIEN**—So you have no idea of what the split is? Surely, when you want to argue the case for your department's financing, you would need to know that, wouldn't you, Mr Potterton?

**Mr Potterton**—We certainly need to budget for known, upcoming projects. I believe at the last hearings I provided you with an estimate of the cost of the transpacific study, and that certainly does represent a percentage. I am trying in my head to calculate what that was. I think the total cost was probably in the order of \$120,000 out of a budget of \$6.1 million. So that gives you a sense of the order of magnitude. It is the case that the overwhelming majority of the bureau's work—and obviously all of its statistical analysis—is made public; but from time to time there are additional projects, as Mr Mrdak indicated, which are not.

**Senator O'BRIEN**—Can you outline the findings of your recent work in modelling Australia's growing freight task?

**Mr Potterton**—Yes. We have just released *Freight measurement and modelling in Australia*. Minister Truss announced the release last Monday. I am happy to provide you with a copy of that now if that is of interest. Obviously we will be providing a copy through the mail shortly.

**Senator O'BRIEN**—I certainly would appreciate a copy of it. Is the newspaper report accurate in its statement that the amount of freight on urban roads will almost double by 2020?

**Mr Potterton**—Can I come back to you on that one? I would just like to check that that is the case.

**CHAIR**—Would that have to take into account the impact of rail getting a proportion of the road task and the effect of the cost of fuel? Do you figure the cost of fuel into your economics?

**Mr Potterton**—We certainly take account of price impacts.

**CHAIR**—So in due course you would be able to tell us why we sell gas to Japan for 5c a litre, or whatever it is, but do not use it here and how that would impact on the future economics of transport? That would be something for you to go away and do. I have often wondered about that.

**Senator O'BRIEN**—I am sure Senator Heffernan will fund it as well.

**Mr Mrdak**—Certainly the analysis done by the bureau in relation to this task does show long-term growth projections out to 2020 for both the long-haul task, which is both road and rail, and the urban task. Mr Potterton over lunch will get you the exact figures on urban growth. It is a substantial growth in the order of a doubling, as you have said. That growth will be principally in light vehicles in urban areas.

**Senator O'BRIEN**—It is not likely to be replaced by any rail or light rail options?

**Mr Mrdak**—That is right. It recognises that it is the distribution activities within our major urban areas, which is where normal freight growth will be.

**Senator O'BRIEN**—How advanced is BTRE's analysis of Tasmania's economic turnaround? It is project No. 4 for this year.

**Dr Turner**—It is following the usual pattern: some scoping work has been done, a seminar has been held and a discussion paper has been released. Some initial fieldwork was undertaken in late April and early May, so the data gathering and analysis are still under way. I would expect the report at the end of this calendar year or early next year.

**Senator O'BRIEN**—Did you say 'a bit earlier'?

**Dr Turner**—No. I would expect it at the end of this year or early next year. It just depends on how long it takes to write up, assuming that the research work and data gathering goes as expected.

**Senator O'BRIEN**—What is the situation with the BTRE research on the cost of road crashes. This is project No. 42.

**Mr Potterton**—That project has not yet commenced; it is a project that we are planning to undertake in 2006-07.

**Senator O'BRIEN**—Everyone is referring to decade-old data on the cost of road crashes. Why is that a lower priority than some others?

**Mr Potterton**—We have recently released the cost of aviation crashes.

**Senator O'BRIEN**—There are fewer of those than there are road crashes.

**Mr Potterton**—That is right; but there is significant public interest in them, as I am sure you will agree.

**Senator O'BRIEN**—They are the easy ones.

**Mr Potterton**—We also have another safety project on our schedule at the moment, which is the evaluation of the National Road Safety Black Spot Program. So I think we are certainly not underrepresented at the moment in terms of safety related effort. I would like to add to the answer to the earlier question on the freight task: the analysis of the increase in the freight task between 2003 and 2020 is 70 per cent in the capital cities, not a doubling.

**Senator O'BRIEN**—Thank you.

**Proceedings suspended from 1.00 pm to 2.00 pm**

**Senator O'BRIEN**—I was reminded over the lunch break of the questions in October about working in Sydney and working from home in relation to Mr Fisher's role. Now we have heard Sydney is not right. So, to be clear, what is the situation, Mr Fisher, regarding working from home?

**Mr Fisher**—I think last October the secretary made it clear that he expected all of his senior people to be available any time and that people being senior officers in DOTARS sometimes required them to work from home.

**Senator O'BRIEN**—It is not a regular thing; is that what you are saying?

**Mr Fisher**—Unfortunately it is regular.

**Senator O'BRIEN**—You do not normally work from home but rather work from the office is perhaps—

**Mr Fisher**—That is right.

**Senator O'BRIEN**—Mr Potterton, when will the program for BTRE for the coming financial year be finalised?

**Mr Potterton**—We are putting the program together at this point in time. It will be finalised, we would expect, in late June and should be published in July.

**Senator O'BRIEN**—Which of the projects from the 2005-06 list will not have commenced in this financial year?

**Mr Potterton**—If you can just bear with me a moment, I am just scanning the list. No. 26, 'Truck productivity: sources and prospects', has not commenced in 2005-06. Neither has No. 35, 'Terminals: lessons from international experience'. Nor has the one that we discussed before lunch relating to the cost of road crashes.

**Senator O'BRIEN**—Does that mean they will be prioritised in the coming financial year?

**Mr Potterton**—As a general approach, not necessarily, because we do look at the whole program again.

**Senator O'BRIEN**—What is the source of the list from which you will choose for the coming financial year? Is that being worked on now or will it be worked up over the next couple of months?

**Mr Potterton**—No, that is being worked on now as part of the department's business planning process.

**Senator O'BRIEN**—Thank you for that.

**CHAIR**—As I understand it, our Comcars now run on ethanol fuel. Do you look at the economics and wider ramifications of that?

**Mr Potterton**—We have not done any specific studies on the economics of ethanol use, no. But we certainly include the current use of alternative fuels and—

**CHAIR**—Do you look at gas, LPG?

**Mr Potterton**—LPG and CNG, certainly, yes. In terms of our projections for the transport task and the fuel use that underlies that, we certainly examine the usage patterns of all fuels.

**CHAIR**—In your thinking regarding regional economics, which obviously involves freight tasks and so forth, do you include the crossover of the balance of payments in this stuff? Do you include that sort of figuring or is this all a bit too hard on a cold walk-up?

**Mr Potterton**—We need to make assumptions for what the various fuels will cost, and that is obviously a key input assumption.

**CHAIR**—With great respect to the committee, I am just putting in a bid for next year's proposal. Thanks very much for your time.

**Mr Potterton**—If I could just add a response to a question before lunch on the revenue: the total amount for the external consultancy revenue for the bureau for 2005-06 is \$15,136. I would also like to place on the record a copy of the bureau's freight measurement and modelling report.

**Senator O'BRIEN**—Much appreciated. Is that one copy for the committee?

**Mr Potterton**—It is as many as you would like. They are quite heavy. I have two of them here now.

**CHAIR**—Are there many pictures in them?

**Senator O'BRIEN**—I am sure there are.

**CHAIR**—Thank you very much for your time and patience. We will move to the next program, which is AusLink.

**Mr Mrdak**—While we are changing over, if I could just respond to a couple of questions taken on notice. Firstly, Senator O'Brien asked for the figures in relation to DOTARS domestic travel for the year to date. I have those figures by carrier and also by cost, which I will table for the committee.

**Senator O'BRIEN**—Thank you.

**Mr Mrdak**—Secondly, Senator O'Brien asked about the memorial service for the Lockhart River tragedy. I am advised that Minister Truss was neither informed of nor invited

to the Lockhart River memorial services. I understand three services were held. The officer actually in charge of the investigation did attend the Cairns memorial service on 13 May, but that was in the capacity as the ATSB investigator.

[2.07 p.m.]

### **AusLink**

**CHAIR**—I welcome to the table the officers from AusLink.

**Senator IAN MACDONALD**—As I flagged before, I would like to look specifically at the money allocated in the federal budget for the Bruce Highway. Can someone indicate to me just how it is intended that money will be spent?

**Mr Elliott**—As you probably know, the government has allocated \$220 million to go on the section of highway between Townsville and Cairns, I think in part as a recognition of the effects of Cyclone Larry but also in part as a recognition of the upgrading that needs to be undertaken on that section of road. We have yet to sit down with the Queensland Department of Main Roads and go through a series of proposals. Obviously we would want to be comfortable with the projects that are to be funded with that money. So we are yet to do that in any real detail, and we do not anticipate doing that in the next little while, certainly within a couple of months. In fact, the letter from Minister Truss to Minister Lucas indicated that we would like to have that finished by September.

**Senator IAN MACDONALD**—What was the total amount for the Bruce Highway?

**Mr Elliott**—There is \$220 million for that section of road that I have mentioned, plus there is in a sense an additional \$128 million for the improvement or greater flood immunity of the area between the Tully and Murray rivers.

**Senator IAN MACDONALD**—No, the total amount allocated in the budget for the whole Bruce Highway, from Brisbane north?

**Mr Elliott**—The whole Bruce Highway, okay. It depends which sort of period you are meaning. Do you mean over just this financial year?

**Senator IAN MACDONALD**—What was mentioned in the budget. Senator O'Brien referred to a front-page article in the *Australian* that had some very prescient guesses of what might be available. But I understood there is more than just the \$220 million for the Townsville-Cairns section, which is the section I am most interested in. But as a Queensland senator I am interested in of course all parts of the Bruce Highway, and as a regular user of the Bruce Highway, more regular than most I would think, I have a personal interest. Perhaps I should declare an interest.

**Mr Elliott**—In this budget there is the \$220 million that I have already mentioned. There is to be a payment of \$128 million for the Tully to Murray flood immunity project.

**Senator IAN MACDONALD**—That was announced last budget.

**Mr Elliott**—Yes, but it is being made as a payment this financial year.

**Mr Mrdak**—There is an additional amount. In relation to the Tully flood works, there was \$80 million previously in the AusLink program. That has been brought forward, essentially,



and an additional \$48 million has been provided this year to enable those works to start more quickly, making a total of \$128 million, as Mr Elliott has outlined.

**Senator IAN MACDONALD**—The \$220 million is this year as well?

**Mr Mrdak**—That is right.

**Senator IAN MACDONALD**—That is in addition to the \$128 million?

**Mr Mrdak**—That is right.

**Mr Elliott**—Then in 2006-07 an extra \$60 million will be provided for other projects along the Bruce Highway.

**Senator IAN MACDONALD**—The \$220 million will be spent in the next financial year?

**Mr Elliott**—No, it will be made as a forward payment to Queensland. It is likely that the projects that will incur the expenditure will incur it between now and the end of the AusLink program—that is, about the end of 2009.

**Senator IAN MACDONALD**—Just digressing slightly, what money was announced in this year's budget for the Hume Highway?

**Ms Riggs**—There was \$800 million announced for the Hume. That is expenditure from this year.

**Senator IAN MACDONALD**—You mean 2006-07?

**Ms Riggs**—No, that is 2005-06. We anticipate that that will actually be expensed by New South Wales over the forthcoming three years, but we will make a single payment of it.

**Senator IAN MACDONALD**—So New South Wales will get \$800 million this financial year?

**Ms Riggs**—That is correct.

**Senator IAN MACDONALD**—And Queensland will get what?

**Ms Riggs**—In this financial year, Queensland will get \$347 million. That is the \$220 million, plus \$80 million, plus \$48 million, minus the \$1 million which we have already paid to Queensland.

**Senator IAN MACDONALD**—That is to be spent over the next three years as well?

**Ms Riggs**—That is correct.

**Senator IAN MACDONALD**—There is nothing to be spent on the Bruce Highway south of Townsville?

**Ms Riggs**—Yes, there is. The program for Queensland for 2006-07 has some \$60 million in it for a variety of projects that are already in the AusLink program on the Bruce Highway between, let us say, Brisbane and Townsville.

**Senator IAN MACDONALD**—Is there any specific allocations for the south-east Queensland road network, which, as you know, supports the fastest growing area of Australia?

**Ms Riggs**—Without going into specific details of what you might mean by the 'south-east Queensland road network', there are moneys in this year's budget for works on the Ipswich

Motorway, for the planning study relating to the possible northern option for one part of that motorway. There is money available for planning works on the Toowoomba Bypass. Mr Elliott might help me in relation to other works down in that part of the state.

**Mr Elliott**—We should provide around \$101 million to \$102 million for work in the Brisbane urban area.

**Senator Ian Campbell**—Is that Brisbane urban corridor or Brisbane urban area?

**Mr Elliott**—Brisbane urban area. That includes the major projects on the Ipswich Motorway. So that breaks down into \$35 million for the section from Wacol to—

**Ms Riggs**—Wacol to Darra.

**Senator IAN MACDONALD**—Is there anything for the Gold Coast Highway at all, the Tugun Bypass?

**Mr Elliott**—In 2006-07 we have programmed \$20 million for the Tugun Bypass.

**Senator IAN MACDONALD**—Is that for design or for actual construction work?

**Mr Elliott**—That should get construction under way, I think.

**Senator IAN MACDONALD**—Will that happen, or does it depend on whether the Queensland government and Queensland Main Roads deem that that is a priority project?

**Mr Elliott**—I suppose in some sense it depends on how quickly they are able to proceed with the project, but there are some imperatives around the Tugun Bypass that will mean that they are very anxious to get on with the job.

**Senator IAN MACDONALD**—A lot of it depends on the timing of the Queensland election, I think, from the Queensland government's point of view. Can that \$20 million that has been earmarked be used by Queensland Main Roads for any other purpose?

**Mr Elliott**—No.

**Ms Riggs**—Perhaps it would be useful if I explained how we managed the normal AusLink program.

**Senator IAN MACDONALD**—Yes, it would be.

**Ms Riggs**—Each year the states advise us how much expenditure they think they would be able to make in the following year on their already approved projects within the AusLink program on the national network. Those proposals nearly always add up to more than what we believe the government will be prepared to make available in total for the budget. So we have a process of negotiating with each state's road authority, and we come to an agreement about how to program the moneys. So, when the budget is finally settled and the minister is available to advise each state and territory, the money that is there against each project is a best estimate worked out jointly by us and state officials of realistically what can be spent on a project in any given year.

**Senator IAN MACDONALD**—So \$20 million—

**Ms Riggs**—That has input from the Queensland Department of Main Roads in terms of their expectation about what they believe they can spend.

**Senator IAN MACDONALD**—But can that \$20 million that you have allocated for Tugun be not spent on Tugun and spent by Queensland Main Roads somewhere else around the joint?

**Mr Elliott**—No.

**Ms Riggs**—I should go on and explain that that money is not deposited with Queensland, as it were, at the start of the year for them to draw down against. Each month they make a report to us about what they have spent in the past month and what they anticipate spending in the next months. We have a formula that then calculates an amount of money—that happens for every project—and they end up being provided with a certain sum of money. If they are running behind with a project, then their estimate for expenditure against that project will be very low or zero. So the payment we make to them each month takes account of their actual achievement of progress on a particular road. At some stage during the year they might, in consultation with us, say, ‘We are accelerating works on one project as against not proceeding as well with another project.’ So, with the minister’s agreement, we might then move money, as it were, within a program year between projects. So, no, they cannot spend it anywhere else, as it were, to top up their own budget, but by agreement with us the numbers that are in the program as we establish it at the start of the year might vary over the course of the year.

**Senator IAN MACDONALD**—Thank you for that. That is very interesting and useful to me, but are you saying that the \$20 million that in your books is allocated to the Tugun Bypass in the next financial year cannot be reallocated without the approval of the federal minister?

**Ms Riggs**—That is right. They do not get that money until they draw it down against works on that project.

**Senator IAN MACDONALD**—If there were negotiations to change that, what would cause you or the minister to acquiesce in a diversion, a delay or a postponement of that money for that particular project?

**Ms Riggs**—I guess there are broadly two sorts of reasons that we would look at in providing advice to the minister. One relates to the fact that in essence we generally try to keep the state within the expenditure envelope for the year. So, if they want to accelerate works, it has to be against another project, and they have to provide offsets within the program. The second issue I guess goes to whether or not there are some extenuating circumstances about why work cannot proceed. I know we are talking about south-east Queensland at the moment but, for example, heavy rains in Northern Australia might cause works to be delayed on roads in that part of the country.

**Senator IAN MACDONALD**—Would the wants and desires of the people intimately involved, that is the residents who use the Tugun Bypass, be taken into account as represented by their, for example, local members of state and federal parliament?

**Ms Riggs**—I am sure that ministers take those sorts of considerations into account when they consider—

**Senator IAN MACDONALD**—Not much, because the members down there have been calling for that for many years now, and the amount of money spent in the south-east

generally and on that highway in particular has been very slow in coming. So, if there were ever to be any change, it would obviously be something that would need to have wide consultation with the people of that area as represented by their representatives, should that ever occur. I am quite sure it will not happen with the Tugun Bypass, although it has been promised in more state elections over the years than I can remember, and I am sure it will again be this time.

**Senator Ian Campbell**—My understanding, when I was in the roads portfolio, is that the impasse got broken. I cannot claim credit for it—

**Senator IAN MACDONALD**—I think you can, but I would not like to see it go backwards after all your good work.

**Senator Ian Campbell**—You had that longstanding stand-off between Queensland and New South Wales over that sort of squiggly border that goes along the Tweed.

**Senator IAN MACDONALD**—South of the border is quite well served by federal money, you know.

**Senator Ian Campbell**—Yes. I drove along it not so long ago, and I can say that the Tugun Bypass is long overdue. It massively increases the length of a typical journey between Sydney and Brisbane. But ultimately Paul Lucas and I, using smoke signals, put it to the minister south of the border that, if he was expecting the Commonwealth to put any more money into the Pacific Highway, why would we spend billions of dollars upgrading the Pacific Highway so that people got stuck in a traffic jam when they got to the border.

**CHAIR**—I bring to the attention of the committee that your time, Senator Macdonald, is nearly up.

**Senator Ian Campbell**—Can I just say that from the Queensland point of view I have kept in contact with Minister Lucas, because when I went from Roads to Environment I went from being a road builder to a protector of those valuable wetlands, and I had to put relevant approvals in place for the road. I can assure you from the recent conversations I have had with Minister Lucas in Queensland—they were as recently as over the summer period—that he is very keen to get that road built, as is the Commonwealth.

**Senator IAN MACDONALD**—Minister, you raise a good point that I do want to move on to. But I am happy to have my 15 minutes and then allow Senator O'Brien to go for—

**CHAIR**—I think your 15 minutes is nearly there.

**Senator Ian Campbell**—I was genuinely trying to help.

**Senator IAN MACDONALD**—I do not want to hog the thing but for my extra two minutes, and then I will come back, I do want to mention that, Minister, because the Cardwell Range, on which I would hope some part of that \$220 million allocated this year will be spent, does require approval under the EPBC Act. I have some views on that, which I will share with you in a more private capacity, but it does need doing. Getting back to the issue there—and I will have to come back to this because I want to talk about the Mount Low Parkway project too—I really want to understand the process of how the projects to spend the \$347 million allocated in this current financial year, as I understand it, will be determined.

What involvement will the Commonwealth have in their negotiations with the Queensland government?

**Mr Mrdak**—As Mr Elliott has outlined, AusLink is a different approach to how we previously would have done it. The expectation is that over the next month or so we will have senior level discussions with Queensland to actually develop a program, particularly for the new areas, such as the Bruce north of Townsville, which will identify projects that Queensland wants to bring forward. We have a range of areas we would like to see improved, particularly in relation to not just flood proofing but also overtaking lanes and widening of the road surface for safety. So we have in mind some projects. Queensland will bring projects. Over the next two months we will really try to settle a project list which we can put to ministers to look at.

**Senator IAN MACDONALD**—Is that \$347 million capital, maintenance or a bit of each?

**Mr Mrdak**—This is all new project funding.

**Senator IAN MACDONALD**—Is that capital funding?

**Mr Mrdak**—That is right.

**Senator IAN MACDONALD**—The flood plain south of Tully is essential, as we determined last year when the first commitment was made. The important thing there is for that to go. In relation to the \$220 million, does the Commonwealth have anything in mind for between Townsville and Cairns?

**Mr Mrdak**—As I said, we certainly have three key areas in mind: better flood proofing of certain areas, Tully being one of those but also additional to Tully; overtaking lanes to provide for more productivity and safety, particularly on some of the key sections; and also widening. I think the minister identified in his statement as part of the budget process these three sorts of priority areas we will be looking at to enhance both safety and productivity on that stretch of road.

**Senator IAN MACDONALD**—The Mount Low Parkway is a particularly dangerous section. It is just outside Townsville. I understand some of you or some of your officers have been up speaking to the Thuringowa City Council about it. But Thuringowa City Council are at a stage where they have to do something about that intersection. They have to spend, as I recall, \$4 million or \$5 million. But it will be wasted if you are going to do what needs to be done and four-lane that area at some time in the future. So they are asking, as I said in my letter to Mr Lloyd some time ago, that that be looked at closely now. Can you give me some comfort by saying that that particular project will be looked at as part of the \$220 million expenditure paid this year?

**Mr Elliott**—We are happy to have a look at how that stacks up against the other priorities. The ultimate decision would be made by our ministers, either Minister Lloyd or Minister Truss. But we would certainly be happy to have a look to see how the particular project that you have in mind or the particular issue that you have identified stacks up against other possibilities along that road.

**Senator IAN MACDONALD**—I know officers from your department have been up to look at that project. Perhaps I could have on notice an update on where you are at with the Mount Low Parkway. It is a duplication of the main road north.

**Mr Elliott**—Certainly.

**Senator IAN MACDONALD**—I have a very interesting letter here from Mr Lucas. When I wrote about the \$950,000 that the Commonwealth had provided in April 2005 for work on the Cardwell Range, he indicated to me that some came last year. It is almost \$400 million this year, which they have not spent a cent of, as I understand. They are getting a consultancy team, Flanagan Consultancy Group and GHD, to undertake the necessary detailed investigation work. They have also got Environment and Behaviour Consultants—that is their name, apparently—involved in that sort of thing. It is not the main roads department doing either of those things. They are being done by what I assume are two very good private consultancy firms. Why is it that the Commonwealth cannot directly engage those consultancy firms to do that sort of planning work? You do not even need engineers or planners on your staff if you are getting qualified consultants.

**Mr Elliott**—It comes back to the issue that you raised before lunch. Queensland Main Roads is the asset owner and, in a sense, the operator of the asset as far as roads are concerned. We are effectively a funder. If you trace it back to its origins, it is the Constitution that puts the roads under the purview of the Queensland government. In providing funding, we seek to influence the outcome that will be achieved by means of that funding, but we are not an operational area in the sense that we do not normally go out and engage consultants to look at that work.

Having said that, where there is a major project established—and the Cardwell Range planning may well become that sort of project—it is not uncommon for us to engage with the Queensland main roads department by way of some kind of steering committee to which the project officer within the main roads department would report. We would be members of that steering committee so that we can see how a project is travelling from time to time when the steering committee actually meets.

**Senator IAN MACDONALD**—You are aware that people continue to be killed on that road. It is a road that desperately needs action. The Queensland government, as I say, have not shown much urgency in it. The father of the most recently killed there has undertaken a public program and now, 12 months after the event, the Queensland government are starting to spend the Commonwealth moneys on that work. The minister, in his response to me, also has a shot at the Commonwealth government for delays and in particular asked me to encourage you, Minister, to hurry through what needs to be done under the EPBC Act. He seeks my support in encouraging you, Minister, to grant the necessary approvals when they are sought. This of course says ‘when they are sought’, which suggests to me that they have not been sought yet.

**Senator Ian Campbell**—Is this Mr Lucas?

**Senator IAN MACDONALD**—Yes. I will make a copy of this available to you. You can take it from me that I am urging you to support Mr Lucas when he does get around to asking for these environmental proposals for the Cardwell Range.

**Senator Ian Campbell**—I had a similar experience with the West Australian minister saying that I was holding up the approval for the Perth to Bunbury highway. When I asked my department where the approval was at, they said they had not received any documentation from the main roads department in Perth. It is hard to approve something when you do not have the documentation before you.

**Senator IAN MACDONALD**—I suspected that was the case, Minister.

**Senator Ian Campbell**—Mr Lucas knows that he gets very diligent treatment from the Commonwealth and will continue to do so, but we do not like having cheap shots fired near us, although we are big enough to let them go past our bows and drop harmlessly into the ocean.

**Senator IAN MACDONALD**—He urged me to lobby my federal counterparts to secure a better deal for Queensland for national highway funding. He refers to national highway funding. He is a bit old-fashioned, like me, I suspect. Anyhow, hopefully we have discharged that with the budget announcement.

Finally—and this is the last question, Mr Chairman—I did raise with Mr Lucas the guardrail repairs at Hencap Creek, Sullivan's Swamp and Arnott Creek. They have been taken out for some time. I was told by constituents in the Ingham area that these have been out for about six months. So I asked him to deal with that. He has told me that Main Roads have made every effort to expedite the repairs, and they are expected to be completed by the end of May 2006. I was up on the road a couple of weeks ago and there had been no action taken at all. Again, those of us who have been around for a while assume it is a national highway, which everybody believes is federally funded. Here is something that needs to be done, yet it is not done. It is a safety issue again. They have the money. Is there anything we can do to make sure the guardrails that desperately need repairs at those three particular creeks can be attended to?

**Ms Riggs**—We will be happy to talk to QDMR and find out what the hold-ups are, if there are hold-ups, and provide you with a status report on notice.

**Senator IAN MACDONALD**—That would be very useful. Thank you very much.

**Senator O'BRIEN**—What is the reason for the variation between table 1.1 on page 4 and table 1.4 on page 6 of the PSAES with respect to the improving national network measure?

**Mr Hogan**—What is shown in table 1.1 is the expensing of the funds being appropriated in 2005-06 for those series of accelerated road improvements such as the Hume Highway and the Bruce Highway. The total funding for that is \$1,820 million, \$78 million of which is being found from within the AusLink investment program. This table shows the expensing of the additional moneys that are being appropriated.

**Senator O'BRIEN**—Which table?

**Mr Hogan**—It is 1.1, showing the expensing of the \$1,740 million-odd that has been appropriated this year.

**Ms Riggs**—Table 1.4 shows the actual appropriations or variations to previously published appropriations. So there is the full \$1.8 billion shown for 2005-06, and the three numbers that

come for the subsequent three years are that adjustment that Mr Hogan has already referred to of some \$78 million coming out of the previously advised AusLink appropriation.

**Senator O'BRIEN**—That money is being attributed to 2005-06, but it will not be expended until 2006-07 and beyond; is that right?

**Ms Riggs**—That \$78 million had previously been programmed in our estimates at the rate shown here in table 1.4. In respect of the funding for that project immediately south of Tully, the government decided to make it as a prepayment all in 2005-06.

**Senator O'BRIEN**—You are not expecting it to be expended in 2005-06?

**Ms Riggs**—No. There is a really complicated bit of accounting here. We will expend it from the Commonwealth.

**Senator O'BRIEN**—Yes. You will give them the money?

**Ms Riggs**—But we will expense it as Queensland expenses it over the forthcoming three years at the rate that—

**Senator O'BRIEN**—So will Queensland get the money?

**Ms Riggs**—Queensland will get the money.

**Senator O'BRIEN**—They will get a cheque by the end of the year?

**Ms Riggs**—By the end of the financial year there will be a transfer, yes.

**Senator O'BRIEN**—I thought an earlier answer suggested that they would not get the money until they accounted for its expenditure.

**Ms Riggs**—The moneys for the Bruce Highway—if I can be specific, \$220 million plus \$127 million, or close to—will be paid to Queensland in a lump sum before 30 June.

**Senator O'BRIEN**—Conditional on what?

**Ms Riggs**—We are currently negotiating the terms of a memorandum of understanding. That memorandum has some conditions in it, some of which parallel some of those in the AusLink bilateral that I know you are familiar with. In the case of the Bruce Highway, as part of that memorandum we will negotiate a schedule of works to be carried out. Part of that schedule will specify completion times as well. The MOU will bind Queensland to a program of works and completion times for various aspects of that.

**Senator O'BRIEN**—How is the \$220 million made up? Is it allocated to specific projects on the Bruce Highway?

**Ms Riggs**—No. At this stage it is a sum of money provided for upgrading of the kind that Mr Mrdak and Mr Elliott have outlined—overtaking lanes and so on—but with the details of the program of works yet to be decided.

**Senator O'BRIEN**—It follows, does it not, that the Commonwealth can have done no work on any particular project and the costing thereof at this stage?

**Ms Riggs**—I think it is probably fair to say that there was some information made available, some advice given to the government, based on our best understanding of



information we had available to us which helped the government determine what that sum of money might be.

**Mr Elliott**—It might be worth adding—you may be aware of this—that we have been undertaking a corridor study, which is a strategic study, between Brisbane and Cairns.

**Senator O'BRIEN**—So you do have particular projects in mind?

**Mr Elliott**—No, we do not have particular projects in mind.

**Senator O'BRIEN**—How do you arrive at the \$220 million then?

**Mr Elliott**—As Ms Riggs was saying, we cannot arrive at it by working it up from the bottom. We can only suggest to the government that, if they are minded to allocate some money to this particular road, there are some obvious deficiencies that we can see that need to be rectified. The government have decided to allocate \$220 million. The deficiencies may well exceed \$220 million, but that is the amount they have decided to allocate.

**Senator O'BRIEN**—There is no rationale that the department is aware of for the \$220 million?

**Mr Elliott**—No, there is no bottom-up driven rationale that says 'project A plus B plus C' type of thing.

**Senator O'BRIEN**—We will come back to the Bruce Highway. With reference to table 1.4 in the PSAES, can you explain the AusLink parameter adjustments totalling almost \$4 million?

**Mr Hogan**—The program includes assumptions about what is called by the Department of Finance and Administration wage cost index 6 and where it is likely to go during the program. So in-built is an estimate of what will happen with wage cost 6, according to which the program is adjusted. In fact, when the actual wage cost index 6 results come through, they lead to what are called parameter adjustments. Quite frequently those adjustments are an increase. At this stage, however, there is a decrease showing.

**Senator O'BRIEN**—You are expecting wages in this area of construction to go down?

**Mr Hogan**—I am not making any comments on wage cost index 6. I think that is a matter for the department of finance's expertise. In fact, I am not sure how that index is put together.

**Senator O'BRIEN**—But that is what these figures imply, don't they?

**Mr Hogan**—No. They imply that the actual wage cost index assumptions present in the program are different from the outcomes. That is all they imply, as far as I know.

**Senator O'BRIEN**—These figures seem important if you are attributing in your funding profile any of the future cost increases.

**Ms Riggs**—These are variations from previously published forward estimates. Those previously published forward estimates had certain assumptions about wage cost index 6 built into the parameters which forecasted them, which projected them. All that these numbers are saying is that the department of finance, based on actuals and reprojecting the growth or otherwise in wage cost index 6, are now declaring publicly that with another year's worth of actual knowledge about what happened to that index, and therefore rebasing their projected

movements in it, these estimates will now be lower by these amounts than they were when they last did the estimate 12 months ago.

**Senator O'BRIEN**—Does it not imply that the cost of the projects that you agreed to fund some time ago will now be cheaper? Isn't that the implication of these figures?

**Ms Riggs**—Like Mr Hogan, I am no expert in the index, but what it implies is that that index is now being projected to grow less quickly than it had previously been projected.

**Senator O'BRIEN**—You thought a project in the future would cost X; now it is X minus these figures or the projects. In layman's terms, that is what it means, doesn't it?

**Ms Riggs**—I think this is actually about the sum of money that the government is making available for the program in total, which is not the same as the sum of the end out-turn prices that each project that is funded within it adds up to. That is known only after the event. Quite frankly, \$1 million in a forward estimate—given the exigencies of how projects move ahead or do not move ahead and so on—I do not think says anything about the price of individual projects.

**Senator O'BRIEN**—It probably says more about the index, doesn't it?

**Ms Riggs**—That may be, but the department of finance will be able to—

**Senator O'BRIEN**—Do not answer that question; that is all right. Could you explain the AusLink reclassifications between appropriations totalling \$1.1 billion?

**Mr Hogan**—Which line are you looking at?

**Senator O'BRIEN**—Reclassifications between appropriations, AusLink; it is about nine-tenths of the way down the page.

**Ms Riggs**—When the budget was prepared for 2005-06, an interpretation of what were then called specific purpose payments was made such that the moneys available to local councils for the Roads to Recovery program and the Strategic Regional Program were assumed by those compiling the financial tables for the budget to meet the definition of specific purpose payment. After the budget it became clear, based on detailed legal advice, that in fact they did not because those are payments, as you know, that are paid to local councils. They did not, therefore, meet the definition of a specific purpose payment, which defined those as being payments made to or through the states. In additional estimates in this financial year we had to move money between two different forms of appropriation in order that payments to local councils for Roads to Recovery could be made properly. What this does is recognise that impact.

In respect of 2006-07, the government has redefined the notion of those payments such that Roads to Recovery and AusLink national projects can now all come within the one type of appropriation. That merely reflects the balance of legal advice given. It did not impact on just this department. I understand a small number of other departments had programs where those compiling the budget made certain assumptions about legal definitions, and subsequent legal advice meant that it had to be managed through the additional estimates process.

**Senator O'BRIEN**—So on page 19 of this year's additional estimates statement, 'Reclassifications between appropriations, AusLink - National Network' and 'AusLink - Roads to Recovery' are the ones you are talking about?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—I cannot see any footnoting to explain that, so where else would it have been explained?

**Ms Riggs**—Just bear with me a moment. Mr Ash will seek to find the answer. If you give us a minute, can we come back to it?

