



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

ESTIMATES

(Supplementary Budget Estimates)

MONDAY, 30 OCTOBER 2006

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

**STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND
TRANSPORT**

Monday, 30 October 2006

Members: Senator Heffernan (*Chair*), Senator Siewert (*Deputy Chair*), Senators Ferris, McEwen, McGauran, Nash, O'Brien and Sterle

Senators in attendance: Senator Heffernan (*Chair*), Senator Siewert (*Deputy Chair*), Senators Adams, Carr, Ferris, Hogg, Marshall, Ian McDonald, McEwen, McGauran, McLucas, Lundy, Milne, Nash, O'Brien, Patterson and Sterle

Committee met at 9.02 am

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

In Attendance

Senator Campbell, Minister for the environment and Heritage

Department of Transport and Regional Services

Executive

Mr Mike Taylor, Secretary
Mr Mike Mrdak, Deputy Secretary
Ms Susan Page, Deputy Secretary
Mr Andrew Tongue, Deputy Secretary

Corporate Services

Mr Jeremy Chandler, Chief Operating Officer, 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 and Projects

Mr Phil Potterton, Executive Director, Bureau of Transport and Regional Economics
Dr Andy Turner, General Manager, Regional Research and Statistics
Mr Roger Fisher, Executive Director, Strategic Projects

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 Strategic 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 Peter Robertson, General Manager, Vehicle Safety Standards
Mr Michael Sutton, General Manager, Maritime
Mr Stewart Jones, General Manager, Transport Integration and Reform, Australian Transport Safety Bureau

Australian Transport Safety Bureau

Mr Joe Motha, Acting Executive Director, Australian Transport Safety Bureau
Mr Alan Stray, Deputy Director, Information and Investigations
Mr John Goldsworthy, Acting General Manager, Road Safety
Mr Julian Walsh, Deputy Director, Aviation Safety Investigation
Mr Peter Foley, Deputy Director, Surface Safety Investigation
Ms Kerryn Macaulay, Deputy Director, Technical and Projects

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer
Mrs Dianne Rimington, General Manager, Corporate

Aviation and Airports

Mr John Doherty, Executive Director, Aviation and Airports
Ms Marilyn Chilvers, General Manager, Aviation Regulation
Mr Neil Williams, General Manager, Airports
Mr Stephen Borthwick, General Manager, Aviation Markets
Mr Stuart Sargent, General Manager, Office of Airspace Management
Mr Mike Ford, General Manager, Aviation Services

Civil Aviation Safety Authority

Mr Bruce Byron, Chief Executive Officer
Mr Bruce Gemmell, Deputy Chief Executive Officer, Operations
Mr Shane Carmody, Deputy Chief Executive Officer, Strategy and Support
Mr Peter Boyd, Head of the Planning and Governance Office
Mr Greg Vaughan, Acting Group General Manager, General Aviation Operations Group
Mr Patrick Murray, Group General Manager, Air Transport Operations Group
Mr David Villiers Head of the Manufacturing, Certification, and New Technologies Office
Dr Jonathan Aleck, Acting Manager, Legal Services Group
Dr Graham Edkins, Group General Manager, Personnel, Licensing, Education and Training Group
Mr Kim Jones, Manager Airways and Aerodromes
Mr Gary Harbor, Head of Human Resources
Ms Betty Edwards, Chief Financial Officer
Mr Christopher Farrelley, Chief Information Officer

Airservices Australia

Mr Greg Russell, Chief Executive Officer
Mr Ken McLean, General Manager, Air Traffic Control
Mr Jason Harfield, General Manager, Safety Management
Mr Richard Dudley, General Manager, Corporate Affairs

Mr Neal O'Callaghan, General Manager, Audit and Assurance

Mr Alastair Hodgson, General Manager, People and Change

Inspector of Transport Security

Mr Mick Palmer, Inspector of Transport Security

Mr Peter Pearsall, Director, Office of the Inspector of Transport Security

Office of Transport Security

Mr Paul Retter, Executive Director, Office of Transport Security

Mr Darren Crombie, General Manager, Aviation Security Operations

Mr John Kilner, 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

Regional Services

Ms Carolyn McNally, Executive Director, Regional Services

Dr Gary Dolman, General Manager, Regional Partnerships

Ms Karen Gosling, General Manager, Sustainable Regions and Networks

Ms Nicole Peel, Acting General Manager, Regional Policy

Territories and Local Government

Mr John Angley, Executive Director, Territories and Local Government

Mr Daniel Owen, General Manager, Local Government and Natural Disasters

Ms Anna Clendinning, General Manager, Territories East

Mr Julian Yates, General Manager, Territories West

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 Standing Committee on Rural and Regional Affairs and Transport. On Tuesday, 9 May 2006, the Senate referred to the committee for examination the particulars of proposed expenditure in respect of the year ended 30 June 2007 for the Transport and Regional Services portfolio. Today the committee will commence its examination of supplementary budget estimates with the Department of Transport and Regional Services and proceed through the printed program that has been distributed. The committee has fixed Tuesday, 12 December 2006 as the date for the return of answers to questions taken on notice. Under standing order 26 the committee must take all evidence in public session. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or

financial positions of departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearing.

The Senate has also resolved that an officer of a department of the Commonwealth or a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness shall state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground on which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis of the claim. 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 shall be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to the committee.

[9.05 am]

Department of Transport and Regional Services

CHAIR— Would anyone like to make an opening statement? Now is your big opportunity if you would.

Mr Taylor—I thought it might be useful if I were to provide a brief overview of recent developments within the Department of Transport and Regional Services, particularly around some of the key issues that will provide a context for today's hearing. In our Regional Services division the department is continuing to implement changes to the Regional Partnerships program announced by the government in November 2005. We are working closely with 56 area consultative committees to support them in their work of assisting applicants to develop quality projects that meet the Regional Partnerships program guidelines. We are also continuing with our implementation of the Sustainable Regions Program. As well, we continue to work in partnership with others in the support of the East Kimberley Indigenous trial.

The Territories and Local Government division has been restructured since the last Senate estimates. Mr John Anglely from the Department of Finance and Administration has been appointed executive director and the territories branch has been split into two. Territories East is headed by Ms Anna Clendinning, which covers, importantly, Norfolk Island, Jervis Bay, the ACT and the Northern Territory, while Mr Julian Yates covers Territories West and the Indian Ocean territory. The changes have been designed to improve the ability of the department to better service our territories group.

As well, we have placed greater emphasis on communities, with the leadership of the local government and natural disaster relief groups changing to be headed by Mr Daniel Owen, who brings with him a great deal of experience in working with communities. I would also like to note that we have done some very extensive work in respect of governance arrangements with Norfolk Island and that recently our minister announced important

additional funding for Australia's firefighting capacity in terms of aerial activity through the addition of \$2.5 million in additional funding.

The Australian Transport Safety Bureau has coordinated across states and territories the development of a new national road safety action plan for 2007 and 2008, and this was endorsed not only by all stakeholders but by Commonwealth and state ministers at their meeting on 13 October. The ATSB has also undertaken some very important research work, which has been published widely, particularly in the prestigious international journal of the Flight Safety Foundation, focusing on areas of aircraft cabin depressurisation, Australia's very low aviation fatality rate and a layman's introduction to human factors in aircraft accident and incident investigation. Importantly, in light of retirements, we have promoted two new people from within ATSB to head the deputy director roles: Mr Julian Walsh and Mr Peter Foley.

The Office of Transport Security continues to work closely with Australian government agencies such as Attorney-General's, Australian Federal Police and Customs with regard to security across all modes of transport. Clearly the London terrorist plot in August 2006 has shown that the current threat remains and that transport is still a key focus for terrorists. We are working very closely with our Australian colleagues and also with the US, UK, European Union and other governments as well as with industry. We are continuing to examine the implications and consider improvements to our security regimes. Importantly, we have been progressing, in conjunction with international partners as well as within Australia, work on liquids, aerosols and gas, which were a key part of the threat within London.

Work on our ASIC and the MSIC schemes continues. Importantly, a significant increase in the MSIC applications has occurred, with some 54,000 applications now having been received and another 10,000-plus expected in the coming month. The department has worked very closely with this scheme and closely monitors the roll out as we approach the key date of 1 January 2007.

The Inspector of Transport Security Bill has been tabled in parliament and that will be addressed by the parliament in the course of the coming months. Importantly, the Inspector of Transport Security, Mr Mick Palmer, working in conjunction with state and territory colleagues, will report on the effectiveness of surface transport arrangements within Australia. This report is likely to be finalised in December 2006 with results being provided to the Australian Transport Council and the National Counter-Terrorism Committee.

The department continues to work with our regional neighbours in building activities which will enhance security for both them and Australians. Our activities in the international arena remain focused under the umbrella of APEC. A number of key visits occurred during the period. Of particular note were the visits to Australia by Mr Kip Hawley, the head of the United States Transport Security Administration, and Ms Marjeta Jager from the Directorate-General for Energy and Transport for the European Commission.

In the area of airports and aviation, importantly, on September 14, the then Minister for Transport and Regional Services, Mr Warren Truss, outlined government policy on a range of airspace issues. These include the reaffirmation of the commitment to the reform objectives of the National Airspace System, a commitment to a cost-benefit and risk analysis and industry

consultation in all future major airspace reforms and the creation of an Australian airspace policy plan.

The department continues to participate in a wide range of activities to promote global aviation safety. In the Asia-Pacific region we have continued to take a strong role within the Pacific Aviation Safety Office Council, particularly in working with them to develop their technical and safety manuals. Detailed and comprehensive preparations have continued for the meeting of APEC transport ministers, to be held in Adelaide at the end of March 2007. The department has now taken the chair of the APEC transport officials group and is working with member countries of APEC to develop a strong agenda for that ministerial meeting. The Aviation and Airports Division has also been strengthened recently by the appointment of Mr Mike Ford, previously with the Department of Finance and Administration.

AusLink, the major program for driving and enhancing national land infrastructure, saw major developments in terms of delivering results within 2005-06 and laying the foundation for subsequent years. In particular, in the last financial year some \$4.5 billion in grants was administered. This included additional payments in June 2006 of nearly \$2.4 billion: \$1.8 billion being provided to states and territories to complete major roadwork packages by the end of 2009, some \$308 million being provided to local councils to improve local roads and \$270 million being provided to the Australian Rail Track Corporation for the upgrade of Australia's rail freight network. Managing these payments has demonstrated the department's ability to respond to and rapidly implement government announcements, particularly in negotiating the memoranda of understanding between states and territories.

In the area of maritime and land transport, the department has been heavily involved in driving forward reforms agreed at COAG in February this year. A recent Australian Transport Council ministerial meeting delivered considerable progress on these issues. Ministers there agreed on an institutional framework for the future consideration of heavy vehicles on a performance based standards approach and, importantly, agreed on rail safety regulations for the interstate rail network. In addition, ministers have endorsed the way forward on a package of reform relating to the regulation of heavy vehicle driver fatigue rules and regulations. This will be an important focus of the department's work in coming months.

The Bureau of Transport and Regional Economics has extensively contributed to this COAG national reform agenda, providing the secretariat for the urban congestion review as well as actually undertaking significant work on trends and their impact on the future of the economy. The BTRE has also produced a second edition of the *National Guidelines for Transport System Management in Australia* and its contribution to that will assist COAG in driving forward its reforms.

The bureau also made a very major contribution to the recent Productivity Commission report on road and rail freight infrastructure pricing, which is a discussion paper at this stage. The BTRE is also publishing a significant review of literature relating to skill shortages in Australia's regions. As well, since the last Senate estimates hearing a major transport conference was held here in Canberra under the BTRE umbrella and one on regional development in Beechworth, Victoria.

In closing, I would like to make a brief comment regarding the department's financial performance during 2005-06. Of the \$6.4 billion appropriated to the department for grants, subsidies and other administered payments, \$6.3 billion was paid to recipients including additional appropriation provided in the 2005-06 portfolio supplementary additional estimates statements. As well, the department achieved a balanced operating outcome in line with that projected at the time of the 2006 budget. I think the comments I have made reflect, importantly, on the very effective role the department has played in delivering on its program. We look forward to taking questions from the Senate committee.

CHAIR—Thanks very much for that. I hope we do not put everyone to sleep for the next 24 hours. Senator O'Brien, we will see how effective you are at keeping everyone awake.