**Senator O'BRIEN**—Certainly.

**Ms Riggs**—Thank you.

**Senator O'BRIEN**—What is the reason for the allocation of an additional \$159,000 on improving local roads as shown in table 1.4? Is this an unannounced additional allocation to Roads to Recovery, for example?

**Ms Riggs**—I understand that is a provision for that share of these moneys which will go to Christmas Island under the terms of a government decision to treat it as if it otherwise had a local authority. It is merely an appropriation that we needed to make in that way. Christmas and the Cocos are combined in that.

**Senator O'BRIEN**—They both have shires.

**Ms Riggs**—They both have local councils, but because there is not a provision in a state law, which is what in effect establishes councils, we cannot treat them exactly the same as a local council established under a state law.

**Senator O'BRIEN**—In relation to AusLink funds, table 2.4 on page 18 in the PBS identifies movement of \$127 million over four years. The same table talks about \$125 million previously appropriated as an SPP now being appropriated as an administered fund.

**Ms Riggs**—This is the 2006-07 PBS?

**Senator O'BRIEN**—Yes.

**Mr Hogan**—This marks the movement of funds effectively between payments to states to payments to non-state parties. You have noted that there is \$125 million, moving down towards the bottom of the table under outcome 1, AusLink. At the bottom of the table is another \$2 million moving as well, which totals \$127 million, so they balance out.

**Ms Riggs**—This again relates to the issue that we had already talked about in the legal definition of what constituted an SPP in the past.

**Senator O'BRIEN**—Thanks for that. I thought it might be, but I did not want to assume too much. It appears \$15 million of AusLink funding will not be expended this year; is that correct?

**Ms Riggs**—That is right. Previously we had anticipated that the projects announced in 2004, now being funded under the Strategic Regional Program, would progress more rapidly than has proven to be the case. So we have had to move some of that money into the out years in order to properly meet the government's commitment to those projects.

**Senator O'BRIEN**—With regard to the new AusLink national network funding, which is the item 'Investing in the nation's infrastructure—improving the national network' on page 317 of Budget Paper No. 2, it says:

The Government will offer additional payments of \$1.7 billion in 2005-06 to various of the states and territories to invest in highways on the AusLink national network.

When were the states and territories informed of this additional available funding?

**Ms Riggs**—Conditional offers were made to two states in late April, and to a further three or four states and the Northern Territory on 1 May under equivalent conditions.

**Senator O'BRIEN**—When you say 'two states', and then 'three or four', that is either five out of six or all six states.

**Ms Riggs**—An additional three.

**Mr Mrdak**—Three states and a territory.

**Senator O'BRIEN**—One state was not made an offer—Victoria, I suppose?

**Mr Mrdak**—That is right.

**Senator O'BRIEN**—Could you identify the first two states, the April states, if I can put it that way?

**Ms Riggs**—New South Wales and Queensland.

**Senator O'BRIEN**—In that context, I want to ask first about the Hume Highway commitment. Funding is contingent on a memorandum of understanding with the New South Wales government—I think we have established that.

**Ms Riggs**—Yes, we are negotiating a memorandum of understanding with New South Wales.

**Senator O'BRIEN**—New South Wales were told of the available funding, I take it, in late April?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—Was a draft MOU proposed at that time?

**Ms Riggs**—One of the conditions that was proposed was that an MOU be negotiated. The terms of the MOU have only recently been circulated at officials level for preliminary discussion.

**Senator O'BRIEN**—Presumably it is a draft MOU.

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Will the bilateral agreement currently in existence with New South Wales need to be renegotiated?

**Ms Riggs**—That is not our current expectation.

**Senator O'BRIEN**—I understand the funding will not realise the full duplication of the Hume Highway. Bypasses at Tarcutta, Holbrook and Woomargama are not part of the funding deal.

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—Budget paper 2 says that planning of the three bypasses would continue. What stage is the planning for each of these bypasses at?

**Mr Hogan**—The planning of the bypasses is at a relatively early stage, and that is why they are not included in the package. That planning will be progressed as rapidly as possible under the terms of the bilateral agreement. But as far as I know we have not even received requests for funding for developmental work as yet for any of the three.

**Senator O'BRIEN**—But you have received proposals in relation to all the other developmental work on the Hume Highway that is proposed to be funded?

**Mr Hogan**—We have received development applications for some of those, but I think the important point to stress is that the sections of the Hume Highway for which the additional funding is being provided have a degree of difficulty that is significantly less than for the bypasses. Hence the decision to try and get those sections done as rapidly as possible but meanwhile progress planning of the three bypasses themselves to the extent where they are ready to go as soon as possible.

**Senator O'BRIEN**—I am just looking for the rationale for the \$800 million.

**Mr Hogan**—The \$800 million is a figure that is based largely on New South Wales Roads and Traffic Authority estimates of the costs of the sections that we are looking at.

**Senator O'BRIEN**—It is based largely on that—I take it that is based on some other work as well?

**Mr Hogan**—No. There was some extrapolation necessary because some of their cost estimates—for instance, in relation to Tarcutta—included an estimate of work north of Tarcutta which is going to be undertaken as part of the accelerated package.

**Senator O'BRIEN**—When you say the work on the bypasses is at a relatively early stage, does that mean that there is no idea of the estimated cost at this time?

**Mr Hogan**—The RTA has provided what we would regard as strategic cost estimates for those bypasses.

**Senator O'BRIEN**—What does that mean?

**Mr Hogan**—They are a little bit more than guesses but they are some way short of being developed cost estimates in which you would want to repose a lot of faith.

**Senator O'BRIEN**—The new money for the Pacific Highway is contingent on matched funding from the New South Wales government, as I understand it. Did New South Wales receive advice about the available funding at the same time as for the funding for the Hume?

**Ms Riggs**—No, that was in a subsequent letter.

**Senator O'BRIEN**—When was that?

**Ms Riggs**—On 1 May.

**Senator O'BRIEN**—What are the specific terms of that offer?

**Ms Riggs**—They are broadly in the same terms as the offer on the Hume, with the exception of the proposal that New South Wales agree to match those additional funds.

**Senator O'BRIEN**—Presumably matching funding is what the Commonwealth sought initially?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—Is there a set of reporting arrangements and schedule of works which the committee can see?

**Ms Riggs**—Not at this stage. As with the works for the Bruce in Queensland or the detail on the Hume, we will be negotiating precisely what those additional funds are spent on in relation to the Pacific Highway as part of the MOU negotiations. I will consult with the minister about whether he is prepared for those MOUs to be made available when they are completed.

**Senator O'BRIEN**—Budget Paper No. 2 says the Pacific Highway funding will 'accelerate the upgrading of the highway to dual carriageway'. What sort of acceleration are we talking about in terms of timing? What impact will this funding make?

**Ms Riggs**—It is our expectation that these additional funds will allow for a further section of roadway to be duplicated before the end of 2009 and that by increasing the total being spent on the Hume over the next three years there will therefore be less to be done in the period beyond that. As you know, both governments have expressed a desire that as far as possible the Pacific be duplicated by 2016.

**Senator O'BRIEN**—In February we were told the terms of reference for the Pacific Highway steering committee and working group were still being negotiated. Has any progress been made on that front?

**Ms Riggs**—They have been a bit of a work in progress, but the working group met most recently last Friday and were able to confirm the terms of reference at that time.

**Senator O'BRIEN**—Will the work of the steering committee working party be affected by the budget announcement? Clearly it must be, mustn't it?

**Ms Riggs**—That work is aimed at taking quite a broad look at what it would take to complete the rest of the work on the Pacific Highway and its work was already framed in the knowledge of the program that had been agreed between the federal government and New South Wales government under a program of some \$960 million for the three years from here to June 2009. So it is true that it will now have to take into account some further \$320 million worth of input to the highway, but otherwise in broad terms I do not think its work will be impacted significantly by the budget announcement.

**Senator O'BRIEN**—Is tolling still on the government's agenda for the Pacific Highway?

**Ms Riggs**—The issue of how further works on the Pacific Highway might be funded, including tolling, is certainly a matter which the working party, under the MOU between governments, is asked to look at.

**Senator O'BRIEN**—In February we learnt that at the beginning of 2005 cabinet had asked the department to do some work on tolling. The department was yet to conclude that work. Has it been concluded yet?

**Ms Riggs**—We have not yet made a report to cabinet on our work.

**Senator O'BRIEN**—Is that the only thing that remains to be done?

**Ms Riggs**—I am not quite sure what you mean.

**Senator O'BRIEN**—You might have done your work but not have submitted a report to cabinet. That is why I am asking that question.

**Ms Riggs**—There are a number of matters about which ministers might want to make considerations and about which we would be advising them. In some ways, we believe that any memorandum we might take to cabinet on the issue of tolling might be best informed, for example, if the Pacific Highway work were a little further progressed.

**Senator O'BRIEN**—Can I categorise that as meaning that you are waiting to see how much work is done before you have to consider tolling?

**Ms Riggs**—No, I do not think you can do that at all.

**Senator O'BRIEN**—It sounded like it.

**Ms Riggs**—It was not meant to.

**Senator O'BRIEN**—You told us that in 2005 the department engaged in, and consulted a little bit, private financing options for a number of roads, including the Pacific Highway. Which roads apart from the Pacific Highway were considered in this report?

**Mr Mrdak**—That work, which the department undertook, looked at a range of projects, some of which were identified in the first five-year AusLink program and others would be projects which have an overhang moving into the second AusLink program. It looked at projects such as some preliminary work on the Toowoomba bypass and the like which have now been subject to some further decisions by government for further business cases to be developed. Principally, the work focused on some preliminary thinking on the Pacific Highway, which is now feeding into the work Ms Riggs talked about with New South Wales and other areas which have been publicly discussed by the government such as Toowoomba—major projects which are really moving forward into the next program.

**Senator O'BRIEN**—Were specific tolling arrangements considered?

**Mr Mrdak**—The work we did, as I say, was very preliminary, but we did look at private financing options on some of the cost scenarios and also what revenue projections might look like on that. It is very preliminary work and it is work that is yet to be fully considered by government but is now being picked up in the work with New South Wales.

**Senator O'BRIEN**—Which consultant did this work?

**Mr Mrdak**—We engaged Booz Allen Hamilton.

**Senator O'BRIEN**—How much did it cost?

**Mr Mrdak**—I will have to come back to you on that, if you would not mind. I will take that on notice and get back to you.

**Senator O'BRIEN**—Thank you. In February I was told the report was a working document prepared for the department and could not be released to this committee. Was it made available to the then minister, Mr Anderson?

**Mr Mrdak**—I would have to check. I do not believe it was at that stage. I think the work was coming to a conclusion at the time ministerial arrangements were changed last year and subsequently has been picked up in the work we are now doing with New South Wales.

**Mr Elliott**—I think it is important to recognise that we did not necessarily go out and hire a consultant to look at a series of roads. We wanted to do some work ourselves and we asked the consultant to give us some advice on how we might measure toll revenues and so on. It was always going to be a very general piece of work and it is not until you get into the details of a public-private partnership type arrangement that you can really start to draw proper conclusions.

**Senator O'BRIEN**—Did the paper inform Mr Vaile's speculation earlier this year about a \$70 toll on the Pacific Highway?

**Mr Elliott**—Not that we are aware of.

**Senator O'BRIEN**—The South Australian government were apparently informed of the funding for the Sturt Highway around 1 May; is that right?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—Were they required to sign an MOU as well?

**Ms Riggs**—We have forwarded a draft MOU to officials.

**Senator O'BRIEN**—The funding is conditional upon their signing it?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—What are the specific terms of offer? What are the conditions?

**Ms Riggs**—As with the offers to New South Wales and Queensland for the Hume Highway, South Australia is to receive the funding in order to undertake a program of works. In the case of South Australia the offer is: upgrading the highway to Nuriootpa, with the details to be negotiated as part of the MOU; over the period between now and 2009 to properly keep the moneys and be prepared to account for their use; and to report to us, official to official, on expenditure so that we can advise ministers about it. We are proposing that, as with projects under the terms of the bilateral agreements, the national code of the building and construction industry will apply to the program of works. I think those are broadly the conditions.

**Senator O'BRIEN**—Are the moneys to be applied to a specific section and number of kilometres of road?

**Ms Riggs**—The offer was made in terms of upgrading the Sturt Highway between Gawler and Nuriootpa, and the details of how that translates will be negotiated between officials over the forthcoming weeks. Hopefully, that will be agreed to by ministers in the signing of the MOU.



**Senator O'BRIEN**—At this stage I take it that there are no proposed reporting arrangements or a schedule of works?

**Ms Riggs**—There is not a schedule of works.

**Senator O'BRIEN**—Do you expect that the Commonwealth-South Australia bilateral agreement will need to be renegotiated?

**Ms Riggs**—Not at this stage.

**Senator O'BRIEN**—I take it that the Western Australian government was informed about proposals to fund the Great Northern, Great Eastern and Eyre highways around 1 May?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—This will be subject to the same MOU arrangements as for other states?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—And the same terms of offer?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—No schedule of works has been arranged yet?

**Ms Riggs**—Not yet.

**Senator O'BRIEN**—And no agreement on reporting arrangements?

**Ms Riggs**—The reporting arrangements are as I have just outlined: to report to us, to maintain the moneys in such a way that they are accountable and so on.

**Senator O'BRIEN**—And you do not expect that bilateral agreements will have to be renegotiated?

**Ms Riggs**—No.

**Senator O'BRIEN**—Turning to the Northern Territory and the Victoria Highway, is it the same timetable as for South Australia and Western Australia?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Is there any difference in the way that the Victoria Highway funding will be dealt with compared with those highways in South Australia and Western Australia?

**Ms Riggs**—No, we do not propose that there be any difference.

**Senator O'BRIEN**—Again, there is no expectation that the bilateral agreement with the Northern Territory will need to be renegotiated?

**Ms Riggs**—No.

**Senator O'BRIEN**—Was the Tasmanian government also informed on 1 May of the proposal to provide funding for the East Tamar Highway to the tune of \$60 million?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Where did that proposal come from?

**Mr Hogan**—Back in April 2004 the Tasmanian Department of Infrastructure, Energy and Resources wrote to us about priority projects for AusLink, and that was listed as one of the priority projects.

**Senator O'BRIEN**—How many priority projects were there?

**Mr Hogan**—From memory, there were about 10.

**Senator O'BRIEN**—Do you know why the government picked that one?

**Mr Hogan**—That would be a matter for the government.

**Senator O'BRIEN**—If there is a reason, you have not been told it?

**Mr Hogan**—As I say, I think it is a matter for the government.

**Senator O'BRIEN**—Do you know, Minister?

**Senator Ian Campbell**—I was told it was on a priority list provided by the Tasmanian government.

**Senator O'BRIEN**—We have just heard that it was one of 10.

**Senator Ian Campbell**—My recollection from when I was in the department is that, when we originally planned AusLink, we asked state governments to put forward their priorities. We looked at those priorities state by state in terms of the national priorities.

**Senator O'BRIEN**—Ms Riggs, when the Tasmanian government was written to was it a proposal to fund this project? It was not a case of, 'Which project do you want'? Or, 'We'll fund one of these projects'?

**Ms Riggs**—It was an offer made on the same terms as those made to each of the other states and the Northern Territory, which we have talked about so far—that is, for the provision of \$60 million for an upgrade of the highway from Launceston to—

**Senator O'BRIEN**—George Town?

**Ms Riggs**—Bell Bay.

**Senator O'BRIEN**—Just short of George Town. Once more, there is no expectation that the recently concluded bilateral agreement with Tasmania will need to be renegotiated?

**Ms Riggs**—No.

**Senator Ian Campbell**—Do you think that we have made the wrong choice there, Senator O'Brien?

**Senator O'BRIEN**—There are whole lot of proposals, and different people in different parts of the state will have a view on priorities.

**Senator Ian Campbell**—Do you think we should not fund this one?

**Senator O'BRIEN**—I am sure that the people at Beaconsfield would probably want some of the money spent on the East Tamar Highway and the people in southern Tasmania would have wanted the money spent on the bypass at Brighton.

**Senator Ian Campbell**—What would you suggest? Do you think we have it wrong?

**Senator O'BRIEN**—I would not want to be parochial. I live close to the West Tamar Highway, but I would not begrudge any funding for any of the roads.

**Senator Ian Campbell**—So you support our decision?

**Senator O'BRIEN**—If you can find some money for all the projects, I will certainly support the decision.

**Senator Ian Campbell**—So you support the decision.

**Senator O'BRIEN**—I have given you the best answer you are going to get.

**CHAIR**—That was a bit of role reversal.

**Senator O'BRIEN**—It was.

**Senator Ian Campbell**—So Labor will take away funding from this road.

**Senator O'BRIEN**—I think you are spinning a bit further than needed.

**CHAIR**—Let's not have a blue because we have the numbers.

**Senator Ian Campbell**—That is what we are here for.

**Senator O'BRIEN**—No.

**Senator Ian Campbell**—Mr Chairman, when I was roads minister I was followed around by Mr Ferguson, who was promising everything to everyone—

**CHAIR**—There is no free air time, Minister.

**Senator Ian Campbell**—When the policy came out it was a bit disappointing. I was hoping he would do better.

**CHAIR**—There is no free advertising.

**Senator Ian Campbell**—It looks like we are having a re-run.

**CHAIR**—I can count.

**Senator O'BRIEN**—The Queensland government was apparently informed in April about the proposed funding of \$220 million for the Bruce Highway. Is that correct?

**Ms Riggs**—And the additional funding for the Tully works—in late April.

**Senator O'BRIEN**—How much was the funding for Tully?

**Ms Riggs**—The AusLink program already had \$80 million for the flood mitigation works immediately south of Tully, and the offer made was for an additional \$48 million. So it was to meet the Queensland estimate of the total cost for the project of some \$128 million, in 2005 dollar terms.

**Senator O'BRIEN**—And it was the same drill for Queensland as for every other state with regard to MOU arrangements, requirements and conditions?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—And no bilateral renegotiation.

**Ms Riggs**—On this occasion it will require that schedule A to the bilateral be varied in order to take the project out of the bilateral, because the funding has been paid up front this year.

**Senator O'BRIEN**—Are you telling us that it will be a shorter if not thinner document?

**Ms Riggs**—One line will be moved from schedule A to the document and a variation to clause whatever-it-is that has the total sum of money available over the five-year period.

**Senator O'BRIEN**—I suppose that is progress. On 11 May, Mr Truss was quoted in the *Courier-Mail* as saying that the federal government had been looking at funding a 62 kilometre stretch of the Bruce Highway between Cooroy and Curra, including a bypass of Gympie, until the Queensland government released details of a dam that would flood part of the highway. I understand the dam proposal was announced on 27 April, just two weeks before the budget was brought down. Did Mr Truss tell the truth to the *Courier-Mail*? Were they the facts?

**Ms Riggs**—It is certainly true that for the entire period that I have been in AusLink we have been engaged with QDMR in the initial planning work for a project which we called the Cooroy to Curra project, and there have been many public consultations and public meetings about this proposal.

**Senator Ian Campbell**—I was closely involved in this when I was roads minister. Also, I have seen the plans for the Mary River because it may well have EPBC ramifications—in fact, it is highly likely to—and I discussed those with the state minister at a meeting in Melbourne on Friday. The plans for the Mary River dam show that somewhere between nine and 11 kilometres of the Bruce Highway will go under water. Having had a longstanding interest in that stretch of road, I ask myself the question: who would be paying for that? I made some inquiries and, in the time since that meeting, I found out that the Queensland Department of Main Roads had not been consulted about where the water would rise and that the road would actually go under water. So the problem here is not Mr Truss; the problem is that one department in the Queensland government has not been talking to the other department. Main roads had no idea that they were going to lose 10 or 11 kilometres of the Bruce Highway.

**Senator O'BRIEN**—When did the federal government write to the Queensland government with the offer on the Bruce Highway?

**Ms Riggs**—The offer on the Bruce Highway?

**Senator O'BRIEN**—The proposal that you are talking about. You said that the Queensland government and the New South Wales government were informed some time in late April about the proposed funding.

**Ms Riggs**—The offer of the additional moneys for the north Bruce, between Townsville and Cairns, was made on 27 April, as I said. The Cooroy to Curra project is a long way further south than that part of the road that will benefit from those additional funds.

**Senator Ian Campbell**—It is roughly 1,500 kilometres. It is a long way in a bus, Senator Macdonald.

**Senator IAN MACDONALD**—Yes, that is true.

**Senator O'BRIEN**—It is a long way in a bus. It is interesting that the proposal to the Queensland government was about the same time, and it did not include any proposals in relation to Cooroy to Curra.

**Mr Mrdak**—As Ms Riggs outlined, a process under way with Queensland main roads is looking at a variety of route options for that road—some of which are quite contentious. I think the point the minister is making is that on top of it has come the rather unexpected announcement in relation to the dam.

**Senator Ian Campbell**—It is literally on top of it!

**Senator O'BRIEN**—I think the fact that the announcement was at the same time indicates there probably was not a consideration to fund the Cooroy to Curra section of the highway in the budget, hence my question. On 11 May the *Australian Financial Review* ran a story about the criteria used to select the roads funded in the budget. In that story, the Business Council of Australia criticised the government for failing to adopt a national strategic approach to land transport. It said the federal government's infrastructure investment should be part of a coordinated plan that allows all tiers of government to work together. Frankly, that is a pretty strong endorsement of Labor's Infrastructure Australia proposal, but can you explain the decision-making process that informed the selection of the roads funded in the budget, please.

**Mr Mrdak**—The Australian government ran its normal budget processes and the department—as Mr Hogan, Ms Riggs and Mr Elliott have outlined—has put forward advice and proposals to the government on budget options. The government took decisions which were announced in the budget on expenditure on some very significant parts of the AusLink network. These were all developed through the established budget processes.

**Senator O'BRIEN**—The *Australian Financial Review* story suggests a very unsophisticated approach was adopted, because according to that paper Mr Truss said:

Because the budget surplus underpinning the roads funding had to be spent in the next few weeks, the priority had been to fund projects that were ready to go.

Can you explain why the budget surplus underpinning the roads funding had to be spent quickly?

**Mr Mrdak**—I think this was explained during the course of the budget speech by the Treasurer. The government has decided to allocate some of this year's surplus to critical infrastructure projects, which has been an opportunity for our portfolio to bring forward a range of projects which would otherwise have had to wait for the second or even subsequent AusLink programs. We have been able to bring forward some considerable investment on the Bruce Highway, on the Hume Highway and in Western Australia, South Australia and Tasmania. It has been an opportunity where the government has decided to invest the surplus in that infrastructure.

**Senator O'BRIEN**—What were the projects that were ready to go? From what I have heard so far, the projects have been subject to some consideration but they could hardly be said to be ready to go in entirety, could they?

**Mr Mrdak**—As Mr Hogan outlined, if you look at the Hume Highway projects which are going to proceed, they have a lesser degree of difficulty than some of the bypasses. In relation

to the Bruce Highway, they are projects which we believe can be worked up relatively quickly with the Queensland government which will give some pretty immediate safety—when I say ‘immediate’, I mean in the next year or two—and productivity benefits on the Bruce Highway. We certainly target those. If you look at north-west and Western Australia there are projects on the national highway on the network which will make an immediate difference. In our discussions with state road agencies the advice to us has been that they are projects that can progress relatively quickly.

**Senator O’BRIEN**—Even you, Mr Mrdak, use the term ‘national highway’.

**Mr Mrdak**—We still talk about the national highway, we just talk about it as being part of a bigger AusLink network.

**Mr Hogan**—If I could just add one thing about saying they are ready to go. They are not all necessarily going to involve construction starting within the next six months, but it is important that they are all going to be completed by 2009.

**Senator O’BRIEN**—One could be forgiven for understanding that Mr Truss thought that they were ready to start and people could be standing by their machines ready to turn them on.

**Senator Ian Campbell**—We have had discussions about this at estimates over the years, but I think it is important to understand that building these major roads are very big projects by their nature when you either do them individually or combine our multibillion dollar infrastructure projects. The great attributes of the decision that the government took to spend this money in this financial year is that all of the roads departments in the various states now know that the money is in the bank and that they can get all of the approvals, processes and acquisitions that are time consuming but necessary and do the hard work to build these major projects. I think the benefit, regardless of where you stand politically, is that you now see strong economic growth and good economic management being delivered in infrastructure, which will help build strong foundations for the future. Senator Johnston would agree that much of the infrastructure in Western Australia, things like the Perth to Bunbury Highway, should have been built four or five years ago. It will be built now because of the strong economic growth—

**CHAIR**—Does the same apply to Albury-Wodonga?

**Senator Ian Campbell**—It is being built, but, as Senator Heffernan would know, that is a massive project. It is half a billion dollars worth of expenditure and it will take years to complete it, but it is off and running. All of these projects are now guaranteed because the money is in the bank due to the sound financial management here at the Commonwealth level and the good economic growth we have been able to maintain.

**CHAIR**—So will there be any chance to get a bit for the first five miles out of Junee on the Gundagai Road? Do I have to declare an interest!

**Senator Ian Campbell**—I think that is a cue to move straight to Roads to Recovery. What a great introduction to a great program. What did Mr Beazley call it, Senator Macdonald?

**Senator IAN MACDONALD**—Boondoogle.

**Senator Ian Campbell**—A boondoogle. That is what Roads to Recovery is, according to Mr Beazley.

**CHAIR**—Righto, back to business.

**Senator O'BRIEN**—Given that free advertisement, Minister, why didn't Victoria receive a cent of the \$1.7 billion improving the national network funding?

**Senator Ian Campbell**—The officers can answer, but the state of Victoria probably did better than all of the other states in the original announcements under AusLink. I doubt there is a single priority project in Victoria that is not funded under the existing AusLink.

**Senator O'BRIEN**—Do you reckon?

**Senator Ian Campbell**—They had a 107 per cent increase in their road funding under AusLink. From memory Queensland had a 68 per cent increase.

**Ms Riggs**—It has now gone up considerably.

**Senator Ian Campbell**—I am sure it has, but Victoria had a 107 per cent increase in their roads funding under AusLink. As I recall from my time in the portfolio, virtually every single project in Victoria was funded.

**Senator O'BRIEN**—So the Commonwealth was not aware of any priority project that the Victorian government had that needed funding?

**Mr Mrdak**—I think it is more the case that the Australian government made a number of announcements—Mr Hogan will take us through the exact details—of projects in Victoria early this year.

**Mr Hogan**—That is right.

**Senator O'BRIEN**—Deer Park and Calder?

**Mr Hogan**—I noted in the Treasurer's budget speech that, after going through the allocation of the \$1,820 million, he pointed out that additional funds had already been provided to Victoria for the Calder Highway, the Deer Park Bypass and the Arcadia section of the Goulburn Valley Highway.

**Senator O'BRIEN**—That was part of the Scoresby money, but we will come to that.

**Senator Ian Campbell**—We like talking about the Scoresby; let's get onto that.

**Senator O'BRIEN**—Good. What impact is the new construction activity going to have on the roads sector in terms of materials and cost and availability of skilled labour?

**Senator Ian Campbell**—I think that is really a question for Treasury, isn't it?

**Ms Riggs**—I am not a labour economist, but the increase represented by these additional moneys—bearing in mind that its actual expenditure will be spread over three years—is only about 20 per cent on the AusLink program over a five-year period. That is not the only expenditure on roads that happens in the country. The states have their own expenditure, as do local councils, above and beyond.

**Senator O'BRIEN**—And some states had already announced some increases themselves.

**Ms Riggs**—That is right. So what impact this will have—and how you combine that with, for example, the fact that the construction industry in total, not just roads construction and not even just civil construction, is booming at the moment—is difficult. Whether you would be

able to untangle the impact of this additional expenditure, even if you wait for five years and look back, I have no idea. In some ways, it is a big increase, but in other respects, once you spread it around the country and so on, I do not know that it will necessarily have any appreciable impact—except to put more good roads out there.

**Senator O'BRIEN**—So it is the department's view, is it, that you would not expect there to be any impact on the cost of materials?

**Ms Riggs**—I do not believe that it will ever be possible to determine whether these moneys, added to all the other money that is spent in the roads construction industry, will have an impact on the cost of material or the availability of skilled labour.

**Senator O'BRIEN**—So this is not a significant boost to road funding generally?

**Ms Riggs**—It is a significant boost.

**Senator O'BRIEN**—I thought you would argue that.

**Senator Ian Campbell**—It is 20 per cent on top of an already massive boost under AusLink. You asked whether it would have an inflationary impact on labour and materials. The price of materials is primarily the price of bitumen, I guess—

**Ms Riggs**—And concrete and steel.

**Senator Ian Campbell**—and concrete and a bunch of other things. They will be affected by lots of other forces. I really do think these are questions for Treasury. But, if Labor firstly tries to attack these expenditures on the basis of whether we got the road in the right place in Tasmania or why we funded more in Victoria, it is probably more constructive if Labor says which roads it will stop funding. Labor is now trying to attack it on the basis that it might be inflationary. We are managing a strong economy.

**Senator O'BRIEN**—I just wonder whether there is any consideration of that factor. You yourself, Minister, have been critical of states where they have underestimated the costs of projects. I am asking the Commonwealth now, when the shoe is firmly on the Commonwealth's foot, to tell us what your expectation is of the costs of the projects that you are funding. Now that you are putting an extra 20 per cent expenditure into road funding, are you saying that will have no impact?

**Senator Ian Campbell**—We are not saying that. We are saying that, if you want to ask those questions, go across to Treasury and ask the economists in Treasury.

**Senator O'BRIEN**—So this department does not know. Is that right?

**Ms Riggs**—That is what I have been saying—that I do not believe it is possible for us to disaggregate those impacts in advance.

**Senator O'BRIEN**—But RTA or someone should know.

**Senator Ian Campbell**—What we do know is that Labor keeps attacking funding for better roads. It is an unusual political tack to take, but it does not matter how much we spend on roads—and this is an historic amount—you keep attacking it. And you are yet to articulate an alternative policy. You could just name all the roads you want to fund. That would be easy.



**Senator O'BRIEN**—I am asking what you know about the impact, but if you want to choose to categorise the questions in a different fashion—

**Senator Ian Campbell**—The experts here say that the impact will be far better roads in Australia, far better infrastructure and a more efficient economy able to deliver people more safely around our roads and to deliver Australian produce from the farm and from the mines to the ports more efficiently and more effectively because of the good strong economic management of the Howard-Costello team.

**Senator O'BRIEN**—But they do not know about what the effect will be on materials or on the availability of skilled labour or the cost of it.

**Senator Ian Campbell**—We have said that, if you want to ask that question, you should go and ask Treasury. This department and the government have had a significant impact on the future of Australia's infrastructure. It is something that Australia has needed. We now have the economic wherewithal to do it and we will deliver and it will be of great benefit to future generations.

**Senator O'BRIEN**—Isn't it true that this will have a particular impact on small road projects, the sorts of projects that local governments manage?

**Senator Ian Campbell**—The Roads to Recovery sorts of projects which the Beazley Labor Party called boondoggles and were going to scrap—is that what you are referring to?

**Senator O'BRIEN**—I am asking you: isn't it going to have a particular impact on small road projects, the sorts of projects that local governments manage? Does the department have a view on that? Does the government have a view on that?

**Senator Ian Campbell**—The wonderful thing is that the sun shines on the country and we are able to deliver better roads at the local level through Roads to Recovery—and local government have been incredibly appreciative of that program—delivering guaranteed money year after year as state Labor governments have slashed their funding. Then we deliver AusLink, with a 107 per cent increase to Victoria, huge increases in WA—all around the country. There have been massive increases in funding and then, on top of that, we deliver in excess of another \$1 billion and Labor senators have to come into estimates and try to find dark clouds.

**Senator O'BRIEN**—Have you got any idea when it is going to have an impact?

**Senator Ian Campbell**—What it is going to deliver is guaranteed funding for years into the future, longer than any other government has ever delivered. The AusLink program takes the funding cycle out past the budget cycle for the first time in Australian history. It delivers historic amounts of money for major national roads, for the entire AusLink network and for Roads to Recovery at the local council level. What that will do for the road-building industry at the national, state, regional and local levels will be to ensure that contractors in that business have more security than they have ever had in the history of Australia, which should improve the competitiveness of that sector. In terms of other costs, such as the bitumen, concrete, steel and the labour, if you want to ask questions about the potential future of that, it would be useful to go to the Treasury estimates and ask people like Dr Ken Henry.

**Senator O'BRIEN**—I presumed that this department would be dealing with local government and finding out what their experiences have been with the costs of road building. I have certainly spoken to them; they are telling me that the costs are going up. Obviously, Minister, you are not aware of it.

**Senator Ian Campbell**—We are aware of it.

**Senator O'BRIEN**—So you do expect this to happen?

**Senator Ian Campbell**—The cost of construction in Australia is going up. We have a booming economy. It is one of the issues that you get when you run the economy really well. It is not an issue that you ever had to worry about when you were in power—you had 17 per cent interest rates, you had a recession we were told we had to have. You had recessions, you had one million people out of work, you did not build very many roads and you did not build very many buildings. In fact, you wiped out a million breadwinners. It is not an issue that Labor parties have generally had to deal with at the federal level. We do have a strong economy and we have labour shortages in many sectors. We have to manage those things. We are managing it very well, but we are also building historic levels of infrastructure because of the good economic management of the Howard-Costello government.

**Senator O'BRIEN**—You had better hope that China does not turn around; you will not be so cocky.

**Senator Ian Campbell**—I am not. I am just saying that these are issues. They would not be issues under Beazley, because Mr Beazley wants to get rid of the Roads to Recovery program. He has called it a boondoggle, he has called it a rort and he has called it regional rorts.