Senator O'BRIEN—I cannot speak for you, Mr Chairman, but I will stay awake. Mr Taylor, I want to go back to your statement that Mr Palmer is going to report. Could you reiterate what you told us about Mr Palmer's report due later this year.

Mr Taylor—In November last year the Australian Transport Council requested Mr Mick Palmer to work with the states and territories to undertake a review of land transport in Australia and to make a comparative study with a number of land transport operations, particularly in Europe and North America. That work has been undertaken with state police and state transport officials and Mr Palmer is in the process of preparing a report in conjunction with those officials which will go to transport ministers at the end of this year.

Senator O'BRIEN—So the report will be completed by the end of this year and go to ministers, or is it completed at this stage? Is that still a work in progress?

Mr Taylor—The report is a work in progress, as I understand it. It has been drafted by Mr Palmer and by state and territory colleagues.

Senator O'BRIEN—Which section is Mr Mike Ford going to work in—the gentleman from the department of finance you mentioned?

Mr Taylor—Aviation and Airports.

Senator O'BRIEN—He comes from the department of finance. Is there some expertise that he brings that is specifically relevant there, or is it management of costs that you are looking at?

Mr Taylor—In a wide range of the activities we undertake there is both the knowledge of industry and also the very important administrative knowledge. Clearly in the aviation and airports area, where we are dealing with major commercial arrangements, that background in finance is particularly valuable.

Senator O'BRIEN—So it is his background in finance that is particularly important?

Mr Taylor—And his background in public administration.

Senator O'BRIEN—It is particularly relevant in the area of aviation and airports—is that what you are telling us?

Mr Taylor—We selected him because he was by far the best candidate, and we think those attributes—

Senator O'BRIEN—I am asking: is the skill—

Mr Taylor—And I have already described that those attributes are relevant to the role.

Senator O'BRIEN—Particularly relevant or one of a number of skills?

Mr Taylor—Particularly relevant, if that is helpful.

Senator O'BRIEN—I have asked some questions on this in the past and I want to return to the question, Mr Taylor, of your temporary accommodation allowance. How many years has this arrangement been in place now?

Mr Taylor—I have been employed with the Commonwealth since the year 2000. All of my remuneration arrangements are in accord with the Prime Minister's determinations, the Remuneration Tribunal determinations and other determinations. Their application has been managed by the corporate and finance area of both my previous department and the current department. If you have any questions, I would be pleased for you to direct those to Mr Chandler and Mr Ash.

Senator O'BRIEN—Thank you. Mr Chandler, did you hear the question?

Mr Chandler—In terms of the duration, the secretary has responded. Is there a further aspect to your question?

Senator O'BRIEN—I wanted to know how many years the temporary accommodation allowance had been in place.

Mr Chandler—For the duration, as indicated from the secretary's initial response.

Senator O'BRIEN—Since 2000?

Mr Chandler—Correct.

Senator O'BRIEN—Is the reunion travel allowance of up to \$6,600 still in place and has it been in place for all of that period?

Mr Chandler—It has.

Senator O'BRIEN—Can the committee receive the final totals for the last financial year of Mr Taylor's reunion travel allowance, as well as of the so-called temporary accommodation allowance?

Mr Chandler—I do not have those figures with me but we can provide those. I think we have provided figures up to the end of May in response previously.

Senator O'BRIEN—Yes. Is Mr Taylor the only officer in the department to receive allowances of this kind?

Mr Chandler—There are no other allowances of that type paid to other officers.

Senator O'BRIEN—Given the skills shortages being felt across the workforce, has any prospective employee made a request, either formally or informally, to work under similar arrangements—that is, to reside temporarily in a city other than their home base? You may need to take that on notice.

Mr Chandler—Can I take that on notice?

Senator O'BRIEN—Yes. And if so, what was the outcome of their request? Can I also get a breakdown of the number of staff in the department, by division, as at 30 June?

Mr Chandler—We have those figures; we can table those for you.

Senator O'BRIEN—That would be very good. Thank you very much. I note that staff numbers were up 11 per cent as at 30 June 2005 on the previous end of financial year position. Is this consistent with staffing projections and is there likely to be a further increase during the current financial year?

Mr Chandler—I think it is true to say that, yes, the figures are consistent with the levels of staffing which had been budgeted for. As at 30 September the staffing number was 1,251 full-time equivalents—that is, 1,285 people. So there has been, again, a variation, but all divisions are effectively operating within approved staffing, as well as financial, budgets.

Senator O'BRIEN—So is that growth continuing or have numbers stabilised?

Mr Chandler—We, at the present time across the department, are staffing at a little less than approved budgets, division by division, so, on the assumption that divisions could achieve full staffing, you would expect to see some rise.

Senator O'BRIEN—So any increase would be small, proportionately. What are you expecting the numbers to grow to as you achieve projected staffing?

Mr Ash—We are currently forecasting staff numbers at around 1,300, which would be about the average for the financial year.

Senator O'BRIEN—Is that FTE or people?

Mr Ash—That is an ASL number across the year. It is going to be slightly above that, we think. So there is potential for a little more growth.

Senator O'BRIEN—An ASL number? Sorry, you have lost me again. There are all these terms: ASL, FTE et cetera.

Mr Chandler—ASL is average staffing level. It is close to being the same as full-time equivalent, FTE.

Senator O'BRIEN—Is the difference determined by who gives me the answer?

Mr Ash—No, it is just that an ASL is the average across the entire year whereas a FTE is a point in time.

Senator O'BRIEN—How many departmental liaison officers from this department are assigned to the offices of Mr Vaile, Mr Lloyd and Mrs Kelly?

Mr Chandler—There are two DLOs, departmental liaison officers, in Minister Vaile's office; one in Minister Lloyd's; and we have just placed one DLO in Parliamentary Secretary Kelly's office.

Senator O'BRIEN—I refer you to the answer to question on notice CORP 07 which advised that direct employee expenses for the Office of Transport Security were estimated at \$25.7 million for 2005-06. Could you now advise the actual final amount?

Mr Chandler—Can we take that on notice? We will be able to come back with an answer on that during the morning at some stage.

Senator O'BRIEN—In May I was advised that the travel service provider contract with Amex was to run until the end of this calendar year. It was indicated that the department may

not necessarily have a contract with the travel service provider and that a recommendation would be made to the executive around August-September. Was a recommendation made, and if so what was it?

Mr Chandler—I think my answer in terms of a recommendation to the executive was not in terms of a new provider or a new arrangement but how we might proceed as we move to the end of the current contract. What we have done is to decide to approach the marketplace. We will do that through an open tender arrangement. We have sought or are in the process of drawing upon the expertise of consultants who have helped other departments in formulating travel contract arrangements. We have been to a number of such providers and had quotes for assistance with the tender process. I have not made a recommendation on who that provider would be to the executive yet, but the quotes have closed.

Senator O'BRIEN—Have you at this stage made any recommendation to the executive in relation to the travel services, or is that still work in process?

Mr Chandler—That is still work in progress.

Senator O'BRIEN—I will express my understanding of what you have told us and you can correct me if I am wrong. After advising yourself in relation to practices in other parts of the service, you have sought tenders.

Mr Chandler—We have.

Senator O'BRIEN—From potential providers?

Mr Chandler—At the moment we have sought quotes from consultancy firms who have advised other departments on tender processes. The quotes for those providers have closed. I will need to make a recommendation to the executive and we will then step forward to the formal RFT process, drawing upon the expertise of that consultancy group.

Senator O'BRIEN—So, assuming you made a decision tomorrow to appoint a consultancy firm, they would then make a recommendation or prepare a report about who should be commissioned as the travel service provider or whether a travel service provider should be commissioned at all.

Mr Chandler—The purpose of drawing upon consultants who are expert in this field is to advise us on how best to structure our requirements in approaching the market, having regard to the fact that a number of consultants have helped other departments in recent times. We would be drawing upon their expertise to determine how best to approach the market for travel services going beyond the contract with Amex.

Senator O'BRIEN—Which consultants have you approached?

Mr Chandler—I think it was seven. I do not have the names with me but they are consultants who have been involved with other departments and I have received quotes from four.

Senator O'BRIEN—So each of those four have been consultants to other departments?

Mr Chandler—They have, Senator.

Senator O'BRIEN—Will you be assessing quotations purely on cost or is there some other factor you are looking for?

Mr Chandler—As always, it comes down to a judgement on value for money. We will be having regard to cost but we will also have regard to the actual detail they have provided in support of their quote and our assessment of their understanding of the assistance that we require from them. We will also be drawing upon advice from their referees and particularly other Commonwealth departments that have used them in recent times. It may not be the cheapest quote.

Senator O'BRIEN—Can you tell us who has submitted a quotation.

Mr Chandler—Given that the process is still not finalised, I would rather take that on notice and come back on that if I can. It is effectively an open quote tender process and we have not yet formally gone back to any of the people who have quoted.

Senator O'BRIEN—I appreciate that. You were telling me that you have just closed quotations, so presumably you expect to complete the process and select a consultant very quickly.

Mr Chandler—I expect to be able to make a recommendation to the secretary on who we would propose to proceed with by the end of this week.

Senator O'BRIEN—Can you advise the committee whose the successful quote is when that is done.

Mr Chandler—What we will provide on notice is the advice on the firms approached, the four who have quoted and the successful tenderer.

Senator O'BRIEN—Thank you. I am aware that a replacement certified agreement was put in place recently. In previous estimates rounds I have asked whether the department has adopted a policy to require new employees to sign an Australian workplace agreement and deny them the right to be covered by a certified agreement. Consistently I have been told that the department has no policy to that effect at the present time. Has the department's policy changed?

Mr Chandler—No, it has not.

Senator O'BRIEN—Mr Taylor provided information this morning about the APEC transport ministers meeting next March. Presumably that has involved some preparatory work within the department. How many staff are involved in this preparatory work?

Mr Chandler—We do not have those details with us. Perhaps we could address that during the questioning of Aviation and Airports Division later in the day. That division is managing the APEC process.

Senator O'BRIEN—In relation to CASA coming under the Public Service Act, does the announcement by the former minister that CASA will come under the Public Service Act have any practical impact on the department?

Mr Mrdak—No practical impact on the department. It will require some change in the relationship that we take with CASA as it moves from its current financial arrangements to the FMA Act, the Financial Management and Accountability Act, which requires a different approach to how it manages its budgets, in accordance with the way the department would.

That has some implications for our oversight of CASA, but there is no significant change in the role of the department or the relationship with CASA from the department's perspective.

Senator O'BRIEN—So it is not actually an integration of CASA with the department?

Mr Mrdak—No. CASA would remain an authority under its own legislation, the Civil Aviation Act. Under its existing act it has provisions for its own staffing arrangements in accordance with government workplace policy, but it also has provisions for how it manages its finances. It is currently managed under the companies and authorities provisions of legislation. It will move to the FMA Act, which puts it on the same provision as any other department of state, but it remains as a statutory authority.

Senator O'BRIEN—What will that mean in terms of its budget?

Mr Mrdak—It will continue to manage its budget as is, but it has different obligations in relation to reporting and also it would not continue to have its current capacity to manage its own reserves. It becomes a much more budget funded agency in the same way the department currently is in terms of managing our fluid cash and the like. Mr Ash might be able to give you more detail about FMA.

Mr Ash—I suppose the biggest change would be that CASA will not be able to operate its own independent bank accounts, as it currently does, where it can invest the surplus cash that it holds. That will be returned to the official public account. So, like many other agencies, there would be an appropriation receivable which would be the equivalent of that cash and therefore there is generally speaking an adjustment to the appropriations to make up for the interest forgone. From a cash management point of view, that is the major change. The remainder of the budget is akin to what it operates now. It is just that it does not have that independent account.

Senator O'BRIEN—Would these surpluses come back under the control of the department or would they go to consolidated revenue?

Mr Ash—It is held in the official public account, which is an account that the Department of Finance and Administration manages through, I think, the Australian Office of Financial Management, the AOFM, in the Treasury portfolio.

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

Mr Ash—I could not tell you from here. You would have to ask CASA themselves.

Senator O'BRIEN—During the May estimates I raised the issue of the department's fleet procurement and use policy. Are you aware of a high-impact action identified in the Australian Transport Council's National Road Safety Action Plan 2007-08, which is 'That the government implement vehicle fleet purchasing policies that have high regard to vehicle safety standards for both occupants and pedestrians and that promote uptake in the general fleet of effective advanced safety features such as ESC'?