**Senator O'BRIEN**—We will come to regional rorts later.

**Senator Ian Campbell**—He will get rid of it. Will local government have an issue with rising labour prices under Labor? No, they will not, because they will not have any money. You slag off at local government spending and regional government spending and roads spending—they all know you are anti-roads out there.

**Senator O'BRIEN**—Has the department done any work on the impact of the increases in roads funding that are coming about and on the other skills shortages? We see a figure in the budget papers, which is attributed to the Department of Finance and Administration, for a reduction in the cost of projects for the future. Am I to understand that your evidence is that this is an area for the department of finance to deal with and that, if they tell you that the costs should come down, that is what you factor into your budgeting for the future?

**Ms Riggs**—Senator, in my responses to you I did not for a minute say that the costs of the projects would come down. What I said was that the Department of Finance and Administration had previously estimated growth in a particular index, which is the one used to inflate our estimates over forward years, which had been revised downwards by the Department of Finance and Administration between last budget and this budget, and that those negative figures that we discussed earlier were the result of that. I said quite clearly that you could not in any way equate that economy-wide measure, as it were, with the out-turn price of any individual project funded within AusLink. And I say it again.

**Senator O'BRIEN**—It sounds incredible to suggest that. I only said that because the figures are minuses on funding for projects for the future, which implied—

**Ms Riggs**—Senator, with respect, that is the funding for the total program, not for projects. It may be that an individual project would have to have its funding spread over a slightly longer period, but the total funding for the program has nothing whatsoever to do with the individual price of projects.

**Senator O'BRIEN**—So the funding for AusLink has gone down by \$4 million but that has nothing to do with individual projects?

**Ms Riggs**—It has not gone down; it means that the parameter adjustment is now anticipated to be lower when actually achieved than it was 12 months ago. It is not a reduction in the total funding available for AusLink.

**Mr Mrdak**—I think it is important to recognise, as Ms Riggs has outlined, that the Department of Finance and Administration may well readjust its parameter adjustment in the future and have a subsequent adjustment, depending on its calculation. That is one index which is not related, as Mr Hogan and Ms Riggs have outlined, to the cost of individual projects.

**Mr Hogan**—I will just add to that. The obligations the Australian government has to each individual project in the states and territories are expressed in the bilateral agreements. Whether there are movements in the parameters does not affect the nature of those obligations. The history with parameter adjustments is that over a period of five years they are more than likely to be positive.

**Senator O'BRIEN**—They certainly are, particularly in this environment. Whilst on the subject of AusLink, I was critical of the department's failure to meet the committee's deadline for the provision of answers to questions on notice, but I do acknowledge the provision of detailed information about AusLink project funding provided to us on notice. Are there any significant adjustments to the projects listed on the spreadsheet that have not been subject to a budget announcement?

**Ms Riggs**—Could you tell us a little more about what you mean by that?

**Senator O'BRIEN**—The AusLink-04 attachment.

**Ms Riggs**—I understand the question that you are referring to. Your question was: 'Have there been any significant adjustments to the projects?' Do you mean have the projects changed? Or do you mean have they changed as a result of the process that I outlined for Senator Macdonald earlier in this hearing, which was about how we get a monthly report from the states, reprogram the flow of moneys and negotiate with them each year and so on? What constitutes a significant adjustment? I can be quite confident in saying that several of the lines here will have a changed flow of moneys over the financial years in them from those that we gave you in April as a result of our annual reprogramming of payments towards projects based on state officials' best estimates of how those projects will progress.

**CHAIR**—I raise a point of interest about the importance of these questions. We have a seventh of the Senate here listening to these questions!

**Senator O'BRIEN**—Is it possible to have this document updated if it is changed significantly?

**Ms Riggs**—We will be happy to provide you with an updated copy of that table.

**Senator O'BRIEN**—Thank you. I have some detailed questions on the administration of the Roads to Recovery program; but, firstly, I want to ask about the new money in the budget. Budget Paper No. 2 says:

The Government will provide an additional one-off \$307.5 million in 2005-06 to local, state and territory governments for investing in local roads as a supplement to the AusLink Roads to Recovery programme. The funds will be expended over three years as projects are completed.

On 10 May, Senator Abetz said:

The Howard government is going to pay an additional \$307.5 million to local councils this year, before 30 June, so that councils can double next year's level of construction.

Which is true?

**Ms Riggs**—The \$307.5 million will be paid to local councils, state and territory governments. So there will be \$300 million to local councils and \$7.5 million to those four state and territory governments that have responsibility for unincorporated areas and therefore act, as it were, as their local authority for those purposes. That \$307.5 million will be paid before 30 June this year. Councils or the state or territory governments will be required to provide us with a program of works that they propose to carry out with that additional funding, and they will have to acquit against that program of works so that the funds can be expended over the forthcoming three years.

**Senator O'BRIEN**—So Senator Abetz is wrong where he says 'councils can double next year's level of construction'.

**Ms Riggs**—They could choose to do it that way. They have a maximum of three years in which to spend it.

**Senator O'BRIEN**—In terms of the program administration prompted by the recent performance, which I will not say raises some questions in relation to the audit by the ANAO, in the initial R2R program there appeared to be confusion over what constituted an eligible project. What guidelines were used to determine project eligibility?

**Ms Riggs**—There are some conditions of funding for the Roads to Recovery program and there are also some accompanying notes on administration. Because of instances that the department was aware of and as the ANAO progressed its audit and brought them to officials' attention within the department, both the conditions of funding for the AusLink R2R program and the notes on administration have been amended in order to address more clearly the definition of 'eligible project'. All councils and those relevant state and the Northern Territory governments were advised in a Roads to Recovery circular of the clarification of the definition at the time that it was agreed to by the minister. I am happy to make available a copy of both the conditions of funding and the notes on administration.

**Senator O'BRIEN**—Thanks for that. How were local governments told whether or not a project was eligible?

**Ms Riggs**—In essence the program, as you know, was constructed so that the projects that the funding would be spent on were determined by local councils at the local level. So they were given the conditions of funding which had definitions of projects in it and they were given notes on administration and initially in effect asked to make their own judgments about whether or not the projects they were funding were eligible. It was only after the event that the question of whether or not some projects met the definitions was raised.

**Senator O'BRIEN**—How did you ensure the department provided consistent advice where advice was sought?

**Ms Riggs**—Generally under this program, if we have queries from a council, officials will make reference to either the conditions of funding or to the notes on administration. But where we have to respond to a question, particularly if it is a question that we are asked by several different councils, we put the answer to that question in what we call a Roads to Recovery circular, which goes to all councils and to the three state and the Northern Territory governments.

**Senator O'BRIEN**—Did the minister or his office play any role in deciding which particular projects were eligible and which were not?

**Ms Riggs**—For Roads to Recovery?

**Senator O'BRIEN**—Yes.

**Ms Riggs**—No, except insofar as it is the minister who has determined the conditions of funding and how we have translated those into the notes on administration, which are in essence guidance notes.

**Senator O'BRIEN**—Did the minister sign off on the circulars that went to local governments?

**Ms Riggs**—No. They are an administrative tool of the department.

**Senator O'BRIEN**—Resealing a road would be considered an acceptable project, but what about installing streetlighting?

**Ms Riggs**—Certainly resealing a road would be. If the streetlighting were done as part of a project, it would be part of the road project. If it were done because there were safety issues that the council were dealing with and the proper tool for addressing it was streetlighting, certainly it is eligible under the definition of a road project in the AusLink act.

**Senator O'BRIEN**—What about removing or planting trees or other foliage?

**Ms Riggs**—Unless there was a particular safety reason to remove a tree—for example, it was too close to a road—or there were other works that required either removal and/or re-establishment of some landscaping without that being an excessive part of the project, I would not have thought the removal of trees per se, other than for good safety reasons, was something we would like to see given priority under the program.

**Senator O'BRIEN**—Giving it priority is a matter for the councils, isn't it?

**Ms Riggs**—The definitions allow for things that are adjunct to the purpose of the project to happen where they are necessary to give effect to the project. I would not think on the face of

it that the removal of trees met the definitions, unless it were done for road safety reasons. But without knowing the particular cases, I am providing guidance on a hypothetical situation.

**Senator O'BRIEN**—What about road sweeping or decorative water features at roundabouts? Would they be permitted to be funded under Roads to Recovery?

**Senator Ian Campbell**—Mr Chairman, if the senator has potential cases that he is concerned may fall outside the guidelines, it would be fairer to the department to give us these examples because, as Ms Riggs has said, if it were part of an overall project, it may well be that they fall within them. It may not be as valuable for a potential press release but I think it would be fairer if particular cases were put before the department. We can then say whether or not they fall within the guidelines.

**CHAIR**—We are about to break for afternoon tea. Just one question from Senator Johnston before we go.

**Senator JOHNSTON**—I noted that there is a very large number of Roads to Recovery programs, and I saw somewhere an audit report that questioned a couple of those. How many Roads to Recovery funding projects are there? How many different headings do we have?

**Ms Riggs**—Tell me if I am in the right place. There was a Roads to Recovery program which ran for four years up to 2004-05. Under AusLink there is a second four-year Roads to Recovery program, which runs from 2005-06 through to 2008-09. In addition, in this year's budget the government announced a supplementary roads to Recovery program, which is the equivalent of one year's worth of funding but councils will have up to three years to fully expend the funding on a program of works. Our estimate is that, under the first four-year program, nearly 15,000 projects, as defined by councils, were funded.

**Senator JOHNSTON**—So we are talking about 15,000 pieces of road that are funded from the Commonwealth to be repaired, maintained, altered, shifted or re-signed or whatever?

**Ms Riggs**—Yes, in a four-year period.

**Senator JOHNSTON**—And the ANAO was critical of how many?

**Ms Riggs**—The ANAO surveyed a sample of 93 councils out of the 705-odd. In essence, I think it is fair to characterise the majority of the ANAO's recommendations as business improvement recommendations for the department. Its one criticism of councils was that, of the 93 in its sample, which it claims to be representative, some 50 did not meet the maintenance of own-roads expenditure built into the guidelines, perhaps by as little as one year and perhaps by as little as \$1. There are very few projects that the ANAO give voice to in the report or even in the information papers—which, in effect, are the drafting elements of the report—on a project by project basis where it is highly critical, although I acknowledge the report is illustrated by some case studies.

**Senator JOHNSTON**—Lastly, is the department aware of or have you benchmarked the way that individual councillors in these regional shires appreciate this type of road funding? Do you survey these people to ask them whether they are satisfied with this money? I am talking about shires that have 100 or 200 people in them and have virtually no capacity to impose upon the ratepayers to maintain some of these roads, particularly when large trucks

and industry are driving through their shires. Are you in the process of understanding how much they need the money?

**Ms Riggs**—I suppose the best measure that we have of that is through the representations that are made to the department by the Australian Local Government Association and its various state branches and perhaps by our own personal participation at ALGA conferences or workshops or by being invited to meet with the state affiliates—the Western Australian Local Government Association and so on. I think the majority of elected councillors who I have had the opportunity to speak with certainly do recognise the difference that this program makes for their council.

**Senator JOHNSTON**—As long as we recognise how important it is to those shires. It is a partnership here.

**Ms Riggs**—ALGA is certainly forthright in expressing the need for this program to be continued.

#### **Proceedings suspended from 4.07 pm to 4.26 pm**

**Senator O'BRIEN**—Can someone tell me how many local governments undertook works that were not within the first R2R program guidelines?

**Ms Riggs**—I will have to take that question on notice.

**Senator O'BRIEN**—Can you also tell us which local governments, what projects were outside the guidelines and what action, if any, was taken?

**Ms Riggs**—Yes. We will do our best to provide you with as complete an answer as we can.

**Senator O'BRIEN**—Have local governments ever been required to return Roads to Recovery program money?

**Ms Riggs**—No, I do not believe so.

**Senator O'BRIEN**—Have local governments had further funding affected by breaches of guidelines?

**Ms Riggs**—Yes, and perhaps the best description that I can give you is this: Roads to Recovery works on the basis that councils report quarterly about what has been spent and achieved in the preceding quarter and what they anticipate for the next quarter, and they make a claim for payments against that. The conditions of funding require that any moneys paid to councils must be spent within six months of the payment being made to them. Where we get a quarterly report that indicates to us that some of the moneys advanced six months previously, so not in the previous payment but the one before that, are still waiting to be spent, then, under the conditions of funding, we cease any further payments until such time as the council is able prove that it has spent that money and is making progress with its program of works. That is the most obvious case where there is an impact on future payments. It does not impact on their total eligibility for funding under the program but it does mean that they have to catch up to move on with works.

**Senator O'BRIEN**—I have previously asked questions about Roads to Recovery signage. What checks are undertaken to ensure that signage requirements are being met?

**Ms Riggs**—Each year a number of officers from the division try to get out to about a five per cent sample of councils to have a look at what they have done. One of the key things we check is that the signage requirements are being met for the projects that have been funded. Apart from that, the CEO or an authorised senior official of each council has to sign off each year that they have spent the money appropriately and that they are complying with the conditions of funding.

**Senator O'BRIEN**—Presumably the cost of these visits is paid for out of the funding the department receives?

**Ms Riggs**—It is part of the division's departmental expenditure, yes.

**Senator O'BRIEN**—It is not part of an R2R funding package?

**Ms Riggs**—No.

**Senator O'BRIEN**—What inspections are undertaken by the department to ensure that R2R projects are completed?

**Ms Riggs**—I guess there are two ways that we manage that. One is the roughly five per cent sample of councils that we ourselves visit each year. We also are about to initiate a program of audits, to be formally done by an accounting firm. While their issues are more about the accounting treatment of councils and their accuracy and robustness in respect of R2R money, they too will be looking physically at the works that have been funded, so that will extend our coverage somewhat. Again I say that the chief executive officer of each council, or his delegate, has to sign off every year that they are using the money appropriately and that they are completing the quarterly reports and making claims appropriately.

**Senator O'BRIEN**—There has been mention of the ANAO performance audit of the Roads to Recovery program which is critical of a number of aspects of the department's administration of R2R. There is no question, is there, that local governments are aware that they have to maintain existing road expenditure?

**Ms Riggs**—It is quite clear in the conditions of funding.

**Senator O'BRIEN**—So how were local governments required to report to the department on their expenditure?

**Mr Atkinson**—Under the previous program, in the annual report the chief executive officer was required to sign off that they had maintained their expenditure.

**Senator O'BRIEN**—Presumably the department monitored those sign-offs and that is all.

**Mr Atkinson**—Yes. As Ms Riggs was saying, the on-the-ground auditors will also check council activities.

**Senator O'BRIEN**—So five per cent of councils were audited and they all complied; is that right? I heard that a sample size of about five per cent of projects was checked for signage, for example, so I am wondering whether you checked five per cent of councils.

**Ms Riggs**—The fact that they were checked does not mean that they were all compliant. But, where an official might have found them not to have received good advice before the chief executive or his or her delegate signed off on our required statements, they would have had a discussion with council officials and asked that they deal with this matter properly in



future. So either they were found to be compliant or we asked them to remediate it for the future.

**Senator O'BRIEN**—What proportion would have been asked to remediate for the future?

**Ms Riggs**—I do not think we have collected that data systematically.

**Senator O'BRIEN**—The ANAO said that about 60 per cent of the 93 councils they checked did not comply. Is their experience out of kilter with the department's experience?

**Ms Riggs**—The ANAO report claims that the sample of councils is representative. I can only assume that they meant representative in a choosing way, an ab initio way—city, rural, remote and size of council and so on. We have no way of knowing whether the results they have from their sample is representative or not. The report does not contain sufficient quantification for us to know in every case whether the nature of the failure to meet that requirement is a failure to meet by \$1 or one per cent or a failure to meet the expenditure maintenance requirement by something quite substantial.

In a couple of cases where they named councils in case studies, we went through and checked the information in respect of those councils and found that the nature of the non-compliance—while I do not walk away from the fact that it was non-compliant—was to a very small degree. That is reported in a report that makes no discrimination about the nature of the non-compliance. It simply reports that 53, or 50-something, out of 93 were non-compliant—full stop. It does not talk about whether there were some degrees of non-compliance. I accept that it is a yes or no answer.

We examined two of them. For one of them, for example, they were compliant for three years out of the four and only very marginally non-compliant in the fourth year. They had spent over 99 per cent of their requirement. That is technically non-compliant in one year. But there is no difference made in the report about that council and a council that might have been non-compliant to the tune of some 90 per cent—and in every year. We just do not know.

**Senator O'BRIEN**—Have you had dialogue with ANAO?

**Ms Riggs**—Yes. They have not agreed to disclose to us the individual results of their audits of the sample of councils. We have sought it and they have declined.

**Senator O'BRIEN**—They will not tell you what individual councils' results are.

**Ms Riggs**—That is right.

**Senator O'BRIEN**—Have they given a reason?

**Ms Riggs**—Other than that that is how they did the audit and that they regard them as working papers and private to them, no.

**Senator HOGG**—Is it a matter of confidentiality?

**Ms Riggs**—That is not one of their claims, to my understanding

**Senator HOGG**—So it is not a matter of having the confidential elements of it removed or anything such as that?

**Ms Riggs**—They have not suggested that there is a way we could have access to some part of those working papers, no.

**Senator O'BRIEN**—The ANAO report says, as you point out, that more than 60 per cent of the individual LGAs examined by ANAO had not maintained their own expenditure at the required level in at least one year between 2000-01 and 2003-04. But they also say, 'Some had not maintained their own expenditure in any year.' Did the department discover any such examples?

**Ms Riggs**—I am not aware that we have discovered any such examples in our own visits—in our own inspections of councils.

**Senator O'BRIEN**—So they examined 93 out of 700-odd, chosen at random I understand.

**Ms Riggs**—They say it is representative on a statistical basis. There is no further expectation of what they mean by that.

**Senator O'BRIEN**—If you examined five per cent, it would be about 35 councils.

**Ms Riggs**—Yes, that is about right.

**Senator O'BRIEN**—So theirs is a more representative sample than yours, I would guess.

**Ms Riggs**—As I said, if their selection of a representative sample was based on having some from the city, some from country cities, some from small regional councils, some from very remote councils and then something to do with size of councils, either in terms of total funds controlled or some other measure of size, then that is representative at an input end. It does not necessarily mean that the outcomes they will have found will be representative of the outcomes that you would find if you did all of them, any more than the fact that we choose our sample each year in part by what can be accomplished by an officer travelling to state X and spending two or three days visiting a small number of councils in that state and another week doing the same in another state. There is nothing in the report that makes it possible in any way to make a judgment about the quality of council management of its R2R funding being represented fairly or unfairly. I do not want to claim it does not, but there is nothing that suggests that, just because it is representative at the input end, it is representative at the output end.

**Senator O'BRIEN**—Since the completion of the ANAO performance audit, has the department checked all reports or returns to identify local governments that have not maintained existing road expenditure?

**Ms Riggs**—Since this report was completed we have not had an end of financial year that would allow us to make that—

**Senator O'BRIEN**—But this is about the past.

**Ms Riggs**—This report became public only during the course of the current financial year which means that we do not have this year's financial reports from councils. The annual returns are not due until August or September. So we will not be a position to make a judgment about this financial year, which is the first financial year since this report has been public. Yes, we do believe we have in place internal processes which will do that checking. I cannot tell you what its results will be at this time.

**Senator O'BRIEN**—So you have not gone back over previous returns?

**Ms Riggs**—No.

**Senator O'BRIEN**—Is there a reason that you chose not to do that?

**Ms Riggs**—This is not an overly generously resourced program in staffing terms and we have been doing a number of other things. Yes, it would be good practice for us to do it, but no, we have not made it a priority.

**Senator O'BRIEN**—The ANAO talks about the resources to administer the program. That might explain a few things. It was established with nine staff administering a new and substantial program. That was reduced to four staff after 12 months. Could the problems with administration be attributed to the lack of staffing?

**Ms Riggs**—I think it is fair to say that with more staff, particularly in a not particularly automated environment, one could more comprehensively check more records.

**Senator O'BRIEN**—Why was the section downsized?

**Ms Riggs**—I have no idea. It is way before my time in this job.

**Senator O'BRIEN**—Who would know?

**Ms Riggs**—The program was started in 2001, so any downsizing of the team took place in 2002. I do not believe there is anyone at the table who was part of this program's administration at that time.

**Senator O'BRIEN**—But who would know who is currently within the department?

**Mr Tongue**—I am happy to take it on notice and see if we can provide an answer. Part of the government's philosophy in establishing this program however was that it be a program that was built on a partnership with local government and not necessarily burdened by a high degree of intrusive bureaucracy, if you like. So partly we are sticking, in our administration of the program, to the intent—

**Senator O'BRIEN**—Intrusive bureaucracy—bureaucracy that is supposed to have people honour the obligation they signed up to. Is that how you categorise intrusive bureaucracy?

**Mr Tongue**—I think that there are people who you give money to who might be in, say, under resourced community organisations and then there are local councils that operate under fairly tight state government administration and legislation with regard to their obligations around expenditure, probity and so on. There has been a push by local councils over many years for the Australian government to treat them slightly differently from the way we treat other people that we provide administrative funds to. In this program, the government chose to accept that.

**Senator O'BRIEN**—It is not a small program. In the first five years, \$1.209 billion was expended.

**Mr Tongue**—That is right, Senator, across 700 councils.

**Senator O'BRIEN**—And you have five staff. Yes, 700 councils, \$1.2 billion—sorry, four staff.

**Mr Tongue**—That is not unprecedented in other areas in public administration.

**Senator O'BRIEN**—Apart from the fact that the number went down, were any of the original staff still working on R2R at the end of the program?

**Ms Riggs**—I do not believe so.

**Senator O'BRIEN**—So there has been 100 per cent turnover during the life of the program?

**Ms Riggs**—In five years.

**Senator O'BRIEN**—Did staff working at the conclusion of the first program continue to work on the second program?

**Ms Riggs**—Certainly there are staff who were there towards the end of the first program who are still with the program now.

**Senator O'BRIEN**—How many staff currently administer R2R?

**Mr Atkinson**—Three staff and a manager.

**Senator O'BRIEN**—Still four, in other words.

**Ms Riggs**—That is on a full-time basis. There is also, of course, some share of the section head's time, the branch head's time and my own time.

**Senator O'BRIEN**—I want to turn to Strathbogie Shire, the horse capital of Victoria, and its ambitious \$2.16 million bridge program. I am sure you are aware that Strathbogie Shire Council featured in the ANAO performance audit report. Its bridge program involved the urgent repair or replacement of 25 bridges within the shire. It is a timely program if a report about one of the bridges in the shire—the 108-year-old Kirwans Road bridge—is accurate. Apparently the bridge has become so dilapidated and termite infested that school buses and fire trucks can no longer cross. In May and July 2002 the department received several submissions from the Strathbogie Shire, under the R2R hardship provisions, for funding for urgently needed work on 25 bridges and a total of \$770,252 was paid across to allow the works to begin. What was the assessment process of the application?

**Ms Riggs**—It would have been assessed according to the hardship provisions assessment criteria that the department had in place at that time. I am happy to make them available on notice. I am sorry, but we did not bring a copy with us.

**Senator O'BRIEN**—Do you know which bridges were to be upgraded with the \$770,252 grant?

**Ms Riggs**—I am sorry but we are talking 3½ years ago. No, I do not. That would be a matter on the file, I hope.

**Senator O'BRIEN**—You hope? It should be.

**Ms Riggs**—I cannot say. I have never personally pulled this file out and read it.

**Senator O'BRIEN**—But this is one of the case studies in the ANAO report.

**Ms Riggs**—I understand that.

**Senator O'BRIEN**—Who looked at the report? Presumably they pulled out the case file for Strathbogie Shire Council. Are you saying they did not?

**Ms Riggs**—I do not know whether or not they did. What it does suggest to me is that Strathbogie Shire Council may well have been one of the 93 councils in their sample—

**Senator O'BRIEN**—They certainly are.

**Ms Riggs**—and they could equally well have gained the information that gave rise to their conclusions from records of the shire. So I do not know the extent to which in this particular case—indeed in any particular case—they accessed departmental files.

**Senator O'BRIEN**—I presume someone in the department has the ANAO report and is looking at its recommendations and its case studies and asking, 'What did we actually do?' in respect of the cases that are referred to in the report.

**Ms Riggs**—We have certainly looked at every one of its recommendations. Where we had not already, as a result of judgments that had been made in the department to improve the program moving into AusLink's R2R, we have now put in place arrangements to address the matters raised in the recommendations. The case studies are very interesting but in essence illustrate the issues that give rise to the recommendations. so, having addressed the recommendations, I cannot say that we have necessarily gone back and done a detailed examination of our records to check whether or not the ANAO got the story right from our perspective. After all, there would not be any value in that. Their perspective is on the record, in their report.

**Senator O'BRIEN**—It is a pretty damning report in relation to this shire. In August 2003, a further payment of \$1,347,941 was made to the shire. The question needs to be asked: before this payment was made, had the payment of \$770,252 been fully acquitted—accounted for?

**Ms Riggs**—I will take on notice that part of it which could have been accounted for under the terms that the program was then operating under.

**Senator O'BRIEN**—Do you know whether any checks were undertaken to ensure that the proposed urgent works had been undertaken?

**Ms Riggs**—I will take that on notice.

**Senator O'BRIEN**—Did the council have to sign off that the original \$770,000-odd had been expended before they got additional funds?

**Ms Riggs**—I will take that on notice.

**Senator O'BRIEN**—What bridge works was the additional payment in 2003 for?

**Ms Riggs**—I will take that on notice.

**Senator O'BRIEN**—I want to know what bridge works it was intended to fund. Have all the projects funded by these particular Strathbogie R to R funds been completed?

**Ms Riggs**—I understand that these funds have all been expended. The projects indicated in the program of works that these funds were to go towards have all been completed and the council has spent some quarter of a million dollars of its own source expenditure on ensuring that these projects were completed.

**Senator O'BRIEN**—Is there any question, as reported, that two bridge projects which were the subject of funding had not even commenced at the time of the ANAO's August 2005 site inspection?

**Ms Riggs**—I will take that on notice.

**Senator O'BRIEN**—It is interesting because, according to ANAO, the proposed start date for both projects was 1 July 2002. So it is three years hence. Presumably, from your earlier answer, there has been a check to see whether the work has been done to date.

**Ms Riggs**—I have already answered the question as best as I am able, and I stand by that answer.

**Senator O'BRIEN**—According to the ANAO, Strathbogie Shire Council enjoyed the benefit of having \$1.3 million of departmental moneys in its account for over six months and more than \$500,000 in its account for 12 months. What financial benefit would the shire receive and, therefore, the Commonwealth lost by having the funds sitting in a shire account for such a lengthy period?

**Ms Riggs**—That would depend entirely on what interest rate, I suppose, it was able to attract. Since I am not privy to that, I am unable to answer the question.

**Senator O'BRIEN**—On a rough calculation at, say, five per cent, the benefit would be well over \$50,000 for the council and a loss to the Commonwealth. In terms of rail funding, I want to ask about the improved national rail track initiative announced in the budget.

**Ms Riggs**—Senator, the conditions of funding that now apply to the Roads to Recovery program require that any interest that is earned by a council on R2R funds be reapplied to roads projects within their jurisdiction. I have already mentioned the six-month rule, which means that funds have to be spent within six months or we make no further payments. Both of those measures have been designed to address the issues that were raised in ANAO recommendations drawing on, amongst others, the Strathbogie case study that you have made reference to.

**Senator O'BRIEN**—So the moneys to be paid to local government in the current financial year will not actually be paid this year?

**Ms Riggs**—We are making payments under Roads to Recovery in this financial year; indeed, we have made the final payment for the 2005-06 R to R program. The payments under the supplementary Roads to Recovery program announced in the budget will be made this financial year.

**Senator O'BRIEN**—So they are not subject to the six-month rule?

**Ms Riggs**—They cannot be subject to the six-month rule, but the requirement that any interest earned on them be spent on roads is part of the conditions of funding.

**Senator O'BRIEN**—So the councils have to account to the department for the interest earned on the funds?

**Ms Riggs**—I do not have perfect in my heard the reporting form that we have provided as part of the notes on administration.

**CHAIR**—So they cannot fund a sister-city trip to other side of the world out of the interest accrued from the not performing—

**Senator O'BRIEN**—Or a new turn-off for Senator Heffernan's place.

**Ms Riggs**—The requirement is that they must spend it on roads. So, no, the trip overseas will not wash, but as for the new turn-off—

**Senator O'BRIEN**—You are in with a chance, Senator Heffernan.

**CHAIR**—I must declare an interest, though. I will probably get put in jail if you keep talking like that.

**Senator O'BRIEN**—They cannot use the *Hansard* against you. I want to turn to rail funding and to improving the national rail track, announced in the budget. Is it the case that the new funding will be solely directed to resleepering sections of the north-south rail corridor?

**Ms Riggs**—When the minister advised the Australian Rail Track Corporation that the government proposed to make a grant available to it, he sought their advice as to what might be a high priority for its expenditure. Their advice was that they would expend it on resleepering projects between Melbourne and the Queensland border.

**Senator O'BRIEN**—Are those areas identified, or is it a general description?

**Ms Riggs**—In their existing investment program they had already identified some sections which they saw some time ago as being a high priority for resleepering, and announcements were made in February about contracts let for the acquisition of the sleepers for those. So this will enable them to now fill in some gaps for things that were not a first priority but are a priority now that there is some additional funding available.

**Senator O'BRIEN**—So are there identified areas? Or is that a general description you are using to say, 'We're going to fill in some areas that we didn't plan to do originally'?

**Mr Wolfe**—The ARTC has identified three main segments of the Melbourne north-south corridor. There is Melbourne to Junee, which Senator Heffernan would be pleased to hear about.

**CHAIR**—Yay!

**Mr Wolfe**—There is a Sydney to Junee segment and, finally, there is a segment between Newcastle and the Queensland border.

**Senator HOGG**—Is that Junee twice?

**Mr Wolfe**—Indeed.

**CHAIR**—Yay!

**Senator O'BRIEN**—So they are the three segments—

**Senator Ian Campbell**—And the Junee interchange.

**Senator O'BRIEN**—That is most of the track.

**Mr Wolfe**—That is the entire ARTC managed corridor.

**Senator O'BRIEN**—So do you actually know where the money announced in the budget will be spent, or is it just somewhere along those three sections?

**Mr Wolfe**—There is a break-up of the expenditure on the three corridors.

**Senator O'BRIEN**—Can we see it?

**Mr Wolfe**—We would be happy to provide that for you.

**Senator O'BRIEN**—Thank you.

**Senator Ian Campbell**—Plus the new grand central station at Junee.

**CHAIR**—I think part of it might be a new river-crossing bridge in Wagga; is that right?

**Mr Wolfe**—Yes.

**CHAIR**—There you go.

**Mr Wolfe**—Minister Truss officiated at the turning of the first sod for the replacement bridge at Wagga Wagga.

**CHAIR**—There you go, I'm on the money!

**Senator HOGG**—That is not a nice thing to say about you, Bill.

**Senator O'BRIEN**—Turning the sod?

**Senator HOGG**—Yes.

**CHAIR**—Now, now, Fellas!

**Senator O'BRIEN**—Cranky sod! At the February hearing we discussed work on corridor strategies under the AusLink program. Has the work on the four pilot strategies been completed?

**Ms Riggs**—By and large, we are happy that they are in good final draft.

**Senator O'BRIEN**—What do you mean by 'good final draft'?

**Ms Riggs**—They need to go through a process of endorsement by the Australian Transport Council and subsequently to be passed on to the Council of Australian Governments.

**Senator O'BRIEN**—Is work on the other strategies under way?

**Ms Riggs**—There is work on another 12 under way at the moment, with proposals to bring on the remainder—to at least get a start on them before the end of this calendar year.

**Senator O'BRIEN**—Is 30 June 2007 the deadline for the presentation to COAG of all of the corridor studies?

**Ms Riggs**—That is certainly what COAG has asked for and it is the time frame to which we are working.

**Senator O'BRIEN**—Is the role of shipping considered in these corridor studies?

**Ms Riggs**—COAG quite specifically asked the ATC to ensure that the corridor studies encompassed the land transport connection to ports and the impact of those connections and the operation of ports on shipping. The ATC has yet to formalise a response to that, but we have proceeded in our work with other jurisdictions on the basis that the studies will certainly examine the land transport linkages to ports.

**Senator O'BRIEN**—How is corridor acquisition funded under AusLink? Is it just a project by project approach?

**Ms Riggs**—When AusLink funds a project, frequently the first stage of that project involves funding for necessary land acquisition for the selected route. So, first of all, you have



all the route planning exercises and public consultation. The next step is often the land acquisition. But we do not fund land acquisition for a corridor. What a corridor strategy will give us and the relevant jurisdiction or jurisdictions is a shared view about the transport task on a corridor, any pressures that are on the corridor and ways of prioritising how investment might be made on the corridor to improve its capacity. Once judgments have been made about that, there is a host of work that will need to be done to translate the corridor strategy into an individual project. It is only at the point at which a project is defined and scoped and the routes agreed upon that you would then start land acquisition.

**Senator O'BRIEN**—In terms of Commonwealth funding, is there a policy on the question of land acquisition?

**Ms Riggs**—I do not understand the question.

**Senator O'BRIEN**—Within AusLink is there any prohibition on funding land acquisition for corridors?

**Ms Riggs**—For a project, not for something as broad as what call a corridor. A corridor is Sydney to Brisbane, for example.