Mr Mrdak—In the lead-up to the consideration of the Road Safety Action Plan at the last Australian Transport Council meeting around the middle of this year Minister Lloyd wrote to the minister responsible for the government's fleet procurement policies, Senator Minchin, outlining his view that the Australian government should adopt a position which encourages

in its fleet purchasing the take-up of electronic stability control and other safety measures wherever possible.

Senator O'BRIEN—So I take it the department has changed its attitude and adopted a fleet policy that has active regard for safety.

Mr Mrdak—The department has encouraged the fleet policy to reflect the uptake of ESC as one of the things that we are trying to drive. Overall the fleet policy remains the responsibility of the Department of Finance and Administration, and the department always operates within that policy. Essentially Minister Lloyd is encouraging the fleet policy to be updated to encourage the uptake of technology like ESC, and that is why he wrote to Senator Minchin.

Senator O'BRIEN—Following the adoption of the national road safety plan, Mr Lloyd made a request to Minister Minchin that the department of finance alter its vehicle acquisition policy?

Mr Mrdak—I will take on notice the exact dates, but my understanding is that it took place around the middle of this year, if not earlier. I think it was well in advance of the Australian Transport Council considering the road safety action plan.

Senator O'BRIEN—Did the minister ask that vehicles be chosen that have the sorts of passive and active safety features that save lives? What sort of request was it?

Mr Mrdak—Certainly the minister was reflecting the sorts of discussions that have been happening at the Australian Transport Council on how we progress safety initiatives like electronic stability control. Without having the letter in front of me, my recollection is that the letter from Minister Lloyd sought to encourage that government policies for fleet purchase look to have features like ESC incorporated as much as possible in fleet acquisition.

Senator McEWEN—What was the extent of the encouragement?

Mr Mrdak—Wherever practicable, depending on the operational requirement of the vehicle, we do seek to purchase vehicles that have electronic stability control or those types of safety features, recognising that not all Australian made vehicles do have that as a standard feature. But, wherever possible, if we are choosing a vehicle in terms of the fleet purchasing requirements that has that benefit of ESC then that would be favoured.

Senator McEWEN—Is there any monitoring of how successful the encouragement has been?

Mr Mrdak—Not that I am aware of by this department. You may wish to raise that with the department of finance. But in terms of new car sales in Australia, my understanding is that there has been a significant uptake of models coming on to the market and being sold with new technologies such as electronic stability control.

Senator O'BRIEN—There are a range of passive safety features. Airbags are fairly standard.

Mr Mrdak—Airbags are increasingly standard.

Senator O'BRIEN—Vehicle curtain airbags are not quite as standard. Are those the sorts of things that Minister Lloyd has mentioned to Minister Minchin?

Mr Mrdak—I think his letter principally focused on electronic stability control. When our vehicle standards people appear later during estimates I will be able to give you some more detail. But my understanding is that those sorts of curtain airbags are increasingly being rolled out by manufacturers across the range of their vehicles.

Senator O'BRIEN—Perhaps, on notice, you can let us know precisely what Minister Lloyd has asked the minister for finance to do in relation to Commonwealth motor vehicle acquisition policy.

Mr Mrdak—I will certainly get that for you during today.

Senator O'BRIEN—Is it the norm that the department responsible for road safety has significant input into Commonwealth motor vehicle acquisition policy, or is this a new feature?

Ms Page—The national safety action plan is a plan developed by all jurisdictions, including the Commonwealth. The Commonwealth is one of nine jurisdictions that contribute to that. That was the view of the nine jurisdictions. So the Commonwealth, if you like, on behalf of ATC, has written to Senator Minchin.

Senator O'BRIEN—Does that mean this department has, or one of the ministers from this portfolio has?

Ms Page—Minister Lloyd, as one of the ministers represented on ATC, which is chaired by the Commonwealth, has written to Senator Minchin to draw his attention to the national action safety plan.

Senator O'BRIEN—Are you saying that the letter was written in his capacity as chairman of the ATC rather than as a fellow minister?

Ms Page—He is not the chair—Minister Vaile is the chair—but he has written alerting Senator Minchin to the plan that has been released by the ATC.

Senator O'BRIEN—According to the Australian Transport Safety Bureau's 2006 review, \$500,000 was provided to ANCAP, the Australian New Car Assessment Program. In response to questions during the May estimates, I was advised that the department does not use the ANCAP safety ratings as a reference point when selecting vehicles for the departmental fleet. Has that changed?

Mr Mrdak—From recollection the evidence at the time was that we rely on the guidelines published by the Department of Finance and Administration for our fleet acquisition. That remains the department's position.

Senator O'BRIEN—The answer is that you still do not have regard to it, you simply refer to the guidelines?

Mr Mrdak—We refer to the Commonwealth guidelines.

Senator O'BRIEN—Which I take it have no reference to that.

Mr Mrdak—I would need to check. I am sorry I am not very familiar with the guidelines.

Senator O'BRIEN—In May, Mr Chandler, you responded to a number of questions about departmental policies regarding driving whilst fatigued, mobile phone usage, alcohol consumption, with these words:

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.

Do you believe there is more to safe driving of vehicles by the departmental officers than just following the APS Code of Conduct and applicable laws?

Mr Chandler—Clearly, the chief executive's instruction, which governs the use of vehicles, sets standards for operational vehicles in relation to complying with the law. Explicitly, in the case of operational vehicles, it does preclude driving the vehicles with any level of alcohol in the blood. As a general rule, the code of conduct obviously sits above that. I think it would be true to say that the code of conduct talks about compliance with laws, but it also talks about behaviour of staff. The answer to your question is: yes, compliance with law but, clearly, appropriate behaviours when in control of a Commonwealth vehicle or acting in any capacity on behalf of the Commonwealth.

Senator O'BRIEN—Are you aware of the Monash University's Accident Research Centre's policy for purchase and use of vehicles at that centre?

Mr Chandler—I personally am not, no.

Senator O'BRIEN—I can refer you to it and I suggest to you that it provides quite a reasonable guide for all fleet managers. My question is: does this department have any role in developing a model vehicle procurement and fleet management policy for use within all Commonwealth agencies, or is that simply a matter in the hands of the department of finance?

Mr Chandler—The department of finance has a fleet monitoring body which in effect manages the Commonwealth vehicle policy and what vehicles may be provided to departments. The code of conduct obviously applies to all agencies. At a departmental level, individual agencies may determine additional rules or requirements. It is not a role for this department in respect of all agencies, no.

Senator O'BRIEN—So this department does not have any special role in relation to Commonwealth policy with respect to purchase or use of motor vehicles.

Mr Chandler—No.

Senator O'BRIEN—And that matter is entirely within the control of the department of finance, even though clearly this department has its minister sitting on the relevant ministerial council, which has recently adopted a national road safety plan for the coming two years?

Mr Chandler—We do not have a role.

Senator O'BRIEN—Mr Taylor, could you tell us why that is the case? It seems peculiar that, given the safety and motor vehicle knowledge that lies within the department, this department has no role in relation to Commonwealth motor vehicle fleet purchase and use.

Mr Taylor—I think it is fair to say that the heads of all departments and agencies take strong responsibility for their staff and skills and that that is something that they cannot cast off to others. Very importantly, the Department of Finance and Administration has a very

competent group whose members actually have a wide range of skills in making choices about fleet purchases. Also, every one of us operates, as is the case with land transport and motor vehicle transport, under relevant state and territory laws. I do not have any difficulty with the policy as it is executed within public administration.

Senator O'BRIEN—So there is no special reason. Even though the resources and knowledge which lie in this department are particularly relevant to issues such as road safety, motor vehicle behaviour and road standards, there is no special responsibility upon this department in relation to Commonwealth motor vehicle acquisition and use. Where does that responsibility fit within the department of finance? If you would tell me that I would appreciate it.

Mr Taylor—I think that should be directed to the Department of Finance and Administration.

Senator O'BRIEN—I am happy to do that. Do you know where it exists?

Mr Taylor—No, I do not.

Senator O'BRIEN—Mr Chandler, do you know?

Mr Chandler—There is a fleet monitoring body within the department of finance. I am not sure which division it sits within.

Senator O'BRIEN—Chair, I do not have any more questions under Corporate Services but others may.

CHAIR—As there are no further questions, we will move to Portfolio Strategic Policy and Projects.

Senator O'BRIEN—Chair, I will simply ask Mr Potterton if he can update us on the project status within the bureau at the moment. It has a number of projects which it has agreed to fund for this financial year. What is happening, Mr Potterton?

Mr Potterton—We have a new program for 2006-07, which the secretary has approved. I would be happy to provide you with copies of that program. Briefly, the program sits under nine broad themes: aviation statistics; road and rail statistics; the transport outlook; improving transport infrastructure; rail, road and air transport reform; transport environment; environmental safety and security impacts; regional Australia: information and trends; regional economic development; and promoting policy discussion. The program includes, obviously, ongoing statistical series and a number of research projects that are continuing from last year, as well as a number of new projects.

Senator O'BRIEN—Which of those projects, if any, relate to the issue of the potential for new fuel sources for the Australian vehicle fleet?

Mr Potterton—We have a new project, which we have broadly titled 'Transport Energy: Future Scenarios', in which we are planning to look at the longer term fuel environment for Australia and potential technologies, taking account of what is known of availability and the cost constraints that might apply. This is an update, if you like, of a project which we undertook some 10 or 12 years ago on alternative fuel sources for the transport sector in Australia.

Senator O'BRIEN—Has this project commenced?

Mr Potterton—The scoping of it has commenced. It will take some considerable time, given the other priorities that we have on our work program. We are commencing it this year; we are not expecting to complete it this financial year.

Senator O'BRIEN—Will it be the next financial year, the one after that, or—

Mr Potterton—The next financial year, we would hope.

Senator O'BRIEN—What financial resources are being applied to this particular project?

Mr Potterton—We will have two officers in the bureau working on that for part of their time, so I would say that for this financial year it would be around 0.7 or 0.8 of an FTE.

Senator O'BRIEN—How does that compare to the staffing of other projects? Is that the sort of staffing you would typically allocate to a project, or is this a small or large project?

Mr Potterton—This is about average size.

Senator O'BRIEN—What is the budget for the Bureau of Transport and Regional Economics for this financial year?

Mr Potterton—The total budget for the bureau is \$6.1 million.

Senator O'BRIEN—How does that compare to the previous financial year?

Mr Potterton—It is similar. We spent \$6 million in 2005-06.

Senator O'BRIEN—Did you underspend or overspend your budget in 2005-06?

Mr Potterton—We very slightly underspent it.

Senator O'BRIEN—Okay. I would appreciate a copy of the full program.

Mr Potterton—I would be happy to place that on the record.

Senator O'BRIEN—Thanks very much. Mr Fisher, what projects are you working on at the moment?

Mr Fisher—At present we are working on some projects in relation to telecommunications, water, natural resource management and rail.

Senator O'BRIEN—What resources are being applied when you say 'we'? You are obviously referring to your team. What sort of resources are being applied to those projects?

Mr Fisher—The team has a budget for next year of \$1.26 million.

CHAIR—When you say water, what does that mean?

Mr Fisher—The National Water Initiative and—

CHAIR—What is your role in that?

Mr Fisher—We support the minister, who has a strong interest in the progress of the National Water Initiative, and we also participate at an official's level in groups like the Water Policy Group chaired by PM&C.

CHAIR—It sounds like a bureaucratic nightmare to me. I thought it was more to do with the practical side of things.

Senator O'BRIEN—So you participate on the interdepartmental committee?

Mr Fisher—That is correct.

CHAIR—Do you do any vision stuff—future, over the horizon thinking?

Mr Fisher—We have given the minister advice on progress with the National Water Initiative and water reform more generally.

CHAIR—What is your advice if we return 500 gigs to the Murray and then mother nature takes 3,000 out of the catchment?

Mr Fisher—What would be the content of my advice or what would be the process?

CHAIR—It is a dilemma. Forget about all the politics because there is this bidding thing on the health of the Murray, which I think is in some ways meaningless because of what mother nature has got planned.

Mr Fisher—You are right when you say that water is complicated and there are lots of interests. The particular perspective we come from is about regional Australia and the impacts—

CHAIR—You can see that I am talking practically rather than about bureaucratic planning. I could have a few questions for Mr Potterton too, on downstream value adding and fuel, but I won't.

Senator O'BRIEN—Downstream value adding and fuel?

CHAIR—It does not matter. Today is not the day.