**Senator O'BRIEN**—I know. A corridor might mean a deviation, for example.

**Ms Riggs**—When the work from a corridor strategy—or, under the previous arrangements, a project—has been chosen and the route has been selected the federal money at least assists with the acquisition of the land to enable the construction project to proceed. There are provisions that govern arrangements where federal money has been spent on acquiring land for what was at some stage a preferred route but subsequently the route preference has changed. Where the state government might at some stage into the future dispose of the land, there are requirements for the return to the Commonwealth of the value of the Commonwealth investment.

**Mr Elliott**—The arrangements for land acquisition are covered in bilateral agreements.

**Senator O'BRIEN**—How much money did the Queensland government receive from the Commonwealth government in 2004-05 for the Ipswich-Logan Motorway?

**Mr Elliott**—The sum of \$5.05 million.

**Senator Ian Campbell**—It might be useful to go through the scheduling. That is entirely appropriate, is it not?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—We will come to that. I understand that there is money provided for over the next three years.

**Senator Ian Campbell**—Excuse the pun: it ramps up somewhat.

**Ms Riggs**—Minister, if you will forgive me, I will correct you: \$5 million was provided in 2004-05, \$15 million is the forecast of our final payment in 2005-06, \$55 million is scheduled for 2006-07 and \$65 million for 2007-08.

**Senator O'BRIEN**—So when Mr Lloyd said of the Queensland government, 'The haven't even started the Ipswich-Logan Motorway Interchange, for which they received \$160 million in 2004,' he was wrong.

**Senator Ian Campbell**—They received a commitment of that amount of money in 2004.

**Senator O'BRIEN**—They did not get that money.

**Senator Ian Campbell**—No, but they received a commitment.

**Senator O'BRIEN**—They got \$5.05 million, not \$160 million.

**Senator Ian Campbell**—They got a commitment of \$160 million, which means they got the starting flag for a very major and important project.

**Senator O'BRIEN**—How much money has the Australian government provided to the Queensland government to upgrade the Wacol to Darra section of the Ipswich Motorway?

**Mr Elliott**—The commitment is \$320 million.

**Senator O'BRIEN**—How much has actually been provided?

**Ms Riggs**—We would anticipate that some \$800,000 will be provided this financial year, and we have \$35 million scheduled for next year.

**Senator O'BRIEN**—So none yet, \$800,000 some time this financial year and \$35 million—

**Ms Riggs**—This financial year has about six weeks left to run. The sum of \$35 million is scheduled for 2006-07 and \$142 million for each of 2007-08 and 2008-09.

**Senator O'BRIEN**—So when Mr Lloyd said to the media, 'Six months ago the Australian government provided \$320 million to upgrade the Wacol to Darra section of the Ipswich Motorway but yet we see nothing,' he is being completely inaccurate.

**Senator Ian Campbell**—The Commonwealth has made a commitment which allows the work to commence.

**Senator O'BRIEN**—You have not paid anything, let alone \$320 million.

**Senator Ian Campbell**—The work doesn't rely on us paying the money, we pay the money for the work. It is a chicken and egg thing.

**Senator O'BRIEN**—What is the \$800,000 for?

**Mr Elliott**—That would be for initial planning work.

**Senator HOGG**—I will just run through those amounts again. It is \$800,000—

**Ms Riggs**—And \$35 million.

**Senator Ian Campbell**—There is \$35 million in 2006-07.

**Senator HOGG**—What is the \$35 million for?

**Ms Riggs**—It will be a little more for continuation of planning and for the start of construction.

**Senator HOGG**—All right.

**Senator Ian Campbell**—Then \$142 million and \$142 million.

**Senator HOGG**—Okay. I have those.

**Senator O'BRIEN**—It is \$142 million in 2007-08, isn't it, and \$142 million in 2008-09?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—Did Minister Lloyd check with the department before he issued his media statement on 11 May that defended the budget's neglect of road funding in south-east Queensland and those statements that I just referred to?

**Senator Ian Campbell**—I think the minister's statements speak for themselves. Labor seems to have great fun attacking funding in south-east Queensland. The record of the Commonwealth government stands on the figures—the increase in the levels of funding are bigger than they have ever been. There has been a massive injection of funds and finance, and the statement by the minister saying that these funds are available in Queensland is absolutely accurate.

**Senator O'BRIEN**—That is not what he said, but why does he have to misrepresent the position if it is so clear cut?

**Senator Ian Campbell**—I think Senator Macdonald has made the point. We are very keen to get on with these projects, but we do not own bitumen plants, we do not have a workforce and we do not own any roads. We just say to a government, whether it is Queensland or Western Australia: 'Here's the money. Please go and build the project.' That is what Mr Lloyd is saying. As David Johnston knows, we are saying to Alana McTiernan over in Western Australia: 'Here's the money for the Perth-Bunbury Highway. Please build it.' She said, 'We can't build it until 2009.' We said, 'We want to build it now.' She said, 'We can't build it.'

**Senator O'BRIEN**—We will come to that.

**Senator Ian Campbell**—We are saying to the Queensland government: 'Get on with the projects. Here is the money.' We know Labor does not want to spend money on roads and infrastructure. I do not know what you want to spend it on.

**Senator O'BRIEN**—Just wait and see. On 10 May the Wynnnum *Herald* ran some remarks by the member for Bonner, Mr Vasta, about the Port of Brisbane Motorway. Mr Vasta said:

The Port of Brisbane Motorway is on the AusLink network and while the Federal Government is committed to the scheduled upgrade in 2010, work needs to begin as soon as possible ...

He said he would be appealing to Mr Truss for the project to be earmarked for AusLink funding in 2008 or earlier. I cannot find any reference in the budget to funding for this project. Have I missed something, or has Mr Truss ignored Mr Vasta's plea?

**Ms Riggs**—It is true that there is no funding in the current five-year AusLink agreement for the Port of Brisbane Motorway.

**Senator O'BRIEN**—Mr Vasta said he has personally taken up the matter for funding for that roadway with Mr Lloyd, and I understand Mr Lloyd inspected the road with Mr Vasta on 19 April. Did officers from this department participate in that inspection with the minister?

**Ms Riggs**—I do not believe so.

**Senator O'BRIEN**—I also understand that Mr Lloyd's adviser, Mr Hallett, inspected the motorway with Mr Vasta in March. Did officers from this department participate in that inspection?

**Mr Elliott**—No.

**Senator O'BRIEN**—What is the government's current financial commitment to this project?

**Senator Ian Campbell**—We have already answered the question.

**Ms Riggs**—There is no funding for this road in the current five-year AusLink bilateral agreement between the Australian government and the Queensland government.

**Senator O'BRIEN**—The member for Herbert, Mr Lindsay, has suggested that no funding for the Townsville port road was included in the budget because the Queensland government failed to provide him with detailed costings. Is that right?

**Senator Ian Campbell**—That is a potential Roads to Recovery strategic project, from my memory.

**Ms Riggs**—I am not aware of why he might have said that. There is no funding for that road in the current five-year AusLink bilateral agreement between the Australian government and the Queensland government.

**Senator O'BRIEN**—The chairperson of the Townsville Port Authority, Mr McLean, said that the Townsville port access road is vital for the future of the port, vital for the city and vital for the region. Has the department done any work on the Townsville port road?

**Ms Riggs**—I do not understand what the question might mean.

**Senator O'BRIEN**—Has the department done any work on consideration of the Townsville Port Road for funding?

**Ms Riggs**—I have been to Townsville and had a briefing from the Townsville QDMR office on that possible road proposal.

**Senator Ian Campbell**—A similar situation occurs in relation to the Port of Brisbane access road. There are no plans and no costings, and we would be reliant on the Queensland government coming forward with those proposals. So I think Mr Vasta is doing a very good job as a new local member to push for that project but, until the Queensland government comes forward with detailed plans and costings, it is impossible for the minister or the Australian government to respond.

**Senator O'BRIEN**—But there are a whole range of projects funded in the budget, Minister, that were not costed. Why is this different?

**Senator Ian Campbell**—You need costings; you need to know what you are paying for.

**Senator O'BRIEN**—But some projects have been funded without such plans or costings in this budget. In fact, so eager has the government been to fund them that you got the money out this financial year.

**Senator Ian Campbell**—Which project are you referring to?

**Senator O'BRIEN**—You have not signed off any of the memorandums for any of the agreements with the states.

**Senator Ian Campbell**—Which project are you referring to?

**Senator O'BRIEN**—All of the road funding that we have just gone over all of this afternoon.

**Senator Ian Campbell**—You have just been through a whole load of specific projects and we have given you funding for each one of them.

**Senator O'BRIEN**—All of them.

**Senator Ian Campbell**—So which portion of the money do you think we should not be paying over?

**Senator O'BRIEN**—All of those have not been the subject of detailed funding agreements to date.

**Senator Ian Campbell**—I am talking about plans and costings.

**Senator O'BRIEN**—But you say—

**Senator Ian Campbell**—You have just said there is no—

**ACTING CHAIR (Senator Ferris)**—Hang on.

**Senator Ian Campbell**—Senator O'Brien has just made a totally wrong allegation against the government.

**Senator O'BRIEN**—Why don't you listen to and answer the question?

**ACTING CHAIR**—Minister, can we just let Senator O'Brien ask his question and then you answer because you are both talking at once. I am sure Hansard cannot record either.

**Senator O'BRIEN**—I am trying to ask a question.

**ACTING CHAIR**—Can you ask the question, Senator.

**Senator O'BRIEN**—Why is it necessary for the Port of Brisbane Motorway to have detailed costings when any number of road funding projects in the budget have not have such detailed costings. Why do you differentiate between the Port of Brisbane Motorway or the Townsville port access road and those other road funding initiatives.

**ACTING CHAIR**—Minister, do you want to answer that?

**Senator Ian Campbell**—The senator is trying to say that somehow this project has missed out. The Queensland government has not come forward and asked for funding for this project. It has not given us costings, designs or plans for the project. Senator O'Brien is insinuating that we should pay for it before we even know what it is.

**Senator O'BRIEN**—I want to ask about Brisbane's TransApex tunnel proposal. In the answer to AUSL 02 taken on notice at our last hearing, the department said that the prefeasibility study confirmed that TransApex is technically feasible and financially viable and would enhance transport access across Brisbane's central urban areas. On 3 February this year, the member for Ryan, Mr Johnson, said:

... it is critical that the Federal Government lends its support to Brisbane Lord Mayor Campbell Newman's vision of addressing choking roads and traffic gridlock ...

And he called on the government to fund a \$20 billion feasibility study. That call was not heeded in the budget obviously. What formal request has the Brisbane City Council made?

**Ms Riggs**—I am not aware that the department has received or seen any such formal request.

**Mr Elliott**—Could we take that on notice. I would not mind checking.

**Senator O'BRIEN**—Maybe Mr Johnson wrote to the department rather than the Lord Mayor. Perhaps you could check both?

**Mr Elliott**—We will check what we have and get back to you, Senator. This project is not on the national network. To a large extent we are dependent on reading what is in the press or what is communicated to us in correspondence.

**Senator O'BRIEN**—So currently the government has no intention of funding the TransApex project?

**Mr Elliott**—The government has funded the TransApex prefeasibility study as indicated in our answer. The TransApex project is not on the national network and so, if the government wanted to fund it, it would have to do it presumably outside of AusLink. It is not on the AusLink national network.

**Senator O'BRIEN**—A couple of weeks after this committee last met in estimates sessions the minister for roads, Mr Lloyd, announced an extension of the night-time toll-free trial for trucks using the Logan and Gateway Motorway. It was due to end on 28 February but has been extended to 31 December this year. When we discussed this in February the budgeted cost of the trial was \$1.4 million. How much will the extension of the trial cost?

**Mr Elliott**—It is not absolutely clear because we have not been billed for the trial. That will depend on the Queensland Motorways Ltd records of how much traffic they think they have lost. We initially had \$1.4 million approved; our current estimate is that the trial will cost around \$1.6 million, but that is just an estimate at this stage.

**Senator O'BRIEN**—In February, Mr Elliott, you said the trial had had only a small impact on the truck traffic in the Brisbane urban corridor. You said:

We would really like to have a stop, in the sense of a pause and a think as to whether there are some alternative methods that could get a better result than the one we are getting so far.

Did the department get some new data that caused a rethink between 13 February and 27 February or is there is no apparent reason for now deciding to extend the trial to the end of the year?

**Mr Elliott**—At the time that I made that comment, on the best information we had there had not been a lot of effect. We did, however, have some what you might call reported anecdotal evidence, and that was that the people along the Brisbane urban corridor said that they had noticed a reduction in trucks and therefore a reduction in noise. In some subsequent discussion that I had with senior officers at the Queensland Department of Main Roads, they indicated to me that they were having another look at the data and that it was possible, given

the way they were looking at the data, that the impressions that some of the residents had may be borne out by that data. I have not heard any further information from them, but it seemed worth while given the situation to continue the trial, and so we recommended that to the minister.

**Senator HOGG**—On that issue, that data is surely available as a result of the fact that all of these trucks would have electronic tags. Is that correct?

**Mr Elliott**—There is data available that has been collected using temporary gantry arrangements, and we need some better installations to be in place. So the data that we have had to date—about four months worth—was inconclusive. Queensland main roads have asked the consultants to do a bit more work on the data to see if some better results can be achieved from the data and also to examine more data as it becomes available so that, hopefully, we will have 12 months worth of data to have analysed. But we do not have the results of that yet.

**Senator HOGG**—I am just surprised. I happen to have travelled across that bridge on numerous occasions and I am surprised that you have to rely on data from something other than the e-toll that operates on the bridge, which seems now to be used by most of the heavy articulated vehicles that cross that bridge.

**Mr Elliott**—There is a little bit of frustration involved both for us and for Queensland main roads in getting what we think should be reliable data and what we think should be straightforward.

**Senator HOGG**—Is part of the problem the fact that there is not a reasonable sample of what happened in the previous period? Or is some sort of corruption in the data coming from this period?

**Mr Elliott**—We are not entirely sure whether there is some corruption or whether the data just needs some further analysis. So we have asked for further analysis to be undertaken.

**Senator HOGG**—What is the prospect, then, of your getting even some interim report on this. I live in that corridor area, so I know there is an interest there from residents as to the usage of it.

**Mr Elliott**—We are hoping to get that at around the end of August.

**Senator HOGG**—As I understand it, this will go through to the end of the year. Is that the calendar year or the financial year?

**Mr Elliott**—The end of this calendar year—December.

**Senator HOGG**—There will be a preliminary analysis in August. What will that enable you to do?

**Mr Elliott**—We should have 12 months worth of data analysed by that stage.

**Senator HOGG**—That should enable you to make a decision on whether to continue beyond the end of the year. Is that the intention?

**Mr Elliott**—It would at least give us an idea of what effect the toll waiver was having, if any. If the toll waiver is not having an effect, then maybe there are some other issues that need to be considered.

**Senator O'BRIEN**—I want to ask about the new Perth to Bunbury Highway. Just to be clear: this is the extension of the Kwinana Highway—sometimes referred to as the Peel deviation. In February we discussed the ongoing argy-bargy between the Commonwealth and the Western Australian government over this project. Is it the case that the Commonwealth is going to walk away from this \$170 million commitment if construction does not start this calendar year?

**Senator Ian Campbell**—I think the accurate terms of the agreement are that we have offered a \$20 million bonus if construction starts as agreed at the end of this year. I am happy to be contradicted.

**Senator O'BRIEN**—The minister said something different.

**Mr Hogan**—The relevant AusLink bilateral agreement says that the Australian government's funding is conditional on the project starting this year and being completed by 2009.

**Senator O'BRIEN**—The article in the West Australian *Sunday Times* says that the state will get nothing if construction does not begin this year and finish in 2009.

**Mr Hogan**—Under the bilateral agreement the government has a number of options available to it, if it considers that a project has been unreasonably delayed.

**Senator Ian Campbell**—The latest iteration is that the state minister said that it will be the Commonwealth's fault for not starting it on time because of a delay in environmental approvals. When I checked with my department and asked them what the hold-up was, they said that they had not even received the application from the state main roads department at that stage. So I once again encourage the state minister to provide my department with the detail so that we can get on with the approval—and please do not use that as an excuse for holding up this very important bit of infrastructure.

**Senator O'BRIEN**—How long will that process take once your department receives the necessary material?

**Senator Ian Campbell**—It can take a very short time. It will depend on the quality of the documentation coming from state main roads. The good news is that the main roads department in WA and my department have had a good relationship in previous highway construction, such as the Roe Highway stages that have been approved recently. It is not dissimilar terrain, quite frankly.

**Senator O'BRIEN**—You would not expect it to take a long time once it got to your department?

**Senator Ian Campbell**—No. I have committed to the state minister and to the people of Western Australia that it will be given very timely consideration, but we cannot start that until we see the documentation.

**Senator O'BRIEN**—So the department is not aware of any comment by Minister Truss that, in the absence of the commencement of construction this year, no funds would be paid towards the project?



**Senator Ian Campbell**—I think the agreement is that the \$170 million is paid on the basis that the project commences this year and is concluded in three years time. That is against a background that the state government did not want to commence this road until 2009. The federal government has leveraged its \$170 million investment to insist that the state starts construction of the road this year. They did not want to build it this year; they wanted to build it in 2009. In fact, they said to me when we were negotiating AusLink that they did not want to be forced to build it before 2009, and we said that was unacceptable. So there is a high level of tension in this, but the WA government has agreed to commence construction now. So let us all hope that this is not an issue and that they do get on and build it as they have agreed to do.

**Senator O'BRIEN**—The article says that previously there had been a threat to penalise Western Australia \$20 million if work on the road did not begin in 2006. If work does not commence, will the state be penalised \$20 million or will the Commonwealth pull all funding?

**Mr Hogan**—Senator, as I have said, under the bilateral agreement, the Australian government's funding of \$170 million is contingent on the project starting in 2006. If it did not start in 2006, under the terms of the bilateral agreement it would be open to the Australian government to consider its position.

**Senator O'BRIEN**—Apparently that is what Minister Truss is saying—not only that the government will consider its position but also that the state of Western Australia would get nothing under the bilateral. You are saying that that is permissible under the bilateral?

**Senator Ian Campbell**—They have agreed to construct it. They have signed an agreement saying, 'We will construct it in 2006' and we have said, 'We will pay you \$170 million.' So that is the deal. The latest thing that alarms me is that the state minister has come out blaming us for not approving it. I would love to approve it, but I would like to see the documentation first. She looks like she is trying to wriggle her way out of it again. Let's hope she is not. Let's hope they get on and maintain their side of the deal.

**Senator O'BRIEN**—What is the scale of the land acquisition program necessary before construction can commence?

**Mr Hogan**—We do not have any detail on the amount as yet, Senator.

**Senator Ian Campbell**—I think roughly half of the project—and this is dangerous, because it is anecdotal and from memory—which, as you have described correctly, is an extension of the Kwinana Freeway, the so-called Peel deviation or the Mandurah bypass, as locals would know it. You may well have driven down there yourself. I am sure Senator Sterle has. It is basically to complete a highway from Perth to Bunbury. But you have got two ends of it—the extension of the Kwinana Freeway, and I think I would be safe in saying that most of the land acquisition or at least the reserving of the road will have been in place there for many years, because it has been a freeway that has been planned, I suspect, for decades. From memory of my now distant time in the roads portfolio, much of the acquisition for the Peel deviation part of it is on track. I do not think that is likely to be a concern.

**Senator O'BRIEN**—Is this the only major project in the country the government is threatening to walk away from?

**Senator Ian Campbell**—As I have said, Senator, when we commenced the negotiations when I was the roads minister, the state government and the minister responsible made it quite clear that she did not want to commence this road until after 2009. The Commonwealth—there has been a stress over this and it has been a political fight in the meantime—said that we wanted the road commenced earlier, and the state government did not want it commenced earlier. We have made it quite clear that we wanted to use our \$170 million investment from the Commonwealth to leverage an earlier construction start. There is no secret about that. It is well documented in the pages of the *West Australian* and more recently in the *Sunday Times*.

**Ms Riggs**—Senator, in addition, I think it is fair to note that each of the bilateral agreements contains a provision that, if construction does not proceed on any of the projects, the Australian government reserves its right to reconsider its position in relation to funding if progress is not being achieved.

**Senator JOHNSTON**—That is not very helpful if you want the road. We are desperate for the infrastructure. Is there a fallback position on that? What can we do? What is the remedy?

**Senator Ian Campbell**—Build it.

**Senator JOHNSTON**—Or is it just a political remedy?

**Senator Ian Campbell**—Just keep building. We don't own any trucks, we don't own any bitumen machines, we don't—

**Senator JOHNSTON**—Maybe it is time we started thinking about doing that sort of thing.

**Senator O'BRIEN**—Only trucks?

**Senator JOHNSTON**—Yes. I am sure we would do a better job than currently occurs in certain quarters.

**Senator O'BRIEN**—In February I asked about the progress on a number of projects funded under what used to be called the strategic regional Roads to Recovery program. I want to follow up on one of those projects—the Bateman's Bay bypass. We were told that construction would commence in July 2006. Is that project still on track?

**Ms Riggs**—Senator, I can indicate to you that it has formally been approved by Minister Lloyd, so that would mean that we have received the appropriate project proposal report and have been able to assess it as meeting the requirements. That approval was given some six weeks ago. So it is certainly on track to commence soon. Whether it will commence by 30 June—Joan?

**Ms Armitage**—It would appear that the estimated start date may now be late 2006, with an end date of 2008.

**Senator O'BRIEN**—We are not going to walk away from that project because it will start late?

**Ms Armitage**—That is the proposed date that they have given for the strategic regional program.

**Senator O'BRIEN**—I suppose Eden-Monaro is a bit marginal for that sort of a game. In relation to the West Gate Bridge, the Victorian government recently released a major transport statement entitled 'Meeting our transport challenges'. That statement commits the Victorian

government to a major transport investment program over the next decade. One commitment relates to strengthening works on the West Gate Bridge. The Victorian government has committed \$120 million and is seeking equivalent Commonwealth funding. Has the Commonwealth considered that request?

**Mr Hogan**—We have not received a request in respect of that, to my knowledge.

**Senator O'BRIEN**—You are not aware of that statement of the Victorian government?

**Mr Hogan**—I am aware of the statement of the Victorian government, but we have not received any request to that effect. Of course, we would need a very substantive submission in relation to work like that. I would have thought the appropriate time to be promoting that, as I am sure the Victorian government is effectively doing, is in the context of the next round of AusLink.

**Senator O'BRIEN**—I would have thought that, given the funding that has been in the budget, you would be remiss in not having every claim you could possibly have before the Commonwealth if it is going to dip into funds occasionally and fund projects from some list that the Commonwealth has asked for in the past.

**Mr Hogan**—I think the degree of difficulty probably comes into this.

**Senator O'BRIEN**—What do you mean by that?

**Mr Hogan**—If you look at the projects which are being funded under the additional funding in 2005-06, they are projects which we know quite a significant amount about, or they are projects that have a relatively low degree of difficulty, or both.

**Senator O'BRIEN**—You know that this project is one which has a significant degree of difficulty, do you?

**Mr Hogan**—I would have thought so. By that in particular I mean, as I have mentioned earlier, that one of the other factors in the government's consideration was the likelihood of the project being able to be completed by 2009. When you are talking about a project like that, I very much doubt whether it is in the frame for 2009.

**Senator O'BRIEN**—I have already referred to the spreadsheet provided by the department in response to my request for an AusLink project funding profile. The first iteration of that spreadsheet contained a table showing the reallocation of the original \$541 million Scoresby funding. Mr Hogan listed what he described as 'announced reallocations to non-Victorian projects' at our February hearing. That table was a little more complete. Can you confirm its accuracy?

**Mr Hogan**—Do you mean the table you we provided on the state of the program?

**Senator O'BRIEN**—Yes.

**Mr Hogan**—Yes, that was an accurate table at the time.

**Senator O'BRIEN**—There is an item on the table entitled 'Hume duplication New South Wales' with an allocation of \$34.1 million. Is this part of the \$800 million announced on budget night?

**Mr Hogan**—No, in fact the budget announcements are quite clear that that \$34 million is an additional \$34 million.

**Senator O'BRIEN**—There is another item entitled 'Rail pool funds' with an allocation of \$40 million. What is this rail pool?

**Mr Hogan**—They are additional funds that were made available for national rail funding on the AusLink network.

**Senator O'BRIEN**—The table lists: 'U/a Scoresby funding of \$25 million.' I assume that means unallocated funding; is that right?

**Mr Hogan**—I am having problems because the table you are quoting from does not appear to be part of my copy of the response to the question on notice. Was that part of our response to the question on notice?

**Senator O'BRIEN**—I believe so. It says, 'Scoresby funding, original \$541.53 million.' Then it lists a number of items: 'Strategic regional roads, \$100 million; Hume duplication, \$34.1 million; Albury-Wodonga, \$20 million; GVH Arcadia section, \$23.5 million; Deer Park, \$185 million; Faraday-Ravenswood, Vic, \$82 million; Toowoomba Range study, \$10 million; Brisbane urban corridor 'Northern Options' study, \$10 million; GVH Roe Highway, WA, \$11.9 million; rail pool funds, \$40 million.' The total is \$516.5 million. Then the bottom line, in bold, reads, 'U/a Scoresby funding, \$25.03 million,' which is the balance.

**Mr Hogan**—That is not part of my copy of the response to the question you are referring to, so I am not sure where you have obtained that, but the figures you have quoted are accurate.

**Senator O'BRIEN**—I am sure I did not make it up.

**Mr Hogan**—No.

**Ms Riggs**—We acknowledge you are describing a table we are familiar with. We just do not believe it was part of our answer to that question, but we do not deny that you have it in front of you.

**Senator O'BRIEN**—There is a table attached to 'AusLink 04' which, in part, says at the bottom of the page entitled 'AusLink investment program: project allocation and actual expenditure 2004-05'. The last line of note 1 says, 'An additional \$25 million has yet to be announced and allocated to the Strategic Regional Program.' Is this the unallocated Scoresby money?

**Ms Riggs**—Again, I would have to say that is not on my copy as the answer, which is not your problem but ours. The reference to 'strategic regional' is not accurate.

**Senator O'BRIEN**—That \$25 million top-up for AusLink's Strategic Regional Program was not in the budget? I cannot find reference to the \$25 million top-up for AusLink's Strategic Regional Program in the budget.

**Ms Riggs**—That is correct. That reference is not accurate. The government has, as was announced in November last year, provided an additional \$100 million to the Strategic Regional Program, meaning that the assessment round we are currently going through will allocate some \$127 million. That has not changed since the announcement was made and

confirmed by Ministers Truss and Lloyd in their announcement of the calling for proposals on 2 March.

**Senator O'BRIEN**—So \$100 million has been transferred to the strategic regional roads program as decided by senior ministers on 5 November. Is that right?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—The \$100 million as at February had not been adjusted in the yearly profile.

**Mr Hogan**—No, it had not as of February, but it has been adjusted in the yearly profiles available in the current budget papers.

**Senator O'BRIEN**—As part of the forward estimates process.

**Mr Hogan**—That is right.

**Senator O'BRIEN**—So everything in the note to this document is right. Then it says that an additional \$25 million has yet to be announced and allocated to the Strategic Regional Program. Are you saying that no such decision has been taken?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—To your knowledge.

**Ms Riggs**—Yes.

**Senator O'BRIEN**—I think we have established that the unallocated Scoresby funding is \$25.03 million. That is correct, isn't it?

**Mr Hogan**—It is \$25 million.

**Senator O'BRIEN**—We will wait with bated breath to see when it is announced. Turning to the status of the national highway, under AusLink the Commonwealth walked away from sole responsibility for funding the maintenance and upgrade of what has over many years been known as the national highway. Does the term 'national highway' have much meaning if the national government is not committed to its maintenance and upgrade?

**Ms Riggs**—AusLink replaced the national highway with a much more extensive network called the National Land Transport Network. It incorporates all of what was previously the national highway plus a number of other roads and, importantly, connectors inside major capital cities. It is true that AusLink also means that the Commonwealth is no longer committed to 100 per cent funding for this much larger and more comprehensive network—of either major construction projects or maintenance.

**Senator O'BRIEN**—So the term 'national highway' does not exist.

**Ms Riggs**—It does not exist; that is right.

**Senator O'BRIEN**—On the question of the Pacific National operation in Tasmania, when did the Pacific National board agree to the joint Tasmanian-Commonwealth government rescue package?

**Ms Riggs**—In the latter part of last week, they announced that they would accept that, and they sought to reopen their discussions with the Tasmanian government.

**Senator O'BRIEN**—Has Minister Truss met with his Tasmanian counterpart, the Pacific National board or a representative of the board since the announcement?

**Ms Riggs**—No.

**Senator O'BRIEN**—Does he not think there is a need to do that?

**Ms Riggs**—The dealings need, predominantly, to go through the Tasmanian government. We wait to hear from the Tasmanian government, and we have not at this stage—other than recognition of the announcement.

**Senator O'BRIEN**—So the department has not met with the company either?

**Ms Riggs**—No.

**Senator O'BRIEN**—And Mr Truss has not met with the company since 29 November last year?

**Ms Riggs**—I would have to check.

**Senator O'BRIEN**—That is what you told us.

**Ms Riggs**—I would have to check that, but I do not believe so.

**Mr Mrdak**—I think it is important to bear in mind that the ownership of Pacific National has only been settled in the last few days, so it has been a very difficult situation for that company and the various parties who have been competing over the ownership of it. It is only in the last few days that there has really been a clear outcome in that. New placements in terms of interim CEOs and the like have taken place within the last two or three days.

**Senator O'BRIEN**—Are the terms of the joint government offer identical to those outlined in the joint statement on 16 December last year?

**Ms Riggs**—From the Australian government's perspective, our offer stands as in that.

**Senator O'BRIEN**—Is the Commonwealth money coming from the Tasmanian component of the AusLink funding—the Commonwealth's funding of Tasmania under the AusLink proposal?

**Ms Riggs**—Part of the reason why the government agreed to make such an offer was because of the Tasmanian government's argument that that piece of rail was part of the national network. So, yes, at this stage we would anticipate that funding will have to come from within Tasmania's envelope for the remaining three years at least, bearing in mind that our offer is for funding potentially over a longer period than that.

**Senator O'BRIEN**—And the rail network will revert to state ownership—that is, the track.

**Mr Wolfe**—Yes, that is my understanding of the proposition. I should stress that the arrangements are essentially a matter between the Tasmanian government and Pacific National. Once those two parties reach a conclusion, our expectation would be that they would then approach the Australian government.

**Senator O'BRIEN**—What role will the ARTC play in the management of the network?

**Ms Riggs**—It will not have a role in its management, but it is fair to record that, at the request of the Tasmanian government the ARTC has been acting as adviser to the Tasmanian government in its discussions with Pacific National over the past several months.

**Senator O'BRIEN**—In February I asked for a summary of the joint offer, and you referred me to the joint statement that I referred to earlier. Has the company received any more detailed information about the proposal than was contained in that statement?

**Ms Riggs**—The minister wrote to the company at about that time in pretty much the same terms as are there. The dialogue has predominantly been between the Tasmanian government and the company. I therefore do not know what might have been said in most of those conversations except as advised by Tasmanian officials. It is not our understanding that the conversation has varied particularly. Certainly there was no-one with authority to vary the terms of the Australian government's offer.

**Senator O'BRIEN**—Is there any more information that can be made available to the committee, for example the timetable for release of the capital works funding?

**Ms Riggs**—Until very recently it has not been possible to move beyond the terms of the offer that was made because, as Mr Mrdak outlined, Pacific National has not been in a position to pursue decision making. I am hopeful that, now they have announced that they wish to resume conversations with the Tasmanian government, it may be able to happen quickly and that the Tasmanian government can come to us and talk with us about what the implications are for the time frames involved.

**Senator O'BRIEN**—So the Tasmanian government need to conduct all of the negotiations with Pacific National and then come to the Commonwealth to ask for their proportion of the rescue package?

**Ms Riggs**—In essence, yes.

**Senator O'BRIEN**—Table 2.4 of the PBS shows rephasing of funds related to the management of residual issues of the former Australian National Railway Commission from 2005-06, 2006-07 and 2007-08. Can you explain what those residual issues are and tell us why the rephasing of the funds has proved necessary?

**Ms Riggs**—There is some work associated with the settling of the contents of the former AN plant room. In addition to that, there are some prospective compensation claims on foot. We just cannot be more definite about when they might come to fruition, if ever, so we have sought to move the funds to some extent into future out years, when it might be more necessary. But we cannot be more definite than that.

**Senator O'BRIEN**—Perhaps on notice you can attribute the moneys set out in 2007-08 to the items you mentioned.

**Ms Riggs**—Certainly.

**Senator O'BRIEN**—Is there a specified list of criteria for gaining black spot funding? If so, is that criteria on the web site?

**Ms Riggs**—In essence, the conditions that apply to black spot are those set out in the act itself. There are notes on administration for the Black Spot Program which are available from the AusLink web site.

**Senator O'BRIEN**—Who exactly is involved in the process of determining where black spot funding is allocated?

**Ms Riggs**—In essence, councils or others make proposals to a secretariat which is managed by the state or territory roads authority which coordinates those requests and makes recommendations about them to a committee which is chaired by a nominee of the Australian government minister. That committee puts a proposed program for the forthcoming year to the minister, who makes a decision about approving it or not.

**Senator O'BRIEN**—Are there any circumstances in which a local member is asked for input into the black spot funding process?

**Ms Riggs**—That is not formally set out in either the act or the notes on administration. I do not know what ministers might do in terms of seeking advice other than that which comes to them from the committee through the department.