Senator O'BRIEN—I thank the witnesses for that.

[10.04 am]

AusLink

Senator O'BRIEN—Following the Australian Local Government Association's national roads congress, Mr Truss issued so-called talking points to coalition members, senators and staff. These talking points were critical of local government's demand for more roads funding saying:

Local government has no reliable data available on the road maintenance task.

Local government has no comparable data on its expenditure on roads, road condition or road usage—all the key information ... needed to assess road funding needs.

And further:

Local government is not keeping up the task of funding its infrastructure ...

Did the department prepare these talking points, or were they prepared by the minister's office?

Mr Mrdak—The department has no knowledge of these talking points. They would have been prepared in the office.

Senator O'BRIEN—Do you know whether anyone from the government had the courage to tell the Australian Local Government Association that its funding request would be dismissed out of hand?

Senator Ian Campbell—Is that a reasonable question for officers of the department?

CHAIR—Was that in insinuation, Senator O'Brien?

Senator O'Brien—I am asking whether there was any knowledge within the department.

CHAIR—Did you say something about courage?

Senator O'Brien—Yes—whether the government had the courage to tell the Australian Local Government Association that its funding request would be dismissed out of hand.

CHAIR—Is there any chance that you could reframe that question? Just chop out 'Did you have the courage?' because we could have all sorts of silly buggers played if we get into that. Who has enough courage to do what?

Senator O'Brien—Did they?

CHAIR—That is better.

Senator Ian Campbell—It is not a question for departmental officers.

Senator O'Brien—To the knowledge of the department, did the government advise the Local Government Association that its funding request would be dismissed out of hand?

Ms Riggs—No-one in the department has knowledge of the government having ever said such a thing.

Senator Ian Campbell—Just to balance the record, I think the Labor Party are still on the record as saying they are going to get rid of the Roads to Recovery program.

Senator O'Brien—Are they? That is interesting. More generally, how does the Commonwealth get a handle on this nation's road funding needs if, as Mr Truss's talking points say:

The Commonwealth Grants Commission, in its draft report of May 2006, found that even reliable data on a simple measure such as road links was not available.

Ms Riggs—As you are aware, the primary focus of the government's investment in Australia's land transport infrastructure is in road and rail elements of the National Land Transport Network. It does make a contribution to local roads through the Roads to Recovery program and through that element of the financial assistance grants to local government that is tagged for road expenditure. In neither of those cases does the federal government make decisions about how those funds are used—what elements of road maintenance or construction they are used for. So I think the question about what is needed at the local road level is probably one that is more appropriately addressed to local government.

Senator O'Brien—Does it follow from that answer that the Commonwealth is not in a position to develop an understanding of what the nation's road funding needs are?

Ms Riggs—The government has taken, as its responsibility in this regard, some share of the financing of roads. In relation to the national land transport network, we have under way, as we have discussed before, corridor studies for each of the 24 corridors that make that up. Those are the evidentiary bases, if you like, on the basis of which, working with the states and territories and the Australian Rail Track Corporation, this government will make decisions about its primary investment in that part of the nation's transport infrastructure which it sees

as essential. In relation to local roads, it has taken a decision that that is a matter predominately for local government; although it makes a funding contribution through the programs that I have already mentioned.

Senator O'BRIEN—So we have local roads as the responsibility of local government and state roads as the responsibility of state government and the Commonwealth's responsibility comes in terms of contributing an amount of money towards particular projects. Is that how I should understand this?

Senator Ian Campbell—I think the best thing we could do, Mr Chair, is to table the AusLink document that has now been out in the public arena for over two years.

Senator O'BRIEN—I think the best thing you could do would be to answer the question.

Senator Ian Campbell—It is quite explicitly set out. It is fundamental government policy and we are following it. For example, in relation to local roads we are putting money in through Roads to Recovery, a program that Labor said they would cancel if they were ever elected.

Senator O'BRIEN—I would appreciate an answer to my question rather than obfuscation from the minister.

Senator Ian Campbell—It is quite explicit in the policy. I do not think you need to give a lesson in transportation policy 101 at estimates every year because the shadow minister is a slow learner.

Senator O'BRIEN—I would not talk if I were you; you have made a mess of your portfolio at the moment. The sooner you step out of this and let the officers answer questions, the better. I have asked a question and I expect an answer.

CHAIR—Order! I am actually in charge here. We will return to questions and not comments.

Senator O'BRIEN—I have asked a question and I am waiting for an answer. We have had a time-wasting comment from the minister.

Senator Ian Campbell—The answer is that I will give the shadow minister a copy of the AusLink policy that was released over two years ago.

Senator O'BRIEN—That is not an answer to the question.

Senator Ian Campbell—It is all set out there.

CHAIR—If we could just return to questions and answers in a polite way.

Senator O'BRIEN—I am happy to ask questions, but if the minister is going to intervene in the way that he does, you can expect that all day.

CHAIR—As you can see, I am actually in charge.

Senator O'BRIEN—You should exercise that over the minister as well.

Senator Ian Campbell—Mr Chair, is the minister allowed to respond at all?

Senator O'BRIEN—The minister is allowed to answer questions, that is right.

Senator Ian Campbell—Thank you very much!

Senator O'BRIEN—You're welcome.

CHAIR—Now, boys, calm down. This is a long camp.

Senator Ian Campbell—If you ask a question, I will answer it.

Senator O'BRIEN—I just asked a question.

Senator Ian Campbell—And I said that AusLink has all that detail. It tells you how we fund the national roads, the state roads and the local roads.

Senator MARSHALL—So, you cannot answer this question.

Senator O'Brien—No, he cannot.

Senator Ian Campbell—I just answered it.

Senator MARSHALL—That is not an answer to the question. If it is that simple and that well set out then why can't you simply answer the question?

Senator Ian Campbell—It is well and truly set out. Anyone who has been following transport would know that. This guy has been the shadow transport minister for as long as anybody and he does not even know how we fund the national roads or state and local roads. He is very upset about local roads because Labor is going to cancel the policy.

Senator MARSHALL—Can you answer the question.

Senator Ian Campbell—I just have.

Senator O'BRIEN—That is not an answer to the question.

CHAIR—If we could return to matters of substance rather than matters of politics.

Senator Ian Campbell—Go and have a cigarette. You are getting a bit tetchy because you have given up the smokes. Go and have another one.