**Senator O'BRIEN**—You seem to be saying that a local member cannot influence the way the funding is allocated.

**Ms Riggs**—I didn't say that.

**Senator O'BRIEN**—So they can?

**Ms Riggs**—I didn't say that either. I said I do not know what ministers might or might not do in seeking or not seeking advice other than that which comes from a committee chaired by their own appointee and coming through the department.

**CHAIR**—I am sure the minister might pick up on this now he has returned.

**Senator Ian Campbell**—I am about to.

**Ms Riggs**—Minister, the issue we have been discussing is the rules governing the Black Spot Program, which are those set out in the act. Also there are some administrative procedures established through notes on administration—a term you would be familiar with.

**Senator Ian Campbell**—This is the Black Spot Program that was dumped by the Keating government that we have put back into place.

**Senator JOHNSTON**—That would be the same one.

**Ms Riggs**—The senator was asking whether or not there is an opportunity for a local member to influence the minister's decision. I have described the process, which has a committee in each state with a chair appointed by the minister; that they give their advice to the minister through the department, but that the secretariat is supported by the state or territory road authority. And I have indicated that I do not know what ministers might or might not do in terms of other advice.

**Senator Ian Campbell**—I can tell you what I did when I was the minister, if that is helpful. That is that, quite often, members would come to me and say, 'Look, this stretch of road is terrible, I'm getting complaints about it, people have had injuries'—or deaths or



whatever. I would ask the department to have a look at it generally—I am going back a couple of years. I would say to the department, ‘Look, I have had this representation from Senator Heffernan’—or Bernie Ripoll or whoever. They would come back with a report which would usually be provided by the state department, I think—

**Ms Riggs**—Yes, the state department provides it.

**Senator Ian Campbell**—in terms of casualties. There are quite clear criteria about where the funding goes. It is incredibly normal for local members to pick up on road issues and refer them to the minister. That is roughly how it worked.

**Senator O’BRIEN**—So what is the role of the advisory panel? They get the material from—

**Senator Ian Campbell**—They get all the material given to them by the experts.

**Senator O’BRIEN**—They get the objective information and make a recommendation, but what relevance is that if someone else can have their twopence worth at ministerial level and go around the back of the process in effect?

**Ms Riggs**—Perhaps it would be helpful to you to know that my staff advise me that in the past three years the recommendations made by each state and territory black spot panel have been accepted by the minister—whether this one in his time as roads minister or the current one.

**Senator O’BRIEN**—Without exception?

**Ms Riggs**—That is my understanding.

**Senator O’BRIEN**—Thank you for that. I want to go on to the next area.

**CHAIR**—We need to clarify the programs. Senator Johnston has a query.

**Senator JOHNSTON**—I refer to 11.

**Senator O’BRIEN**—Aviation and airports. It is hard to be specific, but it probably would not come on until after the last break.

**CHAIR**—Could we send them home and do CASA tonight?

**Senator O’BRIEN**—No. CASA is much bigger. We could bring AMSA forward and push back aviation and airports, which we would then finish.

**Senator JOHNSTON**—Tomorrow?

**Senator O’BRIEN**—We might start them, but we would not finish them.

**CHAIR**—There would be a bit left for you to do.

**Senator JOHNSTON**—I am obliged to you.

**Senator O’BRIEN**—If we get to a point later on where we are not going to get to them, we will send them home as well.

**CHAIR**—Is that acceptable?

**Senator JOHNSTON**—Tomorrow?

**Senator O’BRIEN**—You want them available first thing tomorrow?

**Senator JOHNSTON**—Perfect.

**Mr Mrdak**—Could I catch up with that?

**Senator O'BRIEN**—No. 6 tomorrow morning. That is tonight as well. They will definitely be on tomorrow morning, but we cannot guarantee they will not start tonight.

**Mr Mrdak**—That is aviation?

**Senator O'BRIEN**—Yes. We will bring forward AMSA before them whatever happens tonight. If we do not get to them at all, we will not start AMSA either.

**Mr Mrdak**—Just to clarify, you have completed AusLink? There are no further questions on that? AusLink people can go?

**Senator O'BRIEN**—Yes.

**Mr Mrdak**—And we will now move on to maritime land transport.

[6.04 pm]

#### **Maritime and Land Transport**

**CHAIR**—We will indeed. I welcome the officers from Maritime and Land Transport. Senator Nash, do you have any questions?

**Senator NASH**—No, not at the moment, thank you.

**Senator O'BRIEN**—I want to ask about Albany Port. When did the port first approach the Commonwealth seeking compensation for the cost of removing bombs dropped in Princess Royal Harbour after the Second World War?

**Mr Wilson**—You may be aware that this is not an issue this portfolio has been dealing with. It is an issue between the Department of Defence and the Port of Albany. I understand that the issue arose in November 2000 and negotiations have been going on between the Department of Defence and the Port of Albany since that time in regard to removal of the munitions.

**Senator O'BRIEN**—So is this department involved at all in the consideration of the port's claim, or is that solely a matter for the Department of Defence?

**Mr Wilson**—No. It is a matter for the Department of Defence. We have not been involved at all.

**Senator O'BRIEN**—Given that Minister MacTiernan has told a Western Australian department that the Grange iron ore project cannot proceed without removal of the unexploded bombs in King George's Sound, does this department not have a role in dealing with an export bottleneck such as this—in part, of the Commonwealth's making?

**Mr Wilson**—I understand it is a matter that is in legal dispute between the Department of Defence and the Port of Albany. It is probably not appropriate for me to comment in regard to that as to whether or not we have a role in it. It is a fairly clear situation of a dispute between two parties.

**Senator O'BRIEN**—Does the department support the expansion of the Port of Albany?

**Mr Mrdak**—I think it is fair to say that the department really has not focused on this issue at all. As you know, we have been fully involved in a whole range of activities through AusLink. Issues like port infrastructure, such as may be involved in this issue, are not matters on which we have been focused to this point. Our large focus through the AusLink program has been to get the land transport port interface linkages right at a number of key locations. To be honest, we have not been involved in this issue to date. I don't think either of the parties involved in the dispute have brought it to our attention, including the Western Australian minister.

**Senator O'BRIEN**—Does Albany feature in any of the work that is being done for COAG on corridor studies and the connection of ports?

**Mr Mrdak**—Certainly the corridor strategies that are being developed—as one of the decisions that was taken by COAG last year—do look at the interface with some of the key ports. I am not aware that this issue has been specifically raised by any of the parties as an impediment to Albany's expansion. I noted the comment you made earlier about the West Australian minister's comments in the parliament, but I do not think that has been raised with the department. I will check if it is part of the corridor strategy work but I am not aware that it has been raised with us. Usually parties are pretty vocal in getting Commonwealth involvement when they see a need for it, and this is a situation which has not been brought to our attention. I am not aware that it has been raised in any of the corridor strategy work in relation to Western Australia.

**Mr Wilson**—To add to that, I understand that the last Supreme Court directions hearing was on Friday, 12 May, in which the judge hearing the matter provided some advice to both parties with regard to their inability to settle the matter and ordered a copy of the court transcript to be provided to the Minister for Defence and the chairman of the port authority. We have not been party to those court proceedings, nor have we been asked for our opinion by the Western Australian department of transport.

**Senator O'BRIEN**—Do you know whether the Western Australian minister has raised the matter with the Commonwealth minister?

**Mr Wilson**—I understand it may have been raised previously, but I cannot confirm whether that was in writing or in person.

**Senator O'BRIEN**—If it has been raised at that level, doesn't it therefore become a matter for the department in some way?

**Mr Wilson**—As Mr Mrdak indicated, the matter has not been brought formally or informally to our attention by the Western Australian department of transport, the Western Australian minister, the Department of Defence or the Minister for Defence. We have not been invited to express an opinion one way or the other.

**Senator O'BRIEN**—I will turn to the issue of heavy vehicle fatigue. In an answer to question MLT02, the department provided some advice about its role in establishing better fatigue management in the heavy vehicle industry. The department is a member of the National Transport Commission's working group transport agencies fatigue committee. I read with interest the NTC's summary of the draft policy proposal and associated documents. Has the department had the chance to consider the draft policy proposal?

**Mr Wilson**—We have continued to be involved in the work that the NTC have undertaken. We continue to work with the jurisdictions and so, yes, we have read the papers.

**Senator O'BRIEN**—Will the Commonwealth provide a formal response to the NTC?

**Mr Wilson**—I would have thought we would; I cannot see any reason why we would not.

**Senator O'BRIEN**—Is the department aware of any response from the transport industry on the draft policy proposal?

**Mr Wilson**—I am not aware of a response from the transport industry. Mr Jones has some additional information.

**Mr Jones**—You used the word 'policy'. The main product that is live in that working group at the moment is the development of a fuller set of policy proposals for public consultations. The working group is in the process of looking over and preparing a public consultation document. There has been a range of engagement with industry to date, but the more formal and more extensive process for taking that forward will be a public consultation paper that is scheduled for July or August. So a lot of the work is coming together at the moment and a formal public consultation document of the draft policy will be in the public arena in July or August.

**Senator O'BRIEN**—I guess the original question was: are you aware of any response to what was originally a draft policy proposal from the NTC? It may be that more would be expected, but I just wanted to know if there had been any preliminary responses.

**Mr Jones**—I do not think there has been any formal government response to it, because the stage of the process has not called for that yet.

**Senator O'BRIEN**—I am asking about the transport industry itself rather than the government.

**Mr Jones**—I am aware of a number of engagements with subsets of the transport industry. Some of the processes have had public consultation and discussion processes, so a number of the interest groups within the industry have been involved at different points along the way so far, but I am not aware of a formal response from industry to some of the proposals yet.

**Senator O'BRIEN**—When will the NTC package of revised policy papers, the regulatory impact statement and draft legislation be available for discussion?

**Mr Jones**—The main information I have before me is around a draft set of regulations that will be part of the broader consultation process. They are expected to be available in July or August.

**Senator O'BRIEN**—And work is progressing to meet that timetable, is it?

**Mr Jones**—Yes, the aim is that the NTC would have final policy recommendations with the Australian Transport Council before the end of the year.

**Senator O'BRIEN**—Turning to another NTC related matter, the question of the rejected third heavy vehicle charges determination: can anyone shed light on the decision-making process that led the Commonwealth to decide to vote no?

**Mr Mrdak**—The Australian government carefully considered the NTC proposal and, as the minister said in his announcement, in the light of the current pressures on the heavy vehicle industry with rising fuel prices and the like, the Australian government did not believe that the increase proposed by the NTC was warranted, particularly the level of overrecovery in the next two years which the NTC was proposing for both fuel and, more particularly, registration charges. So the matter was fully considered by the Australian government, and the Australian government took the decision to vote no, as subsequently did a number of other jurisdictions. In fact, the final vote was 9-0. All jurisdictions voted against the NTC proposal.

**Senator O'BRIEN**—So when you say it was the government position, was it simply a matter for Minister Truss or was it the decision of the whole of government?

**Mr Mrdak**—It was a decision of the Australian government.

**Senator O'BRIEN**—Does that mean it was a cabinet decision?

**Mr Mrdak**—It was discussed by the senior ministers in the cabinet, yes.

**Senator O'BRIEN**—Does the rejection have any consequences for the ongoing role of the NTC in relation to heavy vehicle price setting?

**Mr Mrdak**—The implications are obviously being considered by the NTC but, as you would also be aware, the Council of Australian Governments in February announced a Productivity Commission inquiry into infrastructure pricing. That inquiry has some very broad terms of reference which are looking at a whole range of issues, many of which are quite critical to the way in which jurisdictions approach the NTC's third heavy vehicle determination. The intention is that governments will consider that work early next year, once the PC process is complete. The National Transport Commission is working pretty closely to provide data and assistance to the Productivity Commission work. Future work that the National Transport Commission will do on heavy vehicle charging I think will be contingent on the outcomes of that Productivity Commission process.

**Senator O'BRIEN**—Am I correct in understanding that the NTC has commenced work on a new methodology for the fourth determination?

**Mr Mrdak**—The NTC, at the request of the Australian Transport Council—the Australian transport ministers—was working on a future methodology for a fourth heavy vehicle charges determination which would look more broadly at issues such as externalities and the like. That work has been put on hold pending the outcomes of government consideration of the Productivity Commission work, which may lay some future directions for land transport pricing. So the National Transport Commission is not continuing that work as such. It has continued to do some work for the Productivity Commission but is not progressing work on a fourth heavy vehicle determination methodology in the light of the COAG decision on the Productivity Commission inquiry.

**Senator O'BRIEN**—Does that mean that the work will not be in vain if a new regime emerges from the Productivity Commission's review of road and rail pricing?

**Mr Wilson**—The work that the NTC is doing will be supplementary to the work being undertaken by the Productivity Commission and will be fed into their consideration of the issue. So when the COAG decision was made the NTC re-examined some of the work that it

was doing and discussed it with transport officials from each of the jurisdictions to refocus it on providing supplementary information to the PC that would provide additional intellectual capacity. So it will not be a wasted piece of work, no.

**Senator O'BRIEN**—What role, if any, did the department have in the preparation or consideration of the terms of reference for the Productivity Commission's pricing review?

**Mr Mrdak**—The department was involved with the Commonwealth agency. We talked earlier today about the task force in the Prime Minister's department, which worked to bring forward the competition and regulation reform agenda. The department provided input to that process through our seconded officer, but also through work by an interdepartmental committee. I participated in meetings of Commonwealth and state COAG officials, which prepared draft terms of reference for the PC work on transport pricing, but also a range of other transport matters that subsequently went to COAG for consideration.

**Senator O'BRIEN**—Is there a reason other modes of transport, including shipping, were omitted from the terms of reference?

**Mr Mrdak**—The background to the terms of reference is such that, as you would be aware, there was a great deal of debate taking place between the road and rail industries about levels of cost recovery and the right amount of pricing. So the focus very much was on the debate on land transport infrastructure; hence the Productivity Commission has been tasked to look at those modes. It has also been given some terms of reference that look more broadly at impediments to efficiency in transport modes. But the focus is largely on land transport, because that is really where the debate has been about pricing signals in relation to the operation of the road and rail sectors in particular.

**Senator O'BRIEN**—In relation to the federal interstate registration scheme, on 9 May Mr Truss told the parliament: 'We have no plans to increase our own registration fees.' Does that constitute an ironclad guarantee that registration fees under FIRS will not increase?

**Mr Mrdak**—Against the background of the Australian government's decision on the NCC charges, where the Australian government took the position that an increase in fuel excise through the road user charge and registration was unwarranted at this time and could not be supported. The minister announced as part of the budget the intention, firstly, to set the road user charge at the existing rate of 19.633c per litre, which is a significant saving in the forward estimates in the heavy vehicle industry; secondly, that the Commonwealth's position was that registration charges should not increase. As you would be aware, there is a process under the existing legislation whereby there is an annual adjustment of registration charges. That has been taking place since 2001.

The Australian government's position is that that registration increase should not take place and that all jurisdictions should now resolve to not increase heavy vehicle registrations on 1 July, in accordance with that formula. The minister's statement, though, did say that, if jurisdictions did pursue registration increases, they should seek to ensure that the funding raised from the increase should be allocated to roads or to other infrastructure for heavy vehicles, but that the Australian government would not be increasing the registration charges for FIRS, the Federal Interstate Registration Scheme, from 1 July. So the Australian

government will not be increasing by the annual adjustment, which for next year would be 2.7 per cent, the annual registration charge for those FIRS vehicles.

**Senator O'BRIEN**—In a statement to the parliament on 9 May Mr Truss said that there was not a case for increased fees under FIRS 'in the absence of offsetting linked expenditure by the states and territories for roads'. Has Mr Truss put the same argument in favour of hypothecation to the Treasurer in respect of the government's fuel excise revenues?

**Mr Mrdak**—I could not comment on that latter matter. But the Australian government, through Mr Truss, have clearly put the case that they do not believe the 2.7 per cent increase in heavy vehicle registrations on 1 July is warranted and that it should not proceed. As I said earlier, he has then put the case that, if jurisdictions do decide to proceed with that increase, which he believes is unwarranted, then they should at least look to invest that back into infrastructure. That is the position that the Australian government have set out.

**Senator O'BRIEN**—How much does the Commonwealth collect in fuel excise?

**Mr Mrdak**—In total?

**Senator O'BRIEN**—Yes.

**Mr Mrdak**—I would have to give you an exact figure. It is in the budget papers. Do you mean for heavy vehicles or for all vehicles?

**Senator O'BRIEN**—For all vehicles.

**Mr Mrdak**—I would have to take that on notice and get a figure from the Treasury papers.

**Senator O'BRIEN**—Does the Commonwealth spend as much money on roads each year?

**Mr Mrdak**—There is no direct relationship between the Commonwealth revenue through fuel excise—that has been a key point ministers have made clear—and the investment in roads.

**Senator O'BRIEN**—Perhaps you could provide those two figures together on notice—the amount collected and the amount spent?

**Mr Mrdak**—The amount collected in total fuel excise and the amount spent by the Commonwealth in the coming year?

**Senator O'BRIEN**—In the current year.

**Mr Mrdak**—In the current year on road investment.

**Senator O'BRIEN**—It is a bit hard to know what you are going to collect in the coming year.

**Mr Mrdak**—I think Treasury have got some estimates but I will get you the best available figures on what current revenue is being collected through fuel excise and what our current road expenditure is.

**Senator O'BRIEN**—Is there currently an alignment between registration charges under FIRS and state and territory registration schemes?

**Mr Mrdak**—There is. Under the existing arrangements, the annual adjustment is applied to all heavy vehicles nationally, both state registered vehicles and also FIRS registered

vehicles to this point. That may change, depending on whether jurisdictions all decide to apply the annual adjustment as of 1 July or whether they follow the Commonwealth's lead and hold heavy vehicle registration charges down.

**Senator O'BRIEN**—So will further breakdown in national registration price setting result in a return to the bad practices that led to the creation of FIRS in the first place?

**Mr Mrdak**—I think that will very much depend on the decisions which states will make as to whether they apply the 2.7 per cent increase to heavy vehicle charges. It also has to be remembered that the FIRS vehicle fleet is around three per cent of the total national heavy vehicle fleet. I do not think any jurisdiction would see benefit in a return to jurisdiction shopping by heavy vehicle operators. It will depend on the decisions made by jurisdictions about whether they apply the 2.7 per cent or whether some jurisdictions apply a different rate between them. The FIRS registration category is for a specific purpose for interstate operations. And the Australian government has made a decision to hold those at the current rate.

**Senator O'BRIEN**—I take it from the minister's 9 May statement that he leaves open the chance of approving it if there is a link between the expenditure by states and territories for roads and the increase in fees under FIRS. Do I understand that correctly?

**Mr Mrdak**—He is leaving it open. His clearly stated preference in his advice to his state counterparts has been that they not increase their registration charges. However, he is saying that if they do so they should have a mind to ensuring that there is an offset expenditure in roads that takes place in those jurisdictions. But, as I say, the Australian government's position is that it will not be increasing the FIRS rate.

**Senator O'BRIEN**—There is currently an alignment. If a state or states decided that they needed to increase them and that they hypothecated the increase to roads, my understanding is that the minister does not rule out keeping the consistency of FIRS by following them. Is that is right?

**Mr Mrdak**—He may make that decision in the light of what states decide to do. At this stage, the Commonwealth's position is that it will not be increasing the FIRS rate at 1 July.

#### **Proceedings suspended from 6.29 pm to 7.33 pm**

**CHAIR**—We will reconvene and continue with Maritime and Land Transport. Thank you, Senator O'Brien.

**Senator O'BRIEN**—Turning to the national skills crisis in the transport industry, only last week the South Australian Freight Council said that a critical shortage of skilled workers in the transport and logistics industry is threatening Australia's economic growth. The Victorian Civil Construction Industry Alliance is also concerned, recently stating that there is a critical shortage of engineers and major earthmoving plant operators in Victoria. They said that, unless measures are taken, this shortage will pose a serious threat to the ongoing viability of the industry and in turn Victoria's capacity to build roads and other major infrastructure projects.

The answer to MLT04 advises that, together with the New South Wales government, the federal government has committed \$4 million over the past two years to the national



Transport and Logistics Centre. Whilst that organisation appears, from its website, to be doing some good work encouraging young people into careers in logistics and transport, it would be interesting to know how many young people have been assisted by the Transport and Logistics Centre with advice on careers in transport and logistics. Can the department help in that regard?

**Mr Wilson**—In terms of the exact numbers, I would have to take it on notice and get you the information.

**Senator O'BRIEN**—I am also interested in the number of young people placed in traineeships or apprenticeships or encouraged into transport for later tertiary studies by TALC.

**Mr Wilson**—Again, I do not have that information with me, but we will endeavour to get it from TALC.

**Senator O'BRIEN**—What details do you have?

**Mr Wilson**—With regard to the number of people that have accessed their website or utilised their services, I do not have that information with me.

**Senator O'BRIEN**—Is TALC a national or a New South Wales specific project?

**Mr Mrdak**—It is a national project. It utilised a New South Wales proposal but the Commonwealth's funding was always on the basis that it would have national application. The development of the program, which you would have seen from their website, is designed with a national agenda in mind and fits in with a number of the agendas. You mentioned the South Australian Freight Council. As you would be aware, the Australian government funds a significant proportion of those freight councils' costs, including the work they do in skills development and skill promotion and promotion of people to enter the industry; so the TALC was designed to dovetail in with those freight councils and provide a national forum for them to be able to work across development of programs.

**Senator O'BRIEN**—Can we get a state and territory breakdown of young people assisted by TALC?

**Mr Wilson**—I will endeavour to get you that.

**Senator O'BRIEN**—The answer to LC04 refers to funding in 2004-05 and 2005-06. Has Commonwealth funding come to an end or is it about to come to an end?

**Mr Wilson**—It will come to an end this financial year, 2005-06—by the end of June.

**Senator O'BRIEN**—Has the department undertaken any of its own research into the impact of the national skills crisis in the transport sector?

**Mr Wilson**—Not that I am aware of. We have provided funding, as Mr Mrdak said, through to TALC, through to the Australian Logistics Council and through to the individual state and territory freight councils, which has been utilised to promote and do work in terms of skills development in the transport and logistics area, but, as far as I am aware, the department has not done any analysis.

**Senator O'BRIEN**—What else is the department doing in the transport skills area?

**Mr Wilson**—Other than provision of funding through the ALCs? That, to my knowledge, is the limit of our funding and involvement in it.

**Mr Jones**—There is also a range of programs, transport-linked, that operate through DEST. There have been a number of initiatives there that have been worked, for example, in conjunction with the Australian Trucking Association. There have been a number of transport related initiatives under a number of the DEST programs: *Driving Australia's future*, the National Industry Skills Initiative. There have been training alliances put in place with the Australian Trucking Association, an organisation set up called TDT Australia, that operates under the aegis of the Industry Skills Council, which is focused on transport and logistics industry training issues. There is really a web of—

**Senator O'BRIEN**—The transport ITAB—the transport industry training apprenticeship board—is finished, isn't it? It has ceased to be funded.

**Mr Jones**—I am not familiar with the particular organisation you have identified. There is an organisation, TDT Australia, that is the industry skills council for the transport and logistics industry, which is an association between ATA initiatives and DEST. There are some other programs that build on those initiatives as well and there are web based applications and web portals that link in with the training systems. TALC has a cross-linking role across a number of the organisations. They all work collectively, including, as my colleagues have said, the freight councils and the Australian logistics councils. The particular initiative you flagged from South Australia is their recent announcement to do something more formal that is based in South Australia but very much builds on and links with all the other processes that are going on through TALC and the other councils and a number of these initiatives with industry, like the ATA.

**Senator O'BRIEN**—Has that got the potential to be built into a national program? Are you negotiating with other states about it?

**Mr Jones**—The Australian Freight Councils Network itself joins together all the state based freight councils and the Australian Logistics Council. The person who leads the TALC initiative is a participant in all those processes, so they do operate on a national basis. They do share information, share the successes and link through web based processes to make the information broadly available.

**Senator O'BRIEN**—But, if I want to know what the government is doing with transport linked training programs, I should ask DEST?

**Mr Jones**—DEST have information about some programs specifically. DEST are running a range of programs across a lot of the industry sectors and more broadly. They would certainly be able to offer some transport specific information from their perspective. We have some information about those programs as well.

**Senator O'BRIEN**—Now I want to turn to the question of the Australian design rule that governs vehicle speedometers. When you travel in the state of Victoria, and probably other states as well, roadside speed check devices display speeds up to 117 kilometres an hour. Over this speed, the display simply says, 'Too fast.' That is not the case with speedometers. With the speed limit being a maximum of 110 kilometres on most Australian roads, why do we need speedometers that display speeds up to 280 kilometres per hour or more?

**Mr Gascoyne**—There has been no case proved yet that restricting or truncating the maximum speed to be read by the speedometer would contribute to a reduction in road crashes and road trauma.

**Senator O'BRIEN**—That is because they do not.

**Mr Gascoyne**—There have been no studies done that—

**Senator O'BRIEN**—How do you study it if you do not buy vehicles that have those limitations?

**Mr Wilson**—I understand that the United States introduced in the seventies a reduction in the speedo readings and then removed it in, I think, around 1982, because the studies showed that there had not been a reduction in traffic accidents associated with it. That is the only study that I am aware of. That is the only practical experience that I am aware of.

One of the issues that Australia faces with speedometers and the Australian design rules is that we live in an international marketplace in the automotive industry. To move to a situation where you had Australian design rules that required the speedo to read up to 130, for instance, would put us at odds with the rest of the world. We are a very small market in the automotive market. Either that would add costs to Australian purchasers of internationally produced cars or it could take vehicles off the marketplace. Manufacturers may decide not to import vehicles into the Australian marketplace because of having to change the speedo. It would also potentially put Australian manufactured vehicles out of line with the rest of the world. It would mean that Australian manufacturing would need to produce—

**Senator O'BRIEN**—That is just not true. General Motors sells a car to Brazil that is specifically modified to use a high quantity of ethanol. It does not put them out of the market. So why would putting in a differently calibrated speedometer affect them in other markets?

**Mr Wilson**—It will add costs—

**Senator Ian Campbell**—Brazil is an enormous market compared to Australia.

**Senator O'BRIEN**—Brazil is a large market compared to Australia, but we do not sell that many cars in Brazil.

**Mr Wilson**—No, but our manufacturers would need to produce two different variants.

**Senator O'BRIEN**—But they produce them all the time. You buy a car and you specify different things. The dealer says, 'I'll order a car with this or that accessory.' So what is the difference between that and saying, 'We're going to produce 500 or 1,000 or 100 cars with a different speedo, which is differently calibrated'?

**Mr Wilson**—At the base of the argument would be a demonstration that the calibration of a speedo that read to 130 would actually produce a net benefit to the Australian economy or society.

**Senator O'BRIEN**—A lot of road safety experts say that it would be a positive and that it certainly would not hurt. What is the purpose of a speedo that displays a speed 170 kilometres an hour faster than you can legally travel? What is the purpose of a speedo? Does it have a purpose?

**Mr Wilson**—My understanding is that the international design rules specify that the vehicle's speedometer is required to accurately measure the speed of the vehicle to its maximum speed.

**Senator O'BRIEN**—Even though you cannot use it?

**Mr Wilson**—In Australia you cannot use—

**Senator O'BRIEN**—Where can you drive at 280 kilometres an hour legally?

**Mr Wilson**—In the Northern Territory, I believe.

**Senator O'BRIEN**—I thought that had changed.

**Senator Ian Campbell**—On a racetrack.

**Senator O'BRIEN**—Yes, true. In deregulated environments you can travel at speeds that are completely incompatible with public roads.

**Senator Ian Campbell**—I think you will find a racetrack is highly regulated. The main point of regulation is that all the cars are going in the same direction, generally.

**Senator O'BRIEN**—Yes, but the speed is deregulated. There are so many examples of different design rules that we have and have had over the years which we find that other manufacturers comply with to send their cars here.

**Mr Wilson**—We are pursuing a policy of harmonising with the rest of world to remove the differences, where that makes sense.

**Senator O'BRIEN**—Has the department done any work on the desirability and practicality of establishing speedometers that are more relevant to the maximum speeds that we can travel?

**Mr Wilson**—No.

**Senator O'BRIEN**—I am advised that the Australian design rules are reviewed regularly. When will ADR 18, on instrumentation, be reviewed?

**Mr Wilson**—I am not aware of it being on a work agenda for review. It has been raised and discussed a couple of times recently at the Australian Transport Ministers Council, but it has not been reviewed.

**Mr Gascoyne**—The last review of ADR 18 was in 2004. It was fully harmonised with the international vehicle standard for speedometers—the ECE regulation—at that time.

**Senator O'BRIEN**—So at that time there was no consideration given to limiting the maximum speeds that could be displayed? Alternatively, are you saying that consideration was given and the idea was rejected?

**Mr Gascoyne**—I am not aware of any consideration being given to that. Government policy is to harmonise the vehicle standards with the international UN ECE regulations. Consideration was given to harmonising the Australian design rule with the international standard, and the cost effectiveness would have been studied on that basis.

**Senator O'BRIEN**—What work was done on the cost effectiveness? Presumably that meant that some work was done on what it would cost to otherwise modify speedometers.

**Mr Gascoyne**—In fact, that led to a reduction in some of the requirements. The unique ADR that preceded the harmonised ADR had some specific requirements in relation to the locations and the set-out of the speedo, and those requirements were deleted from the ADR. It was, if anything, a cost saving, but there were certainly no additional costs in meeting the international standard.

**Senator O'BRIEN**—It follows then that no work was done on what it might cost to impose some regulatory standard.

**Mr Gascoyne**—That is correct.

**Senator O'BRIEN**—What knowledge does the department have of vehicles exported from this country with specifications arranged for the country that is ultimately importing the vehicle? Do we produce vehicles here where a modification is made for the particular market—other than the Brazil example I gave?

**Mr Wilson**—I would have to take on notice if and which vehicles would be modified to meet the specific requirements of the receiving country. I do not have the information with me.

**Senator O'BRIEN**—Do we export to any left-hand driving countries?

**Mr Gascoyne**—From time to time we certainly do. I am not quite sure if there are currently any left-hand drive vehicles being exported from Australia. The Magna was built in left-hand drive at one time when they were exporting that, but that is currently not being exported. There are some vehicles being exported into China by Holden, so they would be left-hand drive. I think the answer would be yes.

**Senator O'BRIEN**—What about India?

**Mr Gascoyne**—I am not aware of Australia exporting any vehicles to India.

**Senator O'BRIEN**—There is a vehicle which is under manufacture by Ford. I happened to hear at the Australian motoring organisation's dinner here in Canberra that they are producing a special version of a four-cylinder Ford vehicle for the Indian market.

**Mr Wilson**—If you do not mind, we will take that on notice and get the statistics on what we are exporting and any specifics of the receiving country.

**Senator O'BRIEN**—I would appreciate that. Has consideration been given to the development of an Australian design rule making seatbelts mandatory in all new buses supplied to the Australian market?

**Mr Gascoyne**—Over the years since the mid-eighties there has been a review of the safety requirements applying to the full range of buses. The culmination of that in the late eighties was the development of an Australian design rule for seatbelts in buses, ADR68, which became effective on all coaches from 1 July 1994. But, no, consideration has not been given to applying seatbelts as a mandatory requirement for, say, route service buses where there is also provision for standees, and the route service buses obviously stop regularly and need to let passengers in and out. It would be inequitable on the one hand to have belted passengers and on the other hand to have standees in the same bus.

**Senator O'BRIEN**—So the philosophy is they should all be exposed to risk if we are going to have anyone standing on the bus?

**Mr Wilson**—I am not certain that I would—

**Senator O'BRIEN**—That is what it sounds like to me.

**Mr Wilson**—Yes. It could be taken that way. I think there has been work over a number of years in terms of the risk exposure and benefits associated with seatbelts in buses that operate within the urban areas, such as route buses.

**Senator O'BRIEN**—School buses?

**Mr Wilson**—And school buses operating within the urban area. I think the work has shown that there is a lineball case in terms of the benefits that accrue from the introduction of mandatory seatbelts for buses other than coaches, which was dealt with in, I think, July 1995 in terms of the ADR. It shows it is lineball because of the very reasons that Mr Gascoyne outlined and because of the additional costs required to make seatbelts mandatory in all route buses and all school buses due to the need for a significant increase in the number of buses in order to have all passengers belted.

**CHAIR**—What does that mean? You would have fewer per seat?

**Mr Wilson**—No, you would have fewer per bus.

**CHAIR**—Why?

**Mr Wilson**—Because people would not be allowed to stand. In addition, with school buses you will often find three children per seat as opposed to two passengers per seat, which is what you would end up with in terms of seatbelting.

**CHAIR**—But you would have a lot more school bus drivers that would not retire, freaked out from trying to get the kids to sit down and not run around. It is a nightmare in some of the school buses that I have been on, trying to get kids to sit down.

**Mr Wilson**—I am not necessarily certain that the provision of seatbelts in the bus would reduce the stress on the driver!

**Mr Gascoyne**—There is nothing precluding seatbelts in school buses at the moment. School buses are all contracted services and there is nothing precluding the contractor from specifying buses fitted with seatbelts for that contract service.

**Senator Ian Campbell**—We will have it trialled. I think Western Australia has decided to fund a rollout of seatbelts in school buses.

**Mr Gascoyne**—Yes. The states are looking at a risk based approach: which routes, where the buses travel at high speed, where the narrow roads are and where the steep roads are. They are targeting those routes for the application of buses with seatbelts.

**CHAIR**—The decision-makers ought to actually drive a school bus once or twice to understand what goes on in a school bus.

**Senator O'BRIEN**—I suspect it would vary by school bus, but I know that there are a lot of parents in regional areas whose kids travel reasonable distances who would like them specified and certainly think that that would be a major improvement.

**Mr Mrdak**—This was discussed at the Australian Transport Council ministerial meeting at the end of last year where the Australian Transport Council adopted guidelines, as Mr Gascoyne has outlined, for routes and where states may choose to require those as parts of contracts. There was a fair bit of discussion by ministers at that meeting, based on the technical advice, of what is possible. There are issues about the cabin strength and the like to be able to have seatbelts in a number of the older buses. This is a real issue in relation to the capacity to fit seatbelts into some of these older models. All of those issues came to the fore in the ministerial discussion around this.

**Senator O'BRIEN**—That is why I asked the question: has consideration been given to the development of an ADR making seatbelts mandatory on all new school buses supplied to the Australian market?

**Mr Mrdak**—Consideration has been given. To this point, jurisdictions have favoured adopting a guideline type approach which is risk specific to certain routes, where they require certain categories of buses, some of which have seatbelts, on certain routes because of the higher risk profile of those routes. That is the approach that jurisdictions have taken to this point.

**Senator O'BRIEN**—Are you aware of the cost differential in supplying a new school bus fitted with a lap sash seatbelt over one without?

**Mr Wilson**—I am certain somewhere within the department we would have that information. I do not have the information with me.

**Senator O'BRIEN**—You can supply that to the committee?

**Mr Mrdak**—We will take it on notice. As I say, my understanding is that there has been some detailed analysis done in the past, as Mr Wilson has outlined, in relation to the costs and benefits, particularly of retrofitting some of the older categories of buses which are currently operating in schools.

**CHAIR**—The licence requirements for a school bus allow for so many people to stand, do they?

**Senator O'BRIEN**—More like in the cities where there is a moving commuter bus.

**Mr Wilson**—As Senator O'Brien indicated, you get a mixture. In an urban centre like Canberra you will find that the school buses are normal route buses for the remainder of the day, so they are not dedicated school buses. You will also find that they therefore operate pretty much as a route bus, so you will find children standing on those buses. One of the issues that we have had discussions with the states on is that to mandate all school buses to have seatbelts will actually impact on their costs because they will then have to operate school bus routes with a reduced number of passengers per school bus and an increased number of school buses.

**CHAIR**—My question, to save the longwinded approach to it, is: if you have a bus run that is 100 kilometres—and there are plenty of them—would the licensing profile for that school bus mean everyone should have their backside in a seat?

**Mr Wilson**—I would have to check.

**CHAIR**—If that were the case then the seatbelt thing would not be such a big deal because there would be a licensed number required on the bus, and if that fits the profile of the seats without having three or four to the seat then the seatbelt thing would not be such a big deal—and the longer the journey, of course, the more benefit.

**Mr Wilson**—I would have to check the licensing arrangements of the individual states. I am assuming—I do not know—that they will vary between the states in terms of how they contract the provision of school bus routes, how they license the individual operators and what vehicles the individual operators utilise to provide the services. I will take it on notice in terms of that.

**CHAIR**—What I am really saying is that obviously if the licensing allows people to stand during a 50- or 100-kilometre journey, which I think is crazy—and that is probably why there are three to a seat if it is the case—it would make a bit of sense to have seatbelts.

**Mr Wilson**—That would be a decision for the individual states because, as Mr Gascoyne rightly pointed out, they are the ones that contract out for the service and they can specify within those contracts the requirements for the provision of those services, including the provision of seatbelts for longer distance journeys. One of the driving rationales behind the adoption of the guidelines by the Australian Transport Ministers Council in November of last year was that it is not one size fits all. There are differing school routes. Services that come down through the mountains in Queensland are different to those that are provided by the ACT government within the confines of Canberra, which are different again from the country routes that are travelled out in New South Wales. So it is not quite just one size fits all.

**Senator O'BRIEN**—The Monash University Accident Research Centre suggests that road fatalities in Victoria alone could be reduced by up to 16 per cent through the introduction of day running lights. A number of cars imported to Australia come with day running lights as standard. Has the department researched the effectiveness of day running lights?

**Mr Wilson**—I do not believe—and Mr Gascoyne will correct me if I get this wrong—that we have done any independent research into the effect of daytime running lights. I believe that there was a study undertaken by the Australian Road Research Board for the Australian Transport Safety Bureau in 2003, which indicated that there may be a reduction in accidents with the introduction of running lights. There has also been some work done at an international level and there is consideration under way in the EU, in terms of the UN ECE regulations, in respect of an international adoption of daytime running lights. At this stage the department is holding its powder dry until that consideration is completed before we finalise a viewpoint on it.

**Senator O'BRIEN**—When is that going to be?

**Mr Wilson**—I do not have the information with me in terms of when that work will be completed or when a consideration will be finalised, but I can get that to you.

**Senator HOGG**—In respect of overseas studies, have you looked at the Canadian situation? I understand that that is the situation in Canada and that it has led to a reduction in the number of accidents and also the number of deaths on the road, unless they have changed in the last 18 months. I do not think they have.



**Mr Gascoyne**—No. I have not looked at the Canadian study.

**Senator HOGG**—I do not know if it is a study but it is law over there and I am suggesting that it might be worthwhile; if you want to look at something that is in operation, to look at the Canadian situation.

**CHAIR**—While we are waiting for Senator O'Brien's next question, may I wish the minister a happy birthday.

**Senator O'BRIEN**—I have been given to understand that the position of the Commonwealth is that it does not support the introduction of day running lights but that you will examine the latest overseas research. Is that an accurate statement of the Commonwealth's position?

**Mr Wilson**—That accurately paraphrases my very long and tortuous answer before.

**Senator O'BRIEN**—On the states' positions on the matter, I believe New South Wales and Victoria both support day running lights—is that right?

**Mr Gascoyne**—Yes. That appears to be correct.

**Senator O'BRIEN**—Western Australia would support a national movement in that direction.

**Mr Gascoyne**—Yes.

**Senator O'BRIEN**—What would be required for an ADR move in that direction: unanimity with the states and the Commonwealth, or a majority?

**Mr Gascoyne**—The process would normally be consistent with the government's policy of harmonising with the international UN ECE regulations. We would be participating in that process and we do attend the WP29 meetings in Geneva and contribute to that process. Once there was a daytime running lights ECE regulation then we would give consideration to adopting that as an Australian design rule. You would need to meet the COAG principles so there would need to be a regulatory impact statement and the cost effectiveness of introducing that new Australian design rule in Australia would need to be demonstrated. Then it would go through the processes, through to the ATC process, where it would be voted on by the transport ministers.

**CHAIR**—God help us! That is a great bureaucratic answer but I have to say, with great respect, if it is going to be a safer way—well, I would be dead now if a semitrailer had not flicked his lights at me in Gundagai one day. It woke me up and got me on the right side of the road. But, if driving with lights on is going to make it safer, why would you worry about what the UN thought? What the hell has that got to do with Australia?

**Mr Gascoyne**—It needs to be demonstrated that it is going to make it safer.

**CHAIR**—Aren't we the masters of our own destiny?

**Mr Gascoyne**—The government's policy is to harmonise with EEC regulations.

**CHAIR**—I would do it tomorrow morning.

**Mr Gascoyne**—Industry strongly support that initiative.

**Senator O'BRIEN**—Industry?

**Mr Gascoyne**—The manufacturing industry support the initiative of international harmonisation.

**Senator O'BRIEN**—They would, wouldn't they?

**CHAIR**—If you have an ignition and when you turn the ignition off and open the door the lights go out so you do not have a flat battery in the school bus when you get back—

**Mr Gascoyne**—Senator, there are some issues with lights being on, in terms of masking other objects that need to be seen on the road. Do headlights on during the daytime mask pedestrians? Do they mask push cyclists on the road? I do not think we know the answers to all of those questions.

**CHAIR**—I would have thought, if they did, that there would be a ban on having your lights on during the day.

**Mr Gascoyne**—The work needs to be done.

**CHAIR**—We are half-pregnant on this issue, are we?

**Mr Wilson**—We do not have sufficient empirical data to make a decision one way or the other.

**CHAIR**—Fair enough.

**Senator O'BRIEN**—What is the Dutch study that DOTARS is referring the states to?

**Mr Wilson**—I understand this means some work undertaken by the government in the Netherlands to examine the effects of daytime running lights in their conditions.

**Senator HOGG**—Is there any money allocated in the budget to undertake any research in this area?

**Mr Wilson**—I do not believe there is.

**Mr Gascoyne**—Not specifically in this area, no.

**Senator HOGG**—Not specifically. Is there any discretionary amount that you have within your budget portfolio to be able to exercise initiative to undertake a study in this area?

**Mr Wilson**—The Maritime and Land Transport Division does have funding in 2006-07 for research programming into issues associated with vehicle design. It does not at this stage have an allocation associated with daytime running lights.

**Senator HOGG**—I understand and I accept that, but my question goes in a slightly different direction. Do you have a discretionary pool of funds that you are able to tap into to undertake or at least kick off any research that might be additional to what is already allocated in the budget? Failing that, is it possible for you to seek, even at this early stage, supplementation from the government to undertake such a study or to have such a study commenced?

**Mr Wilson**—Mr Mrdak will no doubt correct me if I get this wrong. The department does not have a discretionary fund within its budget for such work. Would it be possible to seek additional funding from the government to do so? I believe that the next opportunity would be the additional estimates bidding phase.

**Senator HOGG**—I accept that, but the additional estimates will be sometime in early February next year, I think. Is that right?

**Mr Wilson**—The processes in terms of bidding for that would be around October.

**Senator HOGG**—All right. So it is not necessarily something that you would have to put off the agenda completely until the 2007-08 financial year.

**Mr Wilson**—No.

**Senator HOGG**—If you could make relevant inquiries overseas and you think that there may be some justification for pursuing this issue, then it is within your bailiwick to make representations at the additional estimates to get funding to carry on a full-blown research project to either give it a tick or say, no, it is of no use whatsoever.

**Mr Wilson**—That is correct. That would be the process.

**Senator HOGG**—To me, that seems to be a reasonable process.

**CHAIR**—Could I ask another dumb question? Should some colours of cars be banned? In my experience—and I have been booked many times—when driving at dusk, some cars because of their colour sort of disappear into the road surface. As Mr Gascoyne said, there is a bit of work to be done on lights, but should we be doing work on the colour of cars? Mr Gascoyne, you can answer that.

**Mr Gascoyne**—I am not aware of any studies that have been done on the colour of cars, but I am sure they have been done. I am not aware of any proposals anywhere around the world to mandate—

**CHAIR**—There are one or two colours that are really bad; grey, for instance.

**Mr Gascoyne**—Intuitively, you would expect so. I expect the research would prove that there are some colours which are inherently safer than others.

**CHAIR**—If we were fair dinkum, we would probably do something about that too. You do not have to answer that.

**Senator McLUCAS**—I have been trying to research the approvals for motorised wheelchairs and motorised scooters to be used on the road, and I understand DOTARS does approve motorised scooters under what you call a non-transport approval. Is this the right area in which to ask questions on this matter?

**Mr Gascoyne**—Are you talking about mobility devices for the disabled?

**Senator McLUCAS**—Yes. I am trying to understand what the definition of each of them is. There are motorised wheelchairs that I understand have a different set of standards and approvals to motorised scooters. Can you help me in terms of what is approved under what regime and where.

**Mr Gascoyne**—There was a ministerial determination made about two years ago to exempt certain mobility devices from the application of the Motor Vehicle Standards Act, and the criteria were a maximum speed of less 10 kilometres per hour, a maximum unladen mass of less than 240 kilograms—

**Senator Ian Campbell**—I want to know what their speedos go up to.

**Mr Gascoyne**—I could be wrong there. It is either 220 or 240 kilograms.

**Senator McLUCAS**—Is this for motorised mobility wheelchairs, Mr Gascoyne?

**Mr Gascoyne**—Yes.

**Senator McLUCAS**—My document says an unladen mass of 40.

**Mr Gascoyne**—These are battery powered, so they are quite a lot heavier than that. If you have seen a motorised wheelchair, they are quite a heavy device and the batteries alone would weigh more than 40 kilograms. There might have been other criteria. I would need to take that on notice and give you the specific criteria in that determination, but the point is there was a determination made to exempt motorised mobility devices from the application of the Motor Vehicle Standards Act.

**Senator McLUCAS**—Are mobility scooters, which are the bigger machines rather than motorised wheelchairs, also excluded from the application of the act?

**Mr Gascoyne**—Only if they meet the criteria. If they exceed the criteria—if they have a speed limit potentially greater than that—then they are motor vehicles under the act and would need to meet the Australian design rules.

**Senator McLUCAS**—So you make a judgment on each application for importation?

**Mr Gascoyne**—That is correct. We assess the technical specifications of each vehicle or wheelchair or motorised scooter to be imported and make an assessment of whether it needs to comply with the act or not.

**Senator McLUCAS**—An issue associated with this is the ability for scooters to be tied down and their compatibility with tie-down mechanisms on buses. Is that an issue that you are aware of?

**Mr Gascoyne**—No. I am aware that there is an Australian standard that specifies the tie-down requirements for wheelchairs, but that is not an Australian standard that is referred to in the Australian design rules.

**Mr Jones**—I think there are framework rules that are potentially part of the disability standards under the Disability Discrimination Act. We could check what is the nature of the specific transport standards under that act on these issues.

**Senator McLUCAS**—Are they for the scooters to operate on footpaths and potentially on roads as well?

**Mr Jones**—The scope of what the particular vehicles can do, I could not answer off the top of my head, but we can certainly follow that up

**Mr Mrdak**—We will take these matters on notice, Senator, and come back to you.

**Senator McLUCAS**—Thank you.

**Mr Mrdak**—I would like to add to an answer we gave earlier in the day. Senator O'Brien asked about the Booz Allen Hamilton work that was done. I am advised that the cost was approximately \$77,000, and that initial report was provided to Minister Anderson in the middle of 2005. That work is now feeding into our work with New South Wales in relation to funding and financing options for the Pacific Highway.

**CHAIR**—Thank you for that, Mr Mrdak.

**CHAIR**—We move to the Australian Transport Safety Bureau and, in continuum, Senator O'Brien.

**Senator O'BRIEN**—You will not be surprised that I want to ask some questions about the Australian New Car Assessment Program. In Europe and North America, testing is primarily funded by government. What funding does the Commonwealth provide to ANCAP?

**Mr Bills**—One of the recommendations of the Neville committee that the government responded to last December was that the government join ANCAP and contribute half a million dollars per annum to its work. The government response was that it did not support that but that it did provide limited funding to ANCAP in 2004-05, which was from the ATSB budget, and that was for a specific purpose: pole testing for curtain airbags for four-wheel drive and crossover vehicles. That was a one-off half a million dollars last year. The government response, as I say, is in response to recommendation 18 in the Neville report.

**Senator O'BRIEN**—So they have made a one-off payment of \$500,000 but, unlike their counterparts in Europe and North America, they are not prepared to fund this sort of crash testing of vehicles to advise consumers of the safety or otherwise of particular vehicles?

**Mr Bills**—That is correct—either through our budget or through the VSSB budget that has just been examined, which would be the normal place where you would find that sort of testing. We do fund research on used vehicles, which provides guidance to consumers on vehicles that are not new, involved in crashes, and, as I say, there was that one-off payment last year.

**Senator O'BRIEN**—You would be aware that ANCAP tests vehicles and provides consumers with valuable information on occupant safety in serious front and side crashes. The Australasian College of Road Safety has identified rollover accidents as a major cause of road deaths—one in every five fatalities. Has the department considered funding rollover testing as an addition to the suite of tests undertaken by ANCAP?

**Mr Bills**—I am aware that there is some funding, again from the VSSB program, but Mr Motha might be able to give some further detail on that.

**Mr Motha**—I think there is a proposal that has been put forward by Professor Raphael Grzebieta, from Monash University, who is doing some research in this area, and consideration is being given to some support for that program.

**Senator O'BRIEN**—It would be funding to Monash University Accident Research Centre, would it?

**Mr Motha**—Professor Grzebieta has a consortium. He is attached to Monash but he also has a consortium of experts—I think it is called DV Experts—and he works in association with a number of academics from various universities who have special expertise in this area. About five of them with different types of expertise have come together, and I think they are planning a fairly major research proposal in this area. I am also aware that there is work going on in the US on this issue as well.

**Senator O'BRIEN**—What has the government got against ANCAP? If it is looking to fund DV Experts, could that research not have been conducted by ANCAP?

**Mr Bills**—This is really an issue for the Vehicle Safety Standards Branch. Let me paraphrase what I understand to be their position. It is that they would prefer to fund research in areas where there is a clear safety benefit, given the limited money that they have available. They have a concern that ANCAP testing can encourage vehicles to be designed to pass ANCAP tests. That is a position that VSSB has enunciated before, but, if they want to add to that, I am sure they can come to the table and do so.

**Senator O'BRIEN**—What would be bad about them passing the sort of destructive testing that ANCAP subjects vehicles to?

**Mr Bills**—I think they should answer on their own behalf, rather than me attempting to do so.

**Mr Gascoyne**—Could I speak to that one on behalf of vehicle safety standards? As Mr Bills mentioned, we do participate in ANCAP where there is a mutual benefit. There have been a number of times where that has happened in the past, and there is a project on electronic stability control where we will be working with ANCAP in the near future. We do have some reservations about their program.

Let us look at a few specific instances. The offset frontal crash test is part of ANCAP. They conduct the test at the speed of 64 kilometres per hour, whereas the Australian design rule requirement is for the test to be conducted at 56 kilometres per hour. The test equipment is specifically calibrated for the test to be conducted at the ADR speed. The offset frontal crash test consists of a vehicle half-side engaging front-on to a honeycomb barrier, and that barrier is very carefully designed to be struck at that speed. Striking that barrier at the higher speed is very likely to collapse that barrier. It is solid. For manufacturers designing vehicles to perform well in the ANCAP test, there is incentive to design the vehicles to be much more rigid, much more solid, to get a higher ANCAP result, which is not required to meet the ADR. The problem with manufacturers designing vehicles in that way is that when they have a real car crash with another car they are much more likely to cause more serious damage to the other car.

ANCAP tests vehicles to the offset frontal crash tests that the ADR does. Four-wheel drive vehicles are tested in ANCAP to the offset frontal crash test, and that category of vehicle is not required under the ADRs to meet the offset frontal crash test. ANCAP does a side intrusion test on a greater range of categories of vehicles than the ADR requires it to. So there are some philosophical differences between ANCAP and the ADRs. For that reason, we do not offer our blanket support to that program, but we do participate in special activities with them.

**Senator O'BRIEN**—There are plenty of cars that get good scores under ANCAP. You are saying that they are actually dangerous, are you?

**Mr Gascoyne**—They could be. It could be that it drives manufacturers, in some cases, in the wrong direction. Manufacturers are prone to designing cars to get the highest ANCAP result. That might represent a very narrow scenario of crashes they are designing the vehicle for, rather than as per the ADR minimum performance requirement, and then designing it to perform well over a much wider range of crash scenarios. So it is a possibility.

**CHAIR**—But surely the minimum standard in Australia for a car would be above the dangerous benchmark?

**Mr Gascoyne**—The ADR is a minimum performance requirement, so the manufacturers must at least achieve that, but there is no limit to how far they can exceed it, of course.

**Senator O'BRIEN**—Let us take the example of the Barina that we talked about earlier today that ANCAP says rates two out of five. The same model, which happens to be manufactured for Europe in a different country to different specifications but appears to be the same car, rates much higher in European tests. What does VSSB know about that one? It has been in the news.

**Mr Gascoyne**—I am aware of that ANCAP result. I do not know why there would be the difference between the European and Australian ANCAP results.

**Senator O'BRIEN**—It is a different car. It is manufactured in a different country from the cars that are sold in Europe—which are ostensibly the same but obviously not.

**Mr Gascoyne**—Sometimes cars manufactured in different countries can be the same car, but I am not aware of the European specification. We only know the Australian specification, so it may well be that it is a different specification.

**Senator O'BRIEN**—The Barina is South Korean, isn't it? The Barina sold in this country is manufactured in South Korea.

**Mr Gascoyne**—It never used to be, but I believe it is now from South Korea. It could be the same specification as the other vehicle.

**Senator O'BRIEN**—You might be right, although I am told by the NRMA that it is not. The department is not sure? It is not something the department has looked into? I am interested because you have a criticism of ANCAP. This is a specific example where ANCAP is saying, 'This vehicle is not up to the same standard as its predecessor model and it's not up to the standard of a similar vehicle manufactured in Europe.'

**Mr Gascoyne**—We would not be aware of the specifications of vehicles supplied to markets other than Australia.

**CHAIR**—I do not know what you are doing to the sales of the Barina, I have to say.

**Senator O'BRIEN**—You are doing more than I am, I can assure you.

**CHAIR**—Surely there must be a hurdle over which every car that is sold in Australia has to jump before it is put on the market, which says, 'This is a safe vehicle to drive.'

**Mr Gascoyne**—That is the Australian design rules, yes. Every car needs to meet the Australian design rules before it is allowed to be supplied to the market in Australia.

**Senator O'BRIEN**—And we are harmonising those rules with the Europeans?

**Mr Gascoyne**—With the international UN ECE requirements.

**Senator O'BRIEN**—There is a car that is ostensibly the same, but it happens to be manufactured in a different country and there is something different, and it is ending up with a different rating. I think there are two raters in Europe. In Europe the car is rated quite highly, and when it comes here and is tested by ANCAP it rates two.

**Mr Wilson**—As Mr Gascoyne indicated, the car needs to meet the minimum standards as prescribed in the Australian design rules, but they are a minimum level of design rather than a maximum prescribed level of design, so the two vehicles will have different safety features.

**Senator O'BRIEN**—One might be manufactured to cost.

**Mr Wilson**—They will be manufactured into a certain segment of the marketplace.

**Senator O'BRIEN**—Young people.

**Mr Wilson**—So what you will find is that the vehicle that is being supplied into the Australian market as the Barina, vis-a-vis into the European market as the Barina, has slightly different variances in the same model, having different safety features. My understanding of the two different models is that the major differential is side window airbags.

**Senator O'BRIEN**—That is not what I was told, but I do not profess to be an expert. The point that I am seeking to have addressed is: if ANCAP is simply revealing from the point of view of a motoring consumer organisation what it thinks the safety standard of a vehicle is and leaving it for the purchaser to judge whether they want to pay for a higher standard, why can the Commonwealth not be involved? I am not convinced, Mr Gascoyne, by the argument about the cars not being as safe because they are too tough.

**Mr Wilson**—It is not necessarily a question of the car being too tough. What you will find, as Mr Gascoyne indicated, is that there is a balancing point on the rigidity of the vehicle to impact on a stationary object. The honeycomb is designed to crumple. Vehicle design has changed over time from a rigid vehicle design to a design where the body of the vehicle is used to absorb the impact. It has a crumple zone. The testing at 64 kilometres an hour as opposed to 56 kilometres an hour will give you a different result.

**Senator O'BRIEN**—You would expect so.

**Mr Wilson**—The Commonwealth does participate with ANCAP on certain areas where it sees mutual benefits but it does not contribute on an ongoing basis to the program.

**Senator O'BRIEN**—I understand that some state governments contribute to ANCAP. Is that right?

**Mr Wilson**—That is correct.

**Senator O'BRIEN**—The next subject I was going to go into, if no-one else has questions on that, is the Australian Road Assessment Program, which I think is ATSB again, isn't it? It has undertaken important work in showing the safety of the AusLink national network. How much funding has the Commonwealth provided AusRAP since its inception?

**Mr Bills**—Minister Lloyd announced on 21 June last year that the government, through the ATSB, was providing \$350,000 in 2004-05 for data and analysis work associated with AusRAP. That is the commitment that has been made to date.

**Senator O'BRIEN**—Full stop?

**Mr Bills**—Full stop, but the minister is considering a possible contribution again.

**Senator O'BRIEN**—How does the department use the AusRAP data? That is not just a question for you, unfortunately.



**Mr Bills**—No. We have not used it in any particular sense. We thought it was a useful thing to fund, based on the experience of similar programs around the world, given that, as we discussed last time, road safety really relies on a combination of good roads, good vehicles, good drivers and other factors, so roads are obviously one of the key factors. I hope that, as that data set matures, it is going to lead to more effective safety interventions on the roads.

**Senator O'BRIEN**—Was ATSB in any way involved in advising government on the allocation of road funding in the budget?

**Mr Bills**—No.

**Senator O'BRIEN**—On the question of safety, the road death rate continues to be a national tragedy. Over the recent Easter holiday period, another 21 Australians lost their lives. I am interested in the work the ATSB and the government more generally are doing to reduce the national road toll. In November 2000, the then Deputy Prime Minister and Minister for Transport and Regional Services launched the National Road Safety Strategy, which had a target of reducing the road toll by 40 per cent by 2010. How are we progressing towards that target?

**Mr Bills**—The launch of the National Road Safety Strategy 2001-2010 was actually by the Australian Transport Council of Ministers. It is important to recognise that all ministers were involved in that launch. It involved primary schoolkids—in the heat, unfortunately—representing what the road toll was on that day and demonstrating quite graphically just how bad it is each year. The whole strategy is based on a cooperative effort between the Commonwealth, the states, local government, manufacturers, road users and a number of other parties. That is the whole nature of the strategy.

In terms of how it is going, at the end of 2004 it was looking reasonable. There was reasonable pro rata progress towards that 40 per cent reduction. But in 2005 things went in reverse. From a starting point of 9.3 fatalities per 100,000 population, in March this year we were at about 8.1. To have been making pro rata progress towards the target nationally we should have been at 7.1. You can disaggregate that by states, because some states are doing better than others, and you can also look at it by road user groups, age groups and other things to look at the factors why that is far worse than had been hoped.

**CHAIR**—If you were to summarise what we have to do to achieve the target, would it be more experience, less speed or less grog?

**Mr Bills**—There are all the usual suspects, as in seatbelts, alcohol, fatigue, distraction and speed. All of those things are terribly important. If every jurisdiction implemented the known measures that are best practice, that would make a tremendous difference. There is a lot of willpower involved in this.

**CHAIR**—Or even the blind spot. I presume everyone at the table has experienced a blind spot incident. If you do not turn your head, you get a surprise.

**Mr Bills**—Correct.

**Senator O'BRIEN**—We might achieve it with vehicle stability control being mandated, too.

**Mr Bills**—That is certainly considered by the Victorian coroner and others as a magic bullet. There are a number of technology fixes like that already in vehicles that could be rolled out more generally.

**Senator O'BRIEN**—Flexible barriers.

**Mr Bills**—Correct—getting rid of trees. There are a lot of things that could make a huge difference.

**Senator O'BRIEN**—Or put in flexible barriers in front of the tree line.

**Mr Bills**—Correct, and drivers being more mindful of their behaviour on the roads, in terms of speed, not using mobile phones or programming the CD player, or whatever it might be.

**Senator O'BRIEN**—Has the government proposed any new initiatives in the budget to help realise the goal of fewer road fatalities?

**Mr Bills**—What is happening is that road safety is on the agenda for the next meeting of the Australian Transport Council, which is next week. It is, I think, listed at agenda item 5, which is high up in the agenda. The ministers were keen to see that happen. Mr Motha has been working with some international and domestic experts as well as the jurisdictions, to look at new ideas, and that is going to feed into another action plan. In the normal course of events, every two years there is a new action plan, so there is one at the moment for 2005 and 2006. The next one will be from January 2007, so that needs to go to ministers at the end of the year. We are certainly looking at new initiatives.

**CHAIR**—I think Western Australia has adopted late night P-plate driving bans. Are we likely to adopt that?

**Mr Bills**—Curfews and things like that?

**CHAIR**—Yes.

**Mr Bills**—All of the menu items in each jurisdiction get looked at as to what is best practice and what can really make a big difference. Certainly it is true that the 17- to 25-year-old age group is still overrepresented in the death statistics.

**Senator O'BRIEN**—They are driving all sorts of cars, too—especially the ones that are at the bottom of the cost list and bottom of the safety specification list, aren't they?

**Mr Bills**—Correct.

**Senator O'BRIEN**—Has ATSB done any work on the strategies employed overseas to reduce road deaths?

**Mr Bills**—Yes, we have. Mr Motha, do you want to say a few words?

**Mr Motha**—As Mr Bills said, we are currently going through a process where we are looking at the strategy. We are reviewing it at its midpoint and looking at what has worked and what has not, looking at a number of issues in terms of the current action plan, assessing progress against what is in the plan and, as part of that process, developing a new one. In doing that, we are drawing upon international practice. We have a group of five experts, two of them Australian and three from overseas—one from Canada, one from the UK and one

from New Zealand. Some of them are reviewing their own action plans and strategies at the moment, so we are getting input from them to help us do this.

**Senator O'BRIEN**—Has any research been undertaken into the Swedish National Road Administration's approach to road safety, including a zero road death target?

**Mr Motha**—Yes. I would not say 'research', but we have looked at it. I presume that you mean Vision Zero?

**Senator O'BRIEN**—Yes.

**Mr Motha**—Vision Zero was introduced in Sweden in 1995 and it was promulgated by the Swedish parliament in 1997. It was around when we formulated the current strategy in 2000, so we did look at it, but it was not accepted at the time. Australia decided to pursue a far more practical, more pragmatic approach to road safety than Vision Zero. Vision Zero is a vision. It is a laudable vision but it remains a vision.

**Senator O'BRIEN**—It is getting results, though, isn't it?

**CHAIR**—But don't they have a vision in 20 years to have no oil use at all: they are all going to be on pushbikes or something? They actually have a strategy—which has come up in our oil inquiry, for anyone that is on it—that they are not going to use oil in 20 years time.

**Senator O'BRIEN**—They still want cars.

**CHAIR**—Yes.

**Senator O'BRIEN**—I do not think that is their road safety strategy.

**CHAIR**—I thought they might have been going to Malvern Stars.

**Mr Motha**—The practice that we adopted in Australia was to have a 40 per cent reduction target, as Mr Bills said, supported by a framework of action plans. Vision Zero in Sweden has the objective of a zero road toll, but there is no time limit on it. As far as I know, there is no publicly available strategy to achieve it and, although it is a very good objective, we have incorporated a number of Vision Zero principles in our current action plan, which is based on a systems approach to road safety.

**Senator O'BRIEN**—They have not achieved it but they have dropped the road death toll per 100,000. It was probably about 11 or 12 per 100,000 when they started and it is down to about six or seven.

**Mr Motha**—They are among the best in the world. There are three or four countries that have a rate of about six currently. The UK is one, and there are the Netherlands, Sweden and Norway. They are the four top countries, and they all have rates of about six. That compares to about 8.1 at the moment for Australia, so we are not far behind but we have a fair bit of catching up to do.

**CHAIR**—We have breath testing, or whatever you would like to call it. Are we going to go to drug testing? These days, with the younger generation, recreational drugs are a bigger problem probably than alcohol.

**Senator O'BRIEN**—There is already drug testing.

**Mr Bills**—Victoria is taking the lead in that.

**CHAIR**—Yes, but are we likely to nationalise that?

**Mr Bills**—It is up to ministers of the Australian Transport Council as to whether they will sign up all jurisdictions. But certainly Victoria may well argue for that as we review the action plan for 2007 and 2008.

**CHAIR**—What about noise—in other words, the boom, boom, boom? What do you call them?

**Mr Bills**—The boom boxes.

**CHAIR**—I know a bloke who was run over by a train. The train was blowing its whistle and he could not hear it because of the—what do you call those things?

**Mr Bills**—Sub-woofers.

**CHAIR**—There are lots of things I guess we can do.

**Mr Bills**—There are lots of things that can be done. I saw an article about the UK, I think last week, talking about banning smoking again in cars, not because of health reasons but because of the distraction element. I am not advocating that; I am just noting it.

**CHAIR**—I take it that satellite navigation is also a hazard.

**Senator O'BRIEN**—Probably is. Programming it is, yes.

**Mr Bills**—It could be.

**Senator O'BRIEN**—Mobile telephone usage has been identified as a cause of significant distraction and some work, I believe, has been undertaken by ATSB on this. What are the key findings of that work?

**Mr Motha**—There are a number of studies on mobile phone use. In fact, we have a chapter in the book we produced in 2004—you may be aware of this book. We have a chapter in here that summarises the research. We did not do research of our own; we summarised the research of other people. One of the key findings was that hands-free is as distracting, or possibly more distracting in some cases, than hands-held. The reason for that is that it is not so much the act of using the phone; it is the distraction effect of the actual conversation itself, particularly if that conversation is a fairly stressful one.

**Mr Bills**—The same book, I should say, also talks about the colour of cars, Mr Chairman.

**CHAIR**—Yes.

**Mr Bills**—We will be happy to make sure you have a copy.

**Senator O'BRIEN**—We had better do that.

**Mr Motha**—I might add that in the latest survey of community attitudes that we did, which was for last year, we included mobile phone use for the first time. We found that 84 per cent of respondents indicated that they used a mobile phone—not that they actually used it while driving but that they had a mobile phone. Of that 84 per cent, I think roughly 47 or 48 per cent admitted to using it while driving. That is a fairly significant finding.

**Senator O'BRIEN**—You mean using it without a hands-free—

**Mr Motha**—Probably using a hand-held phone. I do not know if the distinction was made, but I think it was hand held.

**CHAIR**—I think I agree with your analysis. If you are hands free, you tend to be more comfortable and focused on your conversation than if you put the bloody thing up to your ear. You can become sort of away in some other space while you are driving.

**Senator Ian Campbell**—You are very alert when you have it up there because you are always looking around for the police!

**Senator O'BRIEN**—The admission is now in the *Hansard*!

**CHAIR**—All we have to get out of you now is how old you are!

**Senator Ian Campbell**—I suspect the other issue is trying to dial a number when it is on hands free. That is a big distraction.

**CHAIR**—It depends on where the phone is.

**Senator STEPHENS**—You will have to train your phone to recognise your voice, Minister.

**Senator Ian Campbell**—It would not work very well today with my voice.

**Senator O'BRIEN**—In-car DVD systems have become a popular form of distraction for children. What about driver distraction?

**Mr Motha**—Road rule No. 299 prohibits the use of any video equipment that is visible to the driver, except any driver aid—like a navigational system, for example. So it prohibits that. There could be after-market fitments, but the rule exists.

**CHAIR**—So you do not think we should have a system where, once the ignition key is turned on, that all gets turned off?

**Mr Motha**—It depends on what you are using in the vehicle, because there are some legitimate devices that are powered by the vehicle that can be used. What the rule prohibits is video devices that—

**CHAIR**—But the difficulty with nav aids is that we are all lazy buggers and, as you are probably aware, you will never find your way around a city if you go by taxi all the time. You have to drive yourself to work out where you are. So the more we rely on nav aids, the more we are likely to be looking at it, because the lazier we will get—we will say, 'We'll just turn this on'—and so the higher, surely in time, the risk will become.

**Mr Motha**—Technology is a double-edged sword, because you have a number of these devices. I think the future of road safety, as Mr Bills was alluding to, is in intelligent transport systems. Some of these are what are called intelligent transport systems and they help to improve safety, but at the same time there is the impact of the interface with the driver and the user, which can be distracting. So one has to then somehow manage the downside effects of technology and somehow manage those negative effects while trying to extract the best benefits from the technology. That is the challenge, particularly for ergonomics and for the design of these types of instruments.

**Mr Bills**—Going back to in-car DVDs, personally I would not like to see them in a car with a volume that the driver could hear, because the music for movies is quite powerful and quite distracting. If you have headphones or whatever for the kids in the back seat, that may be fine.

**Senator Ian Campbell**—The other side of DVDs in the back of a car, though, goes back to your bus example and having a bunch of kids on a school bus. I think when you have a young family in a car, from my own experience and friends' experience—

**CHAIR**—‘How much longer, Dad?’

**Senator Ian Campbell**—No, it is just the fighting and everything and turning around to control them. Quite frankly, if you have—

**Senator HOGG**—Why should parents miss out on that?

**CHAIR**—If you haven't got it, you're going to miss it! Let me tell you, when the back of the car falls silent, you will miss it.

**Senator Ian Campbell**—On the really long trips in the outback, I would make sure the kids have got CDs or DVDs. It is a long way when you are driving from Perth to Kununurra.

**CHAIR**—It is time for a cup of tea.

#### **Proceedings suspended from 8.59 pm to 9.15 pm**

**Senator O'BRIEN**—The post-licence driver education program was announced by the government during the 2004 election campaign. Not much has been heard since about what seemed to be a very important initiative, apart from a couple of media statements and *Novice Driver Program Trial—Bulletin 1* issued in June 2005. Both in the bulletin and in media statements, mention is made of a trial being conducted, and in fact in the media statement issued on 17 March 2005 by the then Minister for Transport, Mr Anderson said:

The Government expects that we will be able to start selecting young drivers for the trial in August, with plans of rolling out a national program by 2007.

And the *Novice Driver Program Trial—Bulletin 1* said the first registrations were expected to be undertaken in the beginning of 2006. But, in answer to a Senate question on notice, I have been advised that the program is still in the developmental stage. What went wrong?

**Mr Bills**—Basically, we have had some significant issues with Victoria. It is hard to put too much of a gloss on it. I refer you to Minister Lloyd's statement to the House of Representatives on 8 February, where he said that we are still discussing conditions with the Victorian government and he urged Minister Batchelor to look favourably on a request for an increased contribution.

**Senator O'BRIEN**—So it is about money?

**Mr Bills**—It is partly about money; it is partly about risk, in terms of who is going to bear the risk of extra money and funding. It is about sample size. It is about the fact that this is one of the biggest trials in the world, ever, and people are—understandably, I think—a bit nervous about getting it right, and rightly so. But from our point of view, we had a tender ready for detailed testing and development of the curriculum in late June last year, and Victoria asked us to withdraw the tender because they had not agreed the legal agreement yet. Then we had

some ministerial correspondence from Mr Batchelor to Mr Truss and back and forth, and it was only last week that we had what is hopefully a breakthrough letter from Minister Batchelor to Minister Truss which will enable us to sign a legal agreement and get moving on tenders. We have a steering committee meeting planned for 6 June, and I hope that that will be an occasion where we can all start moving together on this, after a wasted year.

**Senator O'BRIEN**—In answer to the question on notice you tell me that the Victorian government, through VicRoads and the Transport Accident Commission, is contributing \$2.8 million.

**Mr Bills**—Correct.

**Senator O'BRIEN**—And the Commonwealth, \$3 million.

**Mr Bills**—Yes.

**Senator O'BRIEN**—What is the problem, then?

**Mr Bills**—The problem is, if you look at that funding, it totals \$10 million. In one of the letters that Minister Batchelor wrote about achieving a minimum sample size of 6,600 participants in both Victoria and New South Wales—6,600 in each, and a similar size control group in each—given the drop-out rates of people who are in the trial and who may pull out and not continue to give us data to analyse in terms of crashes. No-one really knows what those drop-out rates are going to be. If they are fairly high, you are going to need a lot more participants in the study to get statistically significant results, and that is going to cost a lot more money, potentially. The letter basically said, 'You, the Australian government, bear all the risk of that extra money,' and that is not something that we wanted to do. It was a cooperative undertaking involving Victoria, New South Wales, the Australian government and the other private sector partners, and everyone else had agreed to move together in a certain way. Anyway, as I say, I believe we have now an agreement and a way forward.

**Senator O'BRIEN**—What is the nature of that agreement?

**Mr Bills**—Because no-one knows what is going to happen with drop-out rates, we basically have to have some review points as we get some practical experience. No-one knows what the tender is going to end up bringing in terms of who is going to deliver this trial program and what it is going to cost. It may be more or less than we are assuming. It is not possible to specify that without going to the market and without piloting it and seeing what happens, so we will have to review it at those points. If it is going to cost massively more, all the partners will have to consider whether it is still worth pursuing. If it is under budget, there will be no problem.

**Senator O'BRIEN**—The Victorian government were being prudent about committing to an open chequebook—is that how we should interpret that?

**Mr Bills**—They were insisting on a minimum sample size, but also insisting that their own funding contribution was capped; therefore, any cost overrun was to be met by the Commonwealth.

**Senator O'BRIEN**—You would not want to contribute to a project that was fatally flawed from the start.

**Mr Bills**—Certainly no-one would. But we had basically agreed with everyone else, I thought, that we would be in this together. We would review it when we had some more data. That was the only rational way to proceed.

**Senator O'BRIEN**—How much money have ATSB got to put into the project?

**Mr Bills**—Of the \$3 million, there was \$1 million that came through the ATSB last year and \$2 million from the rest of the department. In addition to that, we have spent 300-odd thousand dollars last year and this year—I cannot give you the exact dollar amount tonight.

**Senator O'BRIEN**—It says in the answer that expenditure against this budget has been \$15,461 during 2005-06 financial year.

**Mr Bills**—I think it should also say, in terms of ATSB, which was your question, it is—

**Senator O'BRIEN**—\$365,260.

**Mr Bills**—Correct—to the end of March.

**Senator O'BRIEN**—What is the process of selecting young drivers for the trial?

**Mr Bills**—Mr Motha may want to comment. It varies between Victoria and New South Wales because of the age of attaining a P-plate, but beyond that—

**Mr Motha**—The detail has not been worked through yet. What has been generally proposed is that they will be recruited when they obtain their P licences. When they attend the licensing office to get their P licences, there will be people there who will recruit them into the program by explaining what the program is about and offering them participation in the program.

**Senator O'BRIEN**—Will there be any cost to participate in the program?

**Mr Motha**—No. It is not envisaged to charge them for it.

**Senator O'BRIEN**—The trial will involve 12 months of post-course crash data for evaluation. What are the components of the trial and how long will this process take?

**Mr Motha**—The way it is envisaged at the moment is that there will be four modules which will be offered to the participants over a period of several weeks—a few months, actually. I could go through those modules for you, if you would like me to do that.

**Senator O'BRIEN**—Perhaps you could give us those on notice, if that is easier.

**Mr Motha**—Yes. We could do that for you.

**Senator O'BRIEN**—So it is over a couple of months?

**Mr Motha**—Over a couple of months. The idea is that you have to give them time to assimilate what they learn, to be able to relate their on-road experience to that learning. You need to have a bit of a gap in between, but not too long so that the effect of learning is eroded.

**Senator O'BRIEN**—It will be completely voluntary?

**Mr Motha**—Yes.

**Mr Bills**—That was one of the other issues with the funding. At one point, there was discussion that it was possible that it would not be voluntary, which would have meant there was not a drop-out rate and the costs could have been much lower. But once it was decided



that it would be completely voluntary then you have to allow for people choosing not to continue to participate and much higher costs.

**Senator O'BRIEN**—What will the \$10 million be spent on?

**Mr Motha**—On a number of things. As Mr Bills said, the program is a very large one and a very complex one. There has not been anything quite like this, at least for a long time, so there are a whole lot of components to this. There is the development of the curriculum. There is then the pilot testing of that curriculum. There is the implementation of the program in terms of training the trainers and training the coaches—we call them coaches in this program because the model is not a didactic teaching model; it is more a coaching model. Then there is the possibility of offering the participants some incentive to keep them in the program because of the drop-out factor that Mr Bills described. Then there is the evaluation of the program itself with the crash data, the collection of the data, the analysis of that data and the production of stage reports over a period of several months.

**Senator O'BRIEN**—Is there a budget somewhere we can see?

**Mr Motha**—The detailed budget is not available yet.

**Senator O'BRIEN**—How do we know \$10 million is enough?

**Mr Motha**—As we indicated, this has not been tried before on a similar scale—at least not this sort of model. It is an innovative model and therefore it involves a certain degree of risk. We have made the best estimates possible of the cost but there are unknowables. There are factors that we cannot fully predict, like the drop-out rate for example, and therefore what we would have to do is review the program at those review points to assess whether the budget is going to be enough, or what we need to do to be able to tailor the program to the available budget.

**Senator O'BRIEN**—In December 2004 the then minister, Mr Anderson, said:

The trial is the first step in the Australian Government's election promise to work with the states and territories to set up a compulsory national education scheme for P-plate drivers by 2007.

Now I am advised that the results of the trial will not be available in time for the introduction of the program in 2007. If it is true that, as Mr Anderson said in 2004, the course has the potential to save the lives of hundreds of our young people—'young people who will as a result have the chance of achieving everything that life has to offer rather than being the subject of a few horrendous images in the nightly news'—why hasn't the government been prepared to spend more to get it up and running?

**Mr Bills**—I do not think we can answer that. The Australian government has put in more money than was proposed in December 2004: \$3 million rather than \$1 million. The only way to run a trial is to have the cooperation of the two, or at least one jurisdiction, because they are the ones which license young drivers. We have had to work cooperatively. As I have outlined, we have had some problems.

**Senator O'BRIEN**—It seems to be that the Victorians were concerned that they might be lumbered with a much more substantial part of the costs than they could afford. I just wonder, if this is a Commonwealth initiative and the Commonwealth thought so much of it, why was

it a problem for the Commonwealth to come up with that sort of guarantee to get the project up and running?

**Mr Bills**—I do not think I can comment on that.

**Senator Ian Campbell**—It has to be a cooperative effort. The Commonwealth took the initiative. John Anderson took some leadership in it. I drove it when I was there. If you want to be frank about this and play a bit of political point scoring, the states had to be dragged kicking and screaming. This is something we are doing to try to address the issue that, in amongst the statistics, there is a very high proportion of young people. We are funding it very generously but of course governments, to use your words, do not want to give it a blank cheque. It is not a prudent way of running a government. The Victorians have reservations about an open-ended commitment, but you are suggesting that we should not be prudent and they should be.

**Senator O'BRIEN**—I am using the language of the minister who announced it. That is what I am putting back to you. I think it is quite an appropriate response from the opposition to say, 'Well, if the minister thought this then what was the problem with the government putting up this additional money?' Those were the words of the minister who was announcing the program on behalf of the Commonwealth.

**Senator Ian Campbell**—We put up massive additional money. We are basically funding it to the tune of millions and millions of dollars to do something that has not been done in this country before.

**Senator O'BRIEN**—The national government is putting up \$3 million and the Victorian government \$2.8 million. It is hardly proportionate, is it, in terms of the resources of the Commonwealth.

**Senator Ian Campbell**—Is there anything this government does that you would ever give us credit for?

**Senator O'BRIEN**—Yes, of course there is.

**Senator Ian Campbell**—I will wait. I will not hold my breath, though. The Victorians run the licensing system. They run the training system. They run the licensing of the drivers. None of the state governments ever proposed to do this, and it took John Anderson's leadership to even get it to first base and then pushing, pushing, pushing all the way—never any enthusiasm. When it came down to actually getting people to put pen to paper, it was very hard work. I am incredibly pleased that this team here have actually got it to where it is now.

**Senator O'BRIEN**—I have a lot of respect for ATSB. Am I correct in saying that the ATSB plays an important role in the global system of transport accident and investigation through the investigation of shipping accidents and incidents in the Australian maritime jurisdiction?

**Mr Bills**—Yes. I think that would not be overblowing our role.

**Senator O'BRIEN**—Do the majority of shipping accidents you investigate involve foreign flag vessels, and flag of convenience vessels in particular?

**Mr Bills**—Yes, they do. You would probably know in terms of international trade something like 98 per cent of maritime trade by weight is carried in foreign flag vessels, so, understandably, there are more incidents and marine casualties involving those vessels. In terms of the coastal trade, I do not have the numbers with me but I think something like two-thirds to three-quarters are Australian licensed.

**Senator O'BRIEN**—Given that the Australian import and export freight task is expanding, what additional resources has the ATSB received to meet an expected growing maritime accident investigation task?

**Mr Bills**—On the marine side we received a small amount of additional money in the budget of a couple of years ago for a confidential marine reporting system. That was around \$100,000 a year.

**Senator O'BRIEN**—That was a confidential reporting system?

**Mr Bills**—Correct. So in terms of the total marine investigation budget, while the business plan is still in draft, we expect it to be about \$1.1 million in 2006-07, excluding corporate overheads.

**Senator O'BRIEN**—The Australian LNG shipping task is likely to increase possibly three to four times over the next decade, while the ALNG fleet will be ageing over that time. These highly specialised vessels bring new and complex risks to the shipping task. Could the ATSB outline what expertise is available to address incidents involving these vessels within the ATSB jurisdiction?

**Mr Bills**—Probably the primary role for those vessels would be with the Australian Maritime Safety Authority as the regulator. They are on next. In terms of if there is an incident, I will ask Captain Kit Filor to respond.

**Mr Filor**—It very much depends on the nature of any accident that occurs. Whatever the type of ship, the greatest risk remains grounding rather than any other sort of accident, so for most accidents we would be well prepared with our existing body of knowledge. We have also some expert engineers. The principles of gas carrying are relatively straightforward, especially for them, and where necessary, as we do with other modes, we can employ expertise if there are particularly technical areas. We use them on a consultancy basis. We have done this in the past for things like collapsed bulkheads on bulk carriers. We have employed finite analysis engineers to do that specific work for us, and we would see our role as managing the investigation. In addition, we have in the past sent one of our staff onto a gas carrier to familiarise themselves with it, and we would certainly intend to do that within the next year or two.

**Senator O'BRIEN**—I want to ask about a couple of specific accidents involving flag of convenience vessels. First, I want to ask about the circumstances surrounding the decapitation of a young Ukrainian seafarer on the Greek owned Marshall Islands flag vessel the *Probo Bear* at Groote Eylandt in early April. An ABC Radio report on 12 April quotes Peter Foley as follows:

There's probably nothing suspicious, these accidents are relatively common unfortunately.

That is your officer saying that. What information did the ATSB gather before it made that assessment?

**Mr Bills**—The first thing to say, in defence of Mr Foley, is that that probably was in answer to whether there was anything suspicious about the death rather than trying to underplay what was obviously a very serious matter, given that a seafarer died. As I understand it—and Mr Filor can add to my answer—we were advised of this the next day, on 10 April. After we ascertained that it would not be possible to get there before the vessel sailed.

We contacted the Marshall Islands registry, under international convention, through the International Maritime Organisation. The flag state has the primary role in investigating, although under our legislation we have the ability to do so as well. We asked them if they would investigate. They said they would. They have done so diligently in the past, unlike some other areas of the world which are not so diligent. Where it is at is that we have supplied them with some Australian evidence and we have also initiated an investigation ourselves to cooperate with their investigation, with the intention of releasing a joint report. Those are essentially the circumstances, but Mr Filor may add to that.

**Mr Filor**—You are asking on what basis we would say that these are common accidents, as I understand you. Unfortunately, mooring accidents seem to be becoming more common. It tends to be intuitive, perhaps. At the International Maritime Organisation, in the Flag State Implementation Subcommittee, this year we are analysing and discussing a number of occupational accidents, particularly mooring accidents, which are occurring. I know, from talking to my colleagues around the world, that we are becoming more alarmed. Particularly countries like Korea are becoming very concerned about mooring accidents and also, tied in with that, the strength of some of the equipment which comes under Classification Society rules, such as bollards, leads and these sorts of things. It is an issue that is exercising the minds of administrations around the world. In relation to the *Probo Bear*, the Marshall Islands authority, or the agents for them, is a company called International Registries Inc. We have dealt with them in the past on a number of joint investigations and have always found them most cooperative and very professional.

**Senator O'BRIEN**—With this accident, do we actually know what happened? You are talking about a mooring accident. Do you know that it was a mooring accident?

**Mr Filor**—Yes. There is the old saying, 'Never stand in the loop of a rope.' As far as we can judge at the moment—and this will depend obviously on the investigation—what seems to have happened is that the mooring line for some reason lost the lead and flicked back and hit this particular sailor. Unfortunately, that sort of accident is not uncommon. Such a tragic outcome is, happily, slightly less common.

**Senator O'BRIEN**—Lost the lead or snapped?

**Mr Filor**—Sorry?

**Senator O'BRIEN**—When you say 'lost the lead', the mooring lines—

**Mr Filor**—We do not think it snapped. It was under tension, and he was in the sort of vee of the rope. When that slipped off, it straightened up and flew back like the string of a bow.

**Senator O'BRIEN**—Like a bowstring?

**Mr Filor**—Yes.

**Senator O'BRIEN**—Why was it that ATSB could not get to the ship before it sailed?

**Mr Filor**—There are two aspects. The ship was about to sail when this accident occurred. We were informed, and Mr Foley spoke to the police up there, who said that they were going aboard, taking photographs and getting statements, with an interpreter, which is the only thing we could have done, and that that meant the ship was being detained anyway for at least 24 hours. It would have meant another 24 hours delay on top of that. While we would not have hesitated if we thought we could have done some good or provided some added benefit in delaying the ship, I felt that with the police investigation—getting the statements, getting the photographs and involving IRI for the Marshall Islands flag—we would come to an understanding of what actually happened in due course.

**Senator O'BRIEN**—Are you aware of an incident on a tanker near Portland on 19 April that resulted in two seafarers being airlifted to the Alfred hospital in Melbourne and one seafarer subsequently dying?

**Mr Filor**—This was a Cypriot ship, as I understand it.

**Mr Bills**—Yes, the MV *Aristagoras*, I think is the one on 19 April.

**Senator O'BRIEN**—I do not have the name in front of me. It was Greek flagged, was it?

**Mr Bills**—Cypriot.

**Senator O'BRIEN**—Did the ATSB investigate this incident?

**Mr Bills**—No, we did not, the reason being that the vessel had already left Australia when this occurred. As I understand it, it took a large wave over the focsle head where they were working. By the time we were notified about it, the ship was well on the way to India, certainly outside the 12-mile limit. In those circumstances, all we could do was to advise the flag state, which Mr Filor and his team did. Unlike the previous fatal accident, we have not had a good result. In fact, we have had no response from them, and we are attempting to use other means to try and follow up. We were very limited in what we could do, given the circumstances.

**Senator O'BRIEN**—Are there certain flag states that are a waste of space trying to follow up and certain ones that are useful?

**Mr Bills**—Mr Filor is probably the world expert, alas!

**Mr Filor**—It would be fair to say the quality varies, but in the case of this particular incident, with Cyprus being part of the EU, the route we have taken recently to follow up on this is to go through the European Union and their representative there and hopefully get some result that way.

**Senator O'BRIEN**—Presumably, the surviving seaman could be interviewed about what took place. Has ATSB done that?

**Mr Filor**—No, we have not.

**Senator O'BRIEN**—Why not?

**Mr Filor**—We were hoping to get some direct contact with Cyprus before we acted. All we could get is one story without really interviewing the master or anybody else on board ship, so it was a case of what value we would get from just that one interview.

**Senator O'BRIEN**—More value than nothing.

**Mr Filor**—Possibly.

**Senator O'BRIEN**—If an Australian seafarer were to be killed in an industrial accident on a foreign flagged ship just outside an Australian port, who has the ultimate responsibility to investigate?

**Mr Filor**—If there is evidence within Australia—first of all, if the ship were in our territorial water, we would certainly have jurisdiction to investigate.

**Senator O'BRIEN**—Would you? I mean, it might not be an Australian seaman but the Cypriot ship was probably within our exclusive economic zone.

**Mr Filor**—But it was not within the 12-mile limit.

**Senator O'BRIEN**—No, when the incident happened.

**Mr Filor**—When the incident happened. It was on passage out of the area.

**Mr Bills**—Just on that, he may well have been within 12 miles when it happened but by the time we found out about it, the ship was outside the 12 miles. It is quite clear where it is an Australian flagged vessel. If it is a foreign flagged vessel the flag state has a primary role, but we do have the legal ability to investigate, which is the difference.

**Senator O'BRIEN**—Just not the practical ability, by the sound of it.

**Mr Bills**—Correct. Whereas with the Australian flag you have a practical ability because they will be coming back to Australia and they cannot just sail away and not return.

**Senator O'BRIEN**—There is no requirement on the master of those vessels to make contact while they are within the 12-mile limit if they have an accident.

**Mr Bills**—He did call in the rescue helicopter, but there was no requirement or ability to stop them, as I understand it.

**Senator O'BRIEN**—Thanks. I want to refer to your interim report on the Lockhart River tragedy in May last year. Page 15 of the report says this:

The company operations manual included the following statement:

All new company pilots shall complete the Human Factors Management (HFM) induction course...within 6 months of joining the company; and

All company pilots shall complete a recurrent HFM course...every 15 months.

... ..

No record could be located to indicate that the PIC—  
the pilot in charge—

had completed the Human Factors Management Induction Course or any Human Factors Management recurrent training course since appointment.

Does this failure to comply with the operations manual constitute a breach of CAR215?

**Mr Bills**—That is a question that has been asked on notice of CASA and I am not sure if the answer has been tabled with the committee yet, but it is pretty clear and generally now agreed that, yes, it does.

**Senator O'BRIEN**—At what stage is the final report?

**Mr Bills**—At this stage there is very little additional investigation that is occurring. We have basically done pretty much everything, so we are in the analysis and write-up phase. I would hope that we will probably have a document by the end of next month, or something like that, in a draft form. Then we will have a very thorough internal review process, probably taking a number of weeks, before it gets to Mr Walsh. Mr Stray is doing quality assurance on this one as well, given its importance, and then it will come to me. Once we are all satisfied, it will go out to the directly involved parties as a draft report to look at any errors that may still remain. We are still looking at the sort of time-scale I mentioned last time which would be in accord with our norm for this type of extensive investigation, which is an 18-month time frame, which would take us into early November. We will obviously try to do better but that is realistically where we will be to have the thorough result that I think everyone wants.

**Senator O'BRIEN**—Thank you for that. I do not have any further questions for ATSB.

[9.51 pm]

#### **Australian Maritime Safety Authority**

**Senator O'BRIEN**—Welcome.

**Mrs Rimington**—Thank you, Senator. Could I send some apologies before we commence. Mr Davidson is overseas at the moment in China. He has been president of the International Lighthouse Association for four years and he is handing that presidency over to China at the moment, otherwise he would be here this evening. I am acting in his role while he is away.

**Senator O'BRIEN**—Very good. The first series of questions I wanted to ask is about a vessel, the *Alexandros T*. Media reports indicate that the last port state control inspection of the *Alexandros T* took place in Fremantle in March 2005. Tragically, the *Alexandros T* sank off the South African coast on or about 4 May this year, with the loss of 26 lives. Can you confirm that the *Alexandros T* is a flag of convenience ship registered under the St Vincent and Grenadines flag?

**Mrs Rimington**—Yes. It is a Greek owned vessel and it is registered under St Vincent and Grenadines.

**Senator O'BRIEN**—Can you confirm the vessel did in fact undergo a port state control inspection in Australia?

**Mrs Rimington**—It did, in March, correct.

**Senator O'BRIEN**—March 2005.

**Mrs Rimington**—That is right, yes.

**Senator O'BRIEN**—Was that in Fremantle?

**Mrs Rimington**—It was in Port Hedland.

**Senator O'BRIEN**—What was the result of that inspection?

**Mrs Rimington**—We identified 11 defects in that inspection. They related to firefighting, fire suppression equipment, mooring lines and ropes. None of them were of a nature that justified our detaining that vessel.

**Senator O'BRIEN**—On what dates has the ship visited Australia over the past two years?

**Mrs Rimington**—I do not have that with me, so perhaps we could take that on notice and get back to you.

**Senator O'BRIEN**—Okay. Has the *Alexandros T* been subject to any AMSA restrictions?

**Mrs Rimington**—The most recent AMSA inspection was the one in Port Hedland in March 2005.

**Senator O'BRIEN**—Did any of the other inspections reveal any defects?

**Mrs Rimington**—I cannot tell you because I do not have the details of the earlier visits, so perhaps we can pick that up in our response.

**Senator O'BRIEN**—Thanks. I understand that Australia voted in favour of the ILO consolidated maritime convention at the maritime session of the ILO in February this year. Is that correct?

**Mrs Rimington**—Yes, that is correct.

**Senator O'BRIEN**—Is Australia expected to ratify and apply the convention during the course of the 2006 financial year?

**Mrs Rimington**—I cannot answer that for you. It is actually a responsibility that sits under the workplace relations portfolio, so our role—AMSA's role and therefore through the department—is pretty much to give them operational and technical advice. DEWR would be better placed to give you the expectation and timing of that ratification.

**Senator O'BRIEN**—Have any additional resources been allocated to AMSA to enable it to undertake the additional compliance functions required by the convention?

**Mrs Rimington**—We have not assessed that yet. We are waiting until we get to the stage where there is ratification and we know a bit more of what is involved.

**Senator O'BRIEN**—You are going to await ratification and then assess it?

**Mrs Rimington**—We have not assessed what resources are required yet, and it is our expectation that that ratification will take quite some time, so we will look at what is required for both flag state and port state control responsibilities under the convention during that period.

**Senator O'BRIEN**—I believe the MSC *Immacolata* has been subject to an AMSA inspection in relation to possible asbestos exposure. What did the inspection reveal?

**Mrs Rimington**—We inspected in Melbourne on 8 March. We found that the ship was not complying with the IMO guidelines for the maintenance and monitoring on board of materials containing asbestos. We issued a deficiency notice and we got agreement from the ship manager to test the relevant material on the ship, undertaking and establishing a maintenance and monitoring program, putting up warning signs, looking at training of crew in relation to asbestos handling and quite a range of undertakings on their part.



**Senator O'BRIEN**—How long was the vessel detained?

**Mrs Rimington**—I might get Mr Kinley to respond to that. I am not sure that we detained it. I think we issued it with a deficiency and did not detain it.

**Mr Kinley**—That is correct. It was done under a seaworthiness inspection rather than our normal port state control regime. The action that was taken at the time was deemed sufficient by the surveyor attending not to need to detain the ship.

**Senator O'BRIEN**—Does that mean that, if the ship comes back to Australia, you will inspect it to see if they complied?

**Mr Kinley**—Yes. In fact, all of the MSC container ships are under a higher level of inspection and monitoring by us at the moment because of issues we have had in the past. That ship in particular will be followed up, to make sure they have done the things they said they were going to do: that the asbestos that is in place is being labelled, is sealed and is not a threat.

**Mrs Rimington**—Mr Kinley was on other business over in Geneva and met with the Mediterranean Shipping Company to specifically talk with them about our concerns in relation to their vessels.

**Senator O'BRIEN**—It is called the Mediterranean Shipping Company, but where is it flagged?

**Mrs Rimington**—That vessel in particular was flagged in Panama.

**Senator O'BRIEN**—That is close to the Mediterranean. Has the vessel the *Ocean Peace* been inspected by an AMSA inspector in Burnie or elsewhere?

**Mrs Rimington**—Yes, it has. It was inspected in Burnie and then subsequently again in Geelong.

**Senator O'BRIEN**—Was AMSA satisfied the ship was seaworthy?

**Mrs Rimington**—Yes. The issues that we found in Burnie were in relation to a general untidiness and uncleanliness in, I think, their accommodation and hospital area. We inspected it again in Geelong to see that they had rectified some of those issues that we had identified in Burnie.

**Senator O'BRIEN**—Was AMSA also satisfied the ship was safe to conduct the loading of logs using the ship's gear?

**Mrs Rimington**—When it was inspected in Geelong, we detained the vessel because of the failure of a cargo securing arrangement with a stanchion. It had been repaired previously and it had collapsed when there was a loading of logs occurring, so we detained the ship and rectified the situation, and the vessel sailed the next day.

**Senator O'BRIEN**—What sort of restraining system?

**Mr Kinley**—On log ships generally they load the logs on the deck. They have stanchions down both sides of the ship's main deck and the logs are usually strapped in place with heavy cables. There was an issue with one of the stanchions on the main deck; it had cracked. That

had to be rectified, some welding repairs done, before they could restow and continue on the voyage.

**Senator O'BRIEN**—Where is that vessel flagged?

**Mr Kinley**—South Korea.

**Senator O'BRIEN**—I want to move now to emergency towage arrangements. In the last estimates hearing I was advised that a new contract had been let for a dedicated vessel to operate in the Torres Strait and Great Barrier Reef. The vessel was scheduled to arrive in June. Is it still expected to arrive in June?

**Mrs Rimington**—We still expect that we will have a dedicated vessel in July. In relation to the 1 July kick-off, the particular vessel that we have contracted for with Australian Maritime Systems has been delayed out of Singapore. Our contractual arrangement was such that we will get a substitute vessel and I think that its scheduled delivery date is now mid-July rather than 1 July.

**Senator O'BRIEN**—How is the tendering process progressing for the other eight regions of the Australian coastline?

**Mrs Rimington**—We have completed and announced the north-west Western Australian tender arrangements there and have awarded that contract to RiverWijs-Dampier. For the south-west Western Australian, South Australian and southern Queensland tenders, we are right in the midst of trying to conclude tender negotiations at the moment. We have received and are still evaluating the tenders for Victoria and Central Queensland and we are out in the market for New South Wales and the Northern Territory at the moment.

**Senator O'BRIEN**—Do you believe this process will be finalised by the end of the year?

**Mrs Rimington**—We do.

**Senator O'BRIEN**—What was the financial arrangement that led to the successful north-west tender being let to RiverWijs-Dampier? How much was involved? What is the total?

**Mrs Rimington**—The value of the contract awarded was \$1.8 million.

**Senator O'BRIEN**—That is \$1.8 million per year?

**Mrs Rimington**—No, that is for the value of the contract. It is five plus two, so a seven-year contract.

**Senator O'BRIEN**—Mr Davidson said at the last estimates that these arrangements have come about 'in the face of dramatically declining incidents that warrant a commercial salvage response'. I note Budget Paper No. 2 says that \$57.7 million will be provided over four years to provide for emergency towage and salvage. In the light of the dramatically declining incidents, and I guess in the light of the price of the north-west towage, how was this expenditure figure reached? How did you come to the view that it would cost \$57.7 million over four years?

**Mrs Rimington**—The actual value of the anticipated contracts for the eight regions plus the dedicated vessel in Torres Strait is around \$13 million or \$14 million per annum. Obviously we are still in the middle of the tender process at the moment. We have used as a guide the interim funding that had been provided, which is part of the transport portfolio. We

used what we know of, and what we have some expertise in, charter rates for vessels of that type. Time will tell, as we execute each of these tenders, whether that amount is accurate and what the final figure will be.

**Senator O'BRIEN**—Did you expect the north-west tender to be concluded for \$1.8 million?

**Mrs Rimington**—We expected it would be of that magnitude.

**Senator O'BRIEN**—That is indicating that the \$57.7 million is—

**Mrs Rimington**—To date, the results that we have had, both with the Torres Strait, the dedicated vessel, and the north-west of Western Australia has given us a good outcome. It is largely consistent with what we thought, and whether the rest will follow that we are yet to find out.

**Senator O'BRIEN**—I would like to thank AMSA and the department for the detailed answer provided to my question AMSA02 relating to the number of inspections of the *Thor Hawk*. To summarise, the response notes that AMSA conducted a port state control inspection on 29 August 2005 at Port Kembla, including an inspection of the cargo handling equipment. At Newcastle, there was an incident during loading which caused the crane spreader equipment to fall onto a bag in the hold. AMSA inspected the crane and directed the stevedore to ensure that the crane was only used within its load limits for this particular type of operation. The crane wire was replaced and the crane was again inspected and found to be sound. At Gladstone, AMSA was called to inspect the ship's cargo gear on 10 September 2005 after complaints that there were no markings on the ship's crane blocks to indicate that the blocks and cranes had been safety tested. Original certificates and test certificates provided by the master did not correlate with the cranes. AMSA finally issued a deficiency notice advising that the cargo gear needed to be tested, inspected and marked. Why didn't AMSA discover on 29 August 2005 during port state inspection at Port Kembla that the *Thor Hawk* was operating cranes without appropriate certification as required by marine order part 32, cargo handling equipment?

**Mrs Rimington**—In relation to cargo handling the checking of equipment and the way marine order part 32 is designed, the person in charge of the cargo handling, which is usually the stevedore, is primarily responsible for checking that gear and making sure it is operational. The deficiency issue we found was not so much in relation to whether the certificates were valid or not but in relation to the markings of where the blocks were relative to the crane. The certificates themselves were valid. It was the markings on the vessel that were the problem.

**Senator O'BRIEN**—But is it right that you have to have the appropriate cargo handling equipment certification to use that equipment?

**Mr Kinley**—Yes. Marine order part 32, which is the delegated legislation that covers the issue, requires the cargo gear to have certificates that match the markings on the gear itself. In a regular port state control inspection, cargo gear is not an issue that is critical to the seaworthiness of a ship. Generally, a surveyor, if they are not using the gear in that port, will look at the certificates—the paperwork that the master has in the cabin. If the certificates look

in order and there is no reason to go beyond looking at those, they generally will not delve any deeper.

As Mrs Rimington has pointed out, the primary responsibility for checking this equipment before it is used rests with the person in charge under marine order part 32. The way the regulation system works, those people are expected to be competent to investigate the gear, check the certificates, break the cargo gear out—because they are about to use it—and check that the marks and the certificates correlate. Often checking the marks on blocks is going to take quite a bit of time, because you have to break the cranes out and move the blocks to a position where you can inspect them. With our risk management approach and the way we do our port state control inspections, that is not a routine part of a port state control inspection.

**Senator O'BRIEN**—Given that these ships are working with Australian stevedores, who is responsible for checking that? It seems to be a pretty fundamental safety issue.

**Mr Kinley**—The person in charge under marine order part 32.

**Senator O'BRIEN**—The person in charge of the ship?

**Mr Kinley**—The person in charge of the stevedoring operation, and that is defined under the marine order. That person is generally the stevedoring foreman, the shift supervisor and so on.

**Senator O'BRIEN**—Have procedures changed since this experience with the *Thor Hawk*?

**Mr Kinley**—Our procedures have not changed. We have certainly taken steps to educate and reinforce with the stevedores in the ports that they have responsibilities under marine order part 32 as the persons in charge and that we expect them to fulfil those responsibilities.

**Senator O'BRIEN**—Are you telling me that the inspection of those cranes was not the responsibility of AMSA at any time?

**Mr Kinley**—It is the responsibility of AMSA if there is an incident. For example, in Newcastle, where there was a reported incident, we attended and we carried out the inspection in response to that.

**Senator O'BRIEN**—But did not discover that the certificate was not there.

**Mr Kinley**—That was not the question then. This was an incident which had happened at the port. The surveyor had attended. He again assumed the person in charge had done the checks he was required to undertake—checked the certificates and what have you before they started using the gear—and he was called down for a specific incident, which was a failure of the gear, as it turns out, because they were not using it in the correct mode. So he had no cause to believe the entire arrangement was suspect.

**Senator O'BRIEN**—Would he have made the assumption that someone had looked at it at a previous port? Do we know?

**Mr Kinley**—Again, it is assumed the person in charge does that each time before they use the gear.

**Senator O'BRIEN**—Assumptions are pretty dangerous sometimes, aren't they?

**Mrs Rimington**—I think not. The marine orders are designed in that manner. There is a set of responsibilities that rest with the stevedore rather than AMSA. I think, on the basis of that being the regulatory regime, it is a reasonable thing to rely on, the onus of responsibility being on the stevedore to check those matters that they have an obligation to under marine order 32.

**Senator O'BRIEN**—If there was an incident with the cranes in Newcastle and another surveyor was brought in, why wouldn't they, as a matter of routine, look at the certification of the cranes? AMSA sees nothing wrong with this current system, even though it demonstrably failed in this circumstance. Isn't that the case? It did fail, didn't it?

**Mr Kinley**—No. Inasmuch as it did turn out that there was an issue with the certificates on this crane, the actual incident where the cargo gear had a failure was not caused by the certificates being non-matching.

**Senator O'BRIEN**—No, but identification of that would have been like a red flag to anyone looking at the system. That is a potential problem, if the certification was not there.

**Mr Kinley**—But that would not have prevented the incident that happened.

**Senator O'BRIEN**—They probably would not have been working the cranes if they did not have the certification, would they? They would not have been allowed to use them, would they, if they did not have the certification?

**Mr Kinley**—They would have had to have them retested. That would not have prevented them using the crane and the rig that it was being used in, and overloading it.

**Senator O'BRIEN**—The retesting may have discovered any faults that existed.

**Mr Kinley**—Correct.

**Senator O'BRIEN**—It was almost a case of third time lucky when the third inspection took place. I want to refer to questions on notice 1671 and 1672 relating to the abandoned vessel identified as *Jian Seng*. I have not yet received a response from Mr Truss. On what date was AMSA made aware that this vessel was adrift in the Gulf of Carpentaria?

**Mrs Rimington**—We were made aware on the afternoon of 24 March.

**Senator O'BRIEN**—What was the source of the information provided and what was the location of the vessel at that time?

**Mrs Rimington**—We got the information from Coastwatch.

**Senator O'BRIEN**—Where was the vessel?

**Mrs Rimington**—At the time it was drifting in the Gulf of Carpentaria.

**Senator O'BRIEN**—On what date was an alert about the unmanned and unlit *Jian Seng* issued to vessels in the vicinity?

**Mrs Rimington**—Once we heard from Coastwatch that it was drifting we issued, on that afternoon of the 24th, a warning to shipping in relation to that navigational hazard. At the same time we started to make some preparations in relation to availability of tugs should we need them.

**Senator O'BRIEN**—What was the form of the alert, when you say you issued an alert?

**Mrs Rimington**—We issued warning to shipping.

**Senator O'BRIEN**—Right.

**Mrs Rimington**—Notice to mariners.

**Senator O'BRIEN**—It is a broadcast?

**Mrs Rimington**—Yes.

**Senator O'BRIEN**—It was about the same time as you were notified?

**Mrs Rimington**—Pretty much. We heard mid-afternoon, at about three o'clock in the afternoon, and we issued the warning that afternoon.

**Senator O'BRIEN**—On what date did AMSA assume responsibility for the vessel?

**Mrs Rimington**—Customs inspected the vessel. We were not aware about details much, other than that it was drifting at the time. They inspected the vessel on the 25th and advised us that it was abandoned and that there was a degree of oily water on board. From that notification then we had deployed a crew of staff to Thursday Island in case there was a grounding and there was a requirement to trigger the national plan.

**Senator O'BRIEN**—Customs inspected the vessel. Do you know where that was? Do you know where the vessel was then?

**Mrs Rimington**—Customs inspected the vessel on the 25th and advised us that it was abandoned.

**Senator O'BRIEN**—Whereabouts?

**Mrs Rimington**—It was at that time, having heard it was abandoned and having done some preparation, that we engaged Adsteam Marine, a towage company, to make a tow available to stabilise the vessel. They could not get a vessel there. It was going to take them some time to get a vessel there because of its location. So they subcontracted to get a barge in the local area out to stabilise it, which they did. That barge got there on 26 March. At that time, Customs left the scene. We had the barge in situ stabilising the situation and then, on the 27th, the tug from Adsteam arrived and took it in tow shortly thereafter.

**Senator O'BRIEN**—Where was the vessel located when Customs inspected it?

**Mrs Rimington**—Once we took it in tow we brought it closer to Weipa after that; and Customs, Quarantine, AMSA—a number of parties—went on board to inspect the vessel. It was offshore from Weipa.

**Senator O'BRIEN**—I take it that AMSA managed the potential risks to the marine environment posed by this adrift vessel by seeking the contract to stabilise the vessel.

**Mrs Rimington**—Indeed. Initially, we had a preparatory team that went to Thursday Island. As it turned out, we did not require them to be made available to act more positively. We had the barge on board to stabilise it. We got the tug there the day after that and put it in tow. We brought it closer in to Weipa, to allow inspections to be made in relation to quarantine, customs and environmental issues. Once they had been made, the Queensland Port Corporation and Maritime Safety Queensland allowed us to bring it on board into the port of Weipa.

**Senator O'BRIEN**—The vessel was initially anchored outside of Weipa. When did that anchorage start?

**Mrs Rimington**—Adsteam had it in tow on the 27th, we brought it off from Weipa on the 28th and we brought it into Weipa port on the 29th.

**Senator O'BRIEN**—What Commonwealth and state agencies inspected the vessel?

**Mrs Rimington**—We had customs, quarantine and environmental inspections made. Whilst it was in port, we made an assessment of it. In the meantime, whilst that was all happening, we were making inquiries about who the owner of the vessel was, clearly with a view to approaching them and having some recompense in relation to that vessel and having it retrieved. We made inquiries internationally and we also made inquiries of the Chinese embassy here locally, because we had found some painted-out Chinese symbols, so we made some inquiries in relation to that. We have not been able to establish who the owner was, so we made an assessment, when it was in port in Weipa, that the best measures for us then would be to take it offshore and sink the vessel. We then got involved with the Department of Environment and Heritage and had them have a look at that for us. We got a permit that was issued on the 13th. Our permit to dispose of the vessel at sea was issued by the Department of Environment and Heritage. We then undertook quite extensive consultations in relation to the dump site with Environment and Heritage, AQIS, Customs, AFMA, the Great Barrier Reef Marine Park Authority, the local Indigenous native title holders and the fishing industry participants in the area, to determine a site that we could actually scuttle the vessel. We took it in tow and then moved it to that site where we were seeking to scuttle it.

**Senator O'BRIEN**—It is in the Torres Strait, is it, or in the gulf?

**Mrs Rimington**—Yes, we had a couple of sites. At that time, Cyclone Monica had come in and made our job a little bit more difficult, where we actually scuttled it, so we towed it then from Weipa around towards our dumping site. That commenced on 18 April and then the scuttling took place on 21 April. It was in the Coral Sea off Boot Reef, so that is about 30 nautical miles off the Murray Islands.

**Senator O'BRIEN**—Presumably the hull was inspected for exotic marine pests.

**Mrs Rimington**—It was.

**Senator O'BRIEN**—Did you ever discover the vessel's home port and registry?

**Mrs Rimington**—No, Senator.

**Senator O'BRIEN**—What steps had to be taken to minimise the environmental impact of the sinking?

**Mrs Rimington**—When it was in the port of Weipa, we contracted parties to assist us in this. We went through removing any loose fittings and permanent fixtures. We removed any pollutants, so the oily water we took off the vessel. We cleaned the vessel to the level that was required for us to then take it and dump it. Underwater inspections of the vessel had been done, as you had asked, and then all preparations had been made so that we could actually take it to the site for scuttling.

**Senator O'BRIEN**—Are you aware of the costs incurred by Maritime Safety Queensland in relation to the *Jian Seng*?

**Mrs Rimington**—No.

**Senator O'BRIEN**—Are these costs, if any, recoverable from the Commonwealth?

**Mrs Rimington**—Not that I am aware of.

**Senator O'BRIEN**—What disaggregated costs have been borne by AMSA in relation to the identification and management of the vessel?

**Mrs Rimington**—Initially, getting the crew up to Thursday Island as a preparatory measure; the local barge which we engaged to stabilise the vessel; Adsteam Marine's tug that took it into tow. We used a commercial salvage company called Perrots Salvage to undertake the tow for its scuttling in that exercise. There has been also an expense in relation to obtaining the permit for disposal at sea from the Department of Environment and Heritage.

**Senator O'BRIEN**—Can we get a total cost and a breakdown, an itemised cost, of those things?

**Mrs Rimington**—I can tell you what it is roughly. Our estimate of the total by the time we have paid all the bills—and we have certainly had estimates for most of them—is that it is going to be in the order of \$850,000.

**Senator O'BRIEN**—Would it be possible to get a breakdown when you have got the final figures?

**Mrs Rimington**—Sure. We could do that.

**Senator O'BRIEN**—Do you have any idea what the vessel was doing in Australian waters?

**Mrs Rimington**—No, Senator.

**Senator O'BRIEN**—Was there any indication of what use the vessel had been put to whilst in Australian waters, if any?

**Mrs Rimington**—No, not really.

**Senator O'BRIEN**—Was there any indication on the vessel of recent habitation?

**Mrs Rimington**—We knew from the information that Customs had given us, and then subsequently when we had parties go on board to inspect, clean and then prepare the vessel, that there were still foodstuffs—rice and some incidental bits and pieces—on board. It had clearly been, in our view, stripped for scrapping. The photographs that had been taken by Coastwatch and provided to us when we were very first notified showed a towline still hanging off the vessel, so it looks to us as if the towline had broken and it was left drifting. We assumed it was being taken to be scrapped somewhere, but we have no evidence from what was on the vessel or through the owners, or through any other means, to say what it was actually being used for and what the intent was.

**Senator O'BRIEN**—Thank you for that. That is all I have for AMSA.

**Senator McLUCAS**—I want to go to the recently released AMSA report on the loss of the *Malu Sara*, please.



**Mrs Rimington**—It is actually an ATSB report, not an AMSA report.

**Senator McLUCAS**—Sorry, an ATSB report, but there are some questions to ask AMSA following that report. Can I talk about the time it took from when DIMIA was clearly aware that there was a problem with the vessel and AMSA was advised. There was obviously a delay, and it is identified in the report. Have you tried to investigate why that delay occurred?

**Mrs Rimington**—A delay in what matter?

**Senator McLUCAS**—Being advised that the vessel was in distress.

**Mrs Rimington**—That information actually came to us. We have search and rescue responsibilities and so the information in relation to that is unrelated, to some degree, to the ATSB report.

**Senator McLUCAS**—The ATSB report actually identifies, though, the time line and identifies that there was a delay of some two hours from when AMSA/RCC should have been advised and was not. I am wondering if AMSA has a view as to why that delay occurred.

**Mrs Rimington**—I am not aware of the delay. It is unfamiliar to us, so perhaps that is one that we could take away and come back and give you some specifics about.

**Senator McLUCAS**—Are you aware of the report?

**Mrs Rimington**—Yes, we are indeed.

**Senator McLUCAS**—If you would take that on notice, that would be useful. AMSA had issued a letter of survey to this vessel that was lost along with the other five. What in AMSA's view does the letter of survey mean? What does it tell the operator of a vessel?

**Mrs Rimington**—I will go back a step or two to get to what the letter of survey means. I will paint a picture. All Commonwealth vessels are subject to the regulator under the Navigation Act but the nature of the Navigation Act is that it is designed largely for larger vessels and is not appropriate in many circumstances for small craft, so we have in place Marine Order 62 that covers Commonwealth vessels that are under 24 metres. The requirements there are that vessels under 24 metres meet the USL Code requirements, but for vessels that are seven metres and less the requirements are that they need to satisfy our chief marine surveyor that they satisfy a set of preconditions, and once they have satisfied those preconditions they are issued with a letter of survey.

**Senator McLUCAS**—What are those preconditions?

**Mrs Rimington**—That the vessel is going to be built to an appropriate Australian standard; that it is going to be certified and tested against that standard to attest to its seaworthiness; that the party whose vessel it is—and in this case DIMIA—has had a planned maintenance and testing regime in place; and that prior to each journey or each trip with that vessel a risk assessment is going to be undertaken in relation to the nature of the journey, the crew and equipment that is appropriate to cover those navigational hazards or issues associated with the journey.

When each of those conditions has been met, the obligation on the Commonwealth agency—DIMIA in this case—is to actually make a declaration that they met all of those requirements. DIMIA did in fact make that declaration to us in August of last year. The

standard to which they said that vessel complied was an Australian Standard 1799, which is the small boat code. Having received that declaration, to which they had attached their standard operating procedures, we then issued our certificate of survey. That was issued in September last year.

**Senator McLUCAS**—A part of those conditions was that the vessel had been tested?

**Mrs Rimington**—Correct.

**Senator McLUCAS**—But you are saying that all AMSA required was a declaration that the vessel had been tested. We now know the vessels had not been tested, especially for ‘swamping’, I think the term is, which it would seem is at least part of the reason why the vessel went down. When you give a letter of survey, do you just accept that the declaration has been made by the applicant, in this case DIMIA? You do not evaluate that declaration?

**Mrs Rimington**—I think the backdrop to that was that DIMIA had operated small craft previously and had apparently operated them quite successfully. When they purchased vessels back in 1999, they had had them independently tested and verified, and I think that is actually in the ATSB report. Then, in addition to that, the contact that we had had with the DIMIA manager through 2004 and 2005 indicated to us that he was well versed in what was required with the build of those vessels and was quite competent and professional in those matters. He had access to the resources within DIMIA to allow him to attest to that declaration, to make sure that the declaration that was provided to us had some veracity.

**Senator McLUCAS**—I think the report differs with your analysis in the second part of the answer to that question, if we were to go there. These were completely different vessels. They were constructed by a different company. Is it normal procedure, if you have run a boat before, that you do not analyse the declaration that the government department is giving you?

**Mrs Rimington**—They certainly had to comply with those preconditions that I outlined.

**Senator McLUCAS**—Sorry, I am asking a question about why you did not do any analysis of that declaration, which we now know to be untrue.

**Mrs Rimington**—I think we did, through our contact with the DIMIA manager, through the time of the construction of the vessels, and we formed a view in relation to the competency of that manager at the time. The way that Marine Order 62 was designed, it was never intended that we actually would inspect vessels. The size and nature of the vessels and the way that we framed Marine Order 62 were such that, if they were complying with a standard and that standard had been attested to and there were parties who were certified and qualified to attest to that, rather than AMSA being involved with inspections of that nature, we wished to devote our resources to high-risk ships and hit ships. For us, high risk can cause environmental damages, and I think the context of Commonwealth vessels operating was such that we had an expectation that, through any procurement process, they would do appropriate acceptance testings, as you would with any other commercial tendering process, and that they already had, through the OH&S legislation, a duty of care of ensuring that there was a safe working place with those vessels.

**Senator McLUCAS**—None of those have been met. That is the bottom line, isn't it? Under OH&S, I do not think we can say that appropriate training has occurred, and the report

supports that. We know that those vessels were not tested. But in your letter of survey, I think you said you formed a view or you had an expectation that those conditions had been complied with. I am trying to understand how you formed the view and how you had an expectation, and is this the normal way a letter of survey is provided by AMSA?

**Mrs Rimington**—Yes, it is the normal way, Senator. The party who is seeking to have that vessel have a letter of survey declares that they have met all those preconditions.

**Senator McLUCAS**—And you simply accept that.

**Mrs Rimington**—We rely on that. We talked with DIMIA managers and we have an expectation that DIMIA had the resources through that tendering process to go through normal acceptance testings of those vessels in order that they could support the declaration to AMSA.

**Senator McLUCAS**—Could you go back and have a look, and give me some evidence that says that AMSA officials were convinced that there was compliance with the conditions that your test establishes: if you could take that on notice to provide me with some evidence that you could give out that letter of survey. The receipt of the declaration in and of itself, in my view, should not be enough to issue a letter of survey. There should have been, in my view, an assessment of that declaration. I am trying to find out what AMSA did to assess the veracity of that declaration. Maybe you would like to go back and take that on notice and I am happy for that to happen, but I do think that the committee would need a bit more than, ‘We formed a view.’

**Mrs Rimington**—Certainly.

**Senator McLUCAS**—Thank you. In your earlier comments you did refer to the fact that when the declaration was provided the DIMIA officer on TI had attached the standard operating procedures. The report suggests that that indicated some sort of tick-off on those operating procedures. They were not required, I know that, but was there some assessment made of those standard operating procedures when they were attached to the declaration?

**Mr Kinley**—As far as I am aware, the manager that signed off on the letter of survey was satisfied that those operating procedures were satisfactory for the operations for which it was indicated the boats were going to be used. Again, I would reiterate that this is not the normal arrangement we apply for a commercial trading vessel. These are arrangements that are in place for an agency which operates under the same OH&S regime as we do.

**Senator McLUCAS**—But you gave them a letter of survey. You then indicated, Mr Kinley, that you thought AMSA would have made some assessment of those standard operating procedures, and that AMSA thought they might be satisfactory. How would you test that? How would that judgment be made? Is there another standard you can compare them with? How do you make that judgment?

**Mr Kinley**—My understanding—again, I could take this on notice, if you want—is that the manager involved was given these procedures. It was said that they were for operating the boats within certain limits, with a risk assessment made before operations. There were limitations on operating the vessels in hours of darkness—

**Senator McLUCAS**—Sorry, Mr Kinley, I do not mean to interrupt. The question I am asking is, how do you compare those? Is it just plain commonsense or is it that the officer compared the operating procedure provided by DIMIA against some other standard, or is it just a good guess?

**Mr Kinley**—As far as I am aware, there is not a common operating procedure standard. It is like most contemporary safety management practices. It is a risk management approach. You do not have a one size fits all standard that you can hold up something against and say yes or no.

**Senator McLUCAS**—What would that officer have done in order to make an assessment that those operating procedures were satisfactory?

**Mr Kinley**—He basically, as far as I am aware, would have been satisfied that the people who were operating the boat had said they were going to manage the risks that were involved.

**Senator McLUCAS**—So it is just a judgment. Thank you. Still recognising that those operating procedures were not required to be provided but were, who monitors compliance with those operating procedures?

**Mr Kinley**—The agency operating the vessel, as they are obligated under their duty of care under their OH&S regime.

**Senator McLUCAS**—And you have no role in ongoing monitoring of compliance with those procedures?

**Mrs Rimington**—Not with the standard operating procedures.

**Senator McLUCAS**—Because it is very evident that they were not complied with from very early in the time when those vessels were operating.

**Mrs Rimington**—It is an internal DIMIA responsibility.

**Senator McLUCAS**—All right. There are more questions but I have used the time. Thank you.

**ACTING CHAIR (Senator Nash)**—I think Senator Scullion has a couple of questions.

**Senator SCULLION**—I do. I have read with some interest the Australian Transport Safety Bureau's report, and there is no doubt you all have. I do not think anyone would doubt, as associated with these tragedies, it is a litany of errors. It is when those errors tend to come together in the wrong way that these tragedies occur. I would like to talk about the change in AMSA's position when they decided to introduce marine order 62. Prior to the introduction—or the review—of marine order 62, I understand that the circumstance was that, because effectively the exemption applied to vessels under seven metres, the acceptance of the notional operation of the exemption was that you would provide for safety regulations under the provisions of the accepting USL Code, notionally run by any state and territory that you were in. Notionally anything over 12 nautical miles was something that would not be over seven metres in any event. That was the notional sort of situation that went on for quite some time. Do you have any idea of how many vessels—and I have no idea; I have been on bits and pieces around the coastline; Quarantine and Customs, all those sorts of things that come under that provision. Is this the normal provision? So there would be a number of vessels under

seven metres in length run by pretty much all Commonwealth departments since 1 March 2003?

**Mrs Rimington**—Yes, we do.

**Senator SCULLION**—Are there any vessels that were in existence and operating prior to 1 March 2003—in other words, they were under current survey under those regulations. Were there any vessels or programs that decided to say, ‘Righto, let’s go to the marine orders now because this is the new way,’ or is this simply only vessels manufactured after or brought into service after 1 March 2003? I am trying to get an understanding of the extent of the risk assessment, to use your term, or the extent of the risk that now faces the remainder of the fleet. Is it only the new vessels or do you think there are some existing vessels?

**Mr Kinley**—As you have read the report, you would see at the end that safety action has already been taken and one of the things that we did do was contact all Commonwealth agencies that run vessels, basically to make sure that this could not happen again; to make sure that our assumptions about how Commonwealth agencies were operating their plant were correct. There are some vessels that were operating under state jurisdiction, under the USL Code, and there are some that are under the new regime. When I say ‘new regime’, I guess it was a formalisation of an existing exemption that was originally created for people like Customs who had a boat sitting on a trailer, which they would take out in smooth waters from time to time. It was felt at that time that the whole survey regime was very onerous and these people are often in remote places and we could not get a surveyor there, so it was to allow them flexibility in their operations.

**Senator SCULLION**—It is pretty much the same circumstances as everybody else who required commercial survey and had a duty of care to the people upon their vessels in any environment, Mr Kinley. Would that be right?

**Mr Kinley**—Yes, but not necessarily with the same resources that we would expect a Commonwealth agency to have.

**Senator SCULLION**—You think Joe Charter operating off some island off the north of Australia had more resources than AMSA or Customs or Quarantine or Immigration? I am not sure what you are trying to tell me.

**Mr Kinley**—My experience with commercial operators and with ship owners in general is that they will seek to minimise costs and there may be times when they will seek to minimise costs at the expense of safety, which is why you have regulators like AMSA around, whereas with a Commonwealth agency we do not expect that to be the case.

**Senator SCULLION**—I generally understand now. What you are asserting is that there is an assumption about the reason that there are high compliance regimes on industry—and I accept the reasons that you put forward; perhaps not as heartfelt as you, but I do accept that. You have made an assumption that an alternative ITS 6201, as an alternative in terms of a standard, 1977 standard, would have been sufficient.

**Mr Kinley**—It still calls up that standard, yes.

**Senator SCULLION**—I could spend all day here. I do not intend to, Mr Kinley. I know we are going to run out of time shortly. Part of the litany is the certificate of exemption. A

thing like a specific certificate of exemption for a ticket is not about the same issue. We are talking about the duty of care to a platform. We have now said a certificate of competency and a minimum certificate of competency would have been issued to anybody who was undertaking any commercial operation or effectively had to be responsible enough and qualified enough to be responsible for any other person in their care. That is pretty much what it is. Whilst I understand your answer to the previous remark in a vague sort of way, what I cannot get is why AMSA saw fit to specifically provide an exemption from a minimum qualification—the very minimum qualification for any commercial Australian operation; that AMSA specifically and with full knowledge of the circumstances, not saying, ‘The DIMIA officer told me. It just doesn’t matter if an individual,’ and you said, ‘No, it’s okay. If you can drive a boat and you can effectively stand upright in a boat, then that is good enough for us.’ Can you just explain to me the process of how that decision was perhaps made?

**Mr Kinley**—My understanding is that that is not a unique situation. My understanding is that some state marine authorities will allow a vessel less than six metres operating in smooth water, partially smooth, to be manned by a recreational ship master’s licence.

**Senator SCULLION**—Unfortunately, the smooth waters description in the act only goes to the south of Hammond Rock and this area of operation was nowhere near that. So you are obviously aware of all those regulations and you are obviously aware of where it goes. You can understand from my perspective that it beggars belief when I read this report on the series of events—and the reason I am asking the questions, which is not perhaps normal in these circumstances, is I want to absolutely ensure that you have thought through these processes and you can demonstrate to me and the rest of the people in this committee room that these are the sorts of processes that we can never allow to happen again.

**Mr Kinley**—That has been very much on our mind as well. Everything has been reviewed in the way we deal with Commonwealth vessels. Every assumption has been reviewed.

**Senator SCULLION**—Do you think, in the context of the general safety standards of both crewing and the platforms upon which people put to sea, that there is a substantive difference between whether it is a Commonwealth owned boat? I mean, who cares? It is out there on the water. Who actually owns it really does not make any difference, in my view. Would you agree with that? I mean, whether it is a vessel that is nice and safe under a Queensland Fisheries patrol vessel or a Customs patrol vessel, fundamentally there should be a series of standards that provide for them both.

**Mr Kinley**—Yes.

**Senator SCULLION**—They should be the same series of standards.

**Mr Kinley**—The standards were the same. The standards that should have been in place were the same.

**Senator SCULLION**—It appears to me, Mr Kinley, that the fact that we considered it differently was the fundamental error. We said, ‘This is a vessel under seven metres.’ With Commonwealth legislation and the STCW and the whole larger ships industry, it is very difficult to provide for a seven-metre dinghy and a 250,000-tonne displacement liner in the same legislation. The USL Code appears to me to deal very effectively with the smaller end. Has consideration been given to simply saying, ‘We will return to the situation before

3 March. It worked,' and allow the states and territories, simply because their jurisdiction seems in a practical sense to encompass that—

**Mr Kinley**—Yes.

**Senator SCULLION**—A lot of people would have a lot of confidence if that was to be projected as part of the answer.

**Mrs Rimington**—Senator, we are looking at the whole operation of the marine order as a result of this.

**Mr Kinley**—And jurisdiction.

**Senator SCULLION**—There are two other stages. First of all, there is the seven metres; and there is the seven metres to 24; and the 24 and above. Whilst I have read very carefully, the seven to 24-metre edict at the moment is fairly well parallel. We talk about mutual arrangements between jurisdictions. I do not know how much money we have spent on the NMSC and the recognition processes. Will you be also looking at the wider merit of perhaps everything under 24 metres simply being under the USL Code and AMSA working to ensure that that was reflected in some sort of arrangement so that you would accept that? You would say that we would have mutual recognition of everything under 24 metres?

**Mrs Rimington**—Both of the categories are under Marine Order 62, so, yes, we would look at all matters in relation to vessels under 24 metres.

**Senator SCULLION**—As I said, I could spend all day here and I have to say that there are other matters that I would like to perhaps quiz you on, but there is another investigation in the coronial inquiry that is coming up and I do not think it would be appropriate to, at this stage, but I still think I would be very interested in hearing where AMSA and your organisation are going with these particular matters. Whilst I obviously feel pretty passionate about them, I do recognise the very difficult task you have in front of you.

The next estimates will be upon us fairly swiftly and I would say that I do not believe there will be any difference in content between the outcomes of the Australian Transport Safety Bureau report and the findings of the coroner. I think it is a pretty comprehensive report and I do not think, in the sorts of issues that we are discussing, that that will change. Have you an intention of putting out an interim decision? You have said that you are reviewing things and all those sorts of things. When do you expect to make a decision on those matters?

**Mrs Rimington**—No interim decision.

**Senator SCULLION**—Are you specifically waiting until after the coronial inquiry, or is it simply that you have not finished your deliberations on the matter so you have not made an announcement on the sorts of changes that you would make?

**Mrs Rimington**—The latter.

**Mr Kinley**—But we have taken action as far as decisions go to assure ourselves on the seaworthiness of the Commonwealth fleet.

**Senator SCULLION**—All of your fleet? I understand that has been the case and that is most commendable.

**Mrs Rimington**—We certainly withdrew the letters of survey to the remaining five DIMIA vessels as Mick has talked about. We have written out to all other Commonwealth agencies affected by this marine order and asked for positive reaffirmation in relation to declarations that they have made; certainly heightened their awareness. There is the review of Marine Order 62 which we have just talked about. There are other measures that we have put in place in conjunction with Maritime Safety Queensland that are going to be educative in nature. We have a program for the Torres Strait on maritime safety generally. Sea travel is, as you would know, a very strong method of transport up in the Torres Strait and the percentage of incidents that occur up there relative to the size of the population is an issue, so we will be working with Maritime Safety Queensland in relation to those sorts of matters as well.

**Senator SCULLION**—In regard to amelioration decisions on this matter, the decision to withdraw letters of survey I understand quite clearly. I think that is an excellent way forward. The exemption for a certificate of competency: can you give me some sort of comfort that, in that same area, you have already decided that is not going to continue?

**Mr Kinley**—We have already taken action to raise the standards there. We are looking to bring things to minimum coxswain standards and are working with the departments to bring that about.

**Senator SCULLION**—What I would like to hear, perhaps in the next estimates, is that there is nobody that we have given a letter of exemption to that is currently taking the lives of other people in their hands. In fact, they should not be allowed to do so until such time as they have met the appropriate qualifications of the USL Code, seeing that STCW does not cover it, pretty much, at the moment. I understand that you are moving in that direction, but that is something that this committee will need to hear.

**Mr Kinley**—Yes.

**ACTING CHAIR**—I believe there is one last question from Senator McLucas.

**Senator McLUCAS**—In the recommendations from the ATSB report to AMSA, the third recommendation covers a lot of what we have spoken of today. It does not talk about compliance with standard operating procedures. Is it the view that that is not required?

**Mrs Rimington**—Compliance with the standard operating procedures?

**Senator McLUCAS**—By the operating department in this case.

**Mrs Rimington**—I will not discount that that is something that we will look at but, as I alluded to earlier, the standard operating procedures are generally an internal document and one which we have in place for our own operations, for example, in AMSA. To seek to extend the reach of our regulatory role to that kind of operation I think would be a bridge too far; but we are looking at that operation of Marine Order 62 and we have not discounted anything yet.

**Senator McLUCAS**—Senator O'Brien has asked me to ask you, and you may know this now or you may want to take it on notice: can you advise the committee of the latitude and longitude of the *Jian Seng* when it was first spotted by Coastwatch and notified to AMSA?

**Mrs Rimington**—Yes, I believe that it was 80 nautical miles south-west of the port of Weipa and about nine nautical miles off the coast when AMSA was informed.



**Senator McLUCAS**—Nine miles off the coast?

**Mrs Rimington**—Yes, and the Office of Transport Security gave a position of latitude 13°49'50" south and longitude 141°19'53" east when it was informed by Coastwatch.

**Senator McLUCAS**—Thanks for your help.

**ACTING CHAIR**—We shall adjourn and reconvene at nine in the morning with Aviation and Airports. Thanks, everyone.

**Committee adjourned at 11.02 pm**