Senator O'BRIEN—This is more appalling behaviour from this minister.

CHAIR—I have been encouraging Senator O'Brien for two years to give up the smokes, so I must defend him. He has given up the smokes and he is to be congratulated.

Senator Ian Campbell—He has gotten very tetchy as well.

Senator HOGG—I think that is a reflection, Chair, on the character of the senator.

CHAIR—It is. I think it is an unfair comment. Now everyone behave and let us get back to the questions.

Senator MARSHALL—Simply seeking an answer to the question should not be seen as being tetchy.

Senator Ian Campbell—The federal government's roads policy is all set out in the AusLink document, which Senator O'Brien obviously has not read yet.

Senator O'BRIEN—I am going to keep asking the question. Ms Riggs, can you advise me: is it correct that you have local government responsible for local roads, state governments responsible for state roads and the Commonwealth has adopted responsibility for a series of roads as nominated as an Australian road network under the AusLink policy?

Ms Riggs—That is not true, as I am sure you know, because I know that you are aware of the AusLink white paper. I know you are also aware of the content of the bilateral agreements between the federal government and each of the state and territory governments. Those make it quite clear that, although the national land transport network has been declared by the federal minister, the planning, funding and maintenance of elements of that network is a shared responsibility between the federal and the relevant state or territory governments. I am happy to give an example of the clause, but it is absolutely explicit in those documents.

Senator O'BRIEN—So the shared responsibility under AusLink relates to the National Land Transport Network, as well as in the sense that there is some shared funding with local government, and in some respects shared funding in relation to other state roads using black spots, for example.

Ms Riggs—The bilaterals basically deal with the issues to do with the National Land Transport Network. As I say, they are quite clear about that. The arrangements for the black spot program are governed by the act and the notes on administration for that program. Similarly, Roads to Recovery and the strategic regional programs have fundamental elements of law from the act and then have either notes on administration or guidelines that supplement those and provide a fleshing out of the administrative processes around those programs. The nature of sharing or not sharing is as described in each of those documents for each of those programs.

Senator O'BRIEN—I believe the BTRE published a document which sets out levels of spending by level of government on roads. Are you aware of that?

Ms Riggs—Yes, there is a recent update of a series of data that the BTRE has been maintaining for some time.

Senator O'BRIEN—Does that accurately reflect the balance between local, state and federal government funding of the road network?

Ms Riggs—I am sure the BTRE would not have published it if they did not believe it to be factually correct, but we could get Mr Potterton back if you would like.

Senator O'BRIEN—I do not want Mr Potterton back. I accept its veracity. I just wanted to check that there was no quibbling with that view from within the department.

Ms Riggs—If it is published by the BTRE then we will stand by it also.

Senator O'BRIEN—In relation to the Roads to Recovery program, following the adverse audit findings by the ANAO, the department's 2005-06 annual report notes:

... programme procedures have been enhanced including a clearer requirement for council's annual reports.

Clearly, the department now thinks that Roads to Recovery is on track. The annual report gives the program three ticks for overall performance fully achieved. It is on page 75, I think, of the annual report. Could you tell the committee how program procedures have been enhanced.

Ms Riggs—As you know, Senator, the ANAO made some 10 recommendations, a number of them with several parts, in relation to improvements that could be made in essence to the

administrative procedures for this program. Would you like to tell me those which you are interested in?

Senator O'BRIEN—No, I do not have that information in front of me. I would have thought you would have been able to, given what is in the annual report, tell me how the program procedures have been enhanced.

Ms Riggs—It would take me quite some time to go through each of them. Perhaps I could summarise it for you. In relation to all but three elements of the recommendations, we have now either implemented, with the minister's agreement, changes to the funding conditions for that program or we have enhanced our internal administrative processes so that, were the ANAO to come back again, it would not find the same issues—at least our intent would be that it would not find them. In relation to three of the recommendations, they are, in fact, prospective in nature and will only be able to be sensibly done as we were to wind up, as it were, the existing Roads to Recovery program and prepare for a future period of such funding. So, seven with their multiple parts are covered off through the way in which the program is being administered and three are still to come when the time is right.

Senator O'BRIEN—The ANAO report stated in relation to local governments maintaining their own expenditure on roads that:

... the remaining 52 LGAs (63 per cent) had not maintained their own source expenditure in at least one year between 2000–01 and 2003–04.

Further:

Ten LGAs in the sample did not maintain their expenditure in any of the four years examined.

Could you tell the committee how the department is now ensuring that local governments are maintaining existing road expenditure?

Ms Riggs—Certainly. We have reinforced the requirements for the maintenance of expenditure in the funding conditions. We have varied the arrangements for the signing off of the report that has to come to the department from the councils. And we have instituted a more rigorous internal process for ensuring that we balance what is being reported in what comes to us from councils with what we know. I think it is fair to record that the findings of the ANAO fail to specify in detail that some of the councils—where it determined that they had failed to meet the maintenance of expenditure requirement—failed to meet it by as little as one per cent in one year only of the five years and met it overall for the four years in question. Indeed, one of the changes that we have made is to make it clear that the maintenance of expenditure requirement is over the four-year period rather than on a year by year basis. To continue to require it to be on a year by year basis fails to recognise the realities, for example, that some councils may plan significant programs of works but not be able to deliver them because of weather circumstances. So we have created an appropriate base to recognise the fluctuations in the actual expenditure on a year by year basis but still to require maintenance of expenditure over the four-year period.

Senator O'BRIEN—You talked about a process of reviewing the annual reports by local government. Does that involve a crosschecking of published material by the council, or is it specifically reviewing the sign-off to see that there has been a sign-off on expenditure?

Ms Riggs—It is the sign-off and that the amount that is signed off is indeed the amount that we know we have paid to them and that it is for the projects which they have registered as the projects they propose to undertake with it.

Senator O'BRIEN—Is there any random auditing of local government?

Ms Riggs—I think that we have said to you before that we have in place processes where the staff undertake a small number of visits each year to a number of councils. In addition to that we are currently seeking an independent accounting firm who might be able to undertake some independent audits of councils' expenditure in relation to Roads to Recovery.

Senator O'BRIEN—Can you tell us what happened in 2004-05 and 2005-06 in relation to ensuring that local governments maintain the existing road expenditure, given that the ANAO report only went to the end of 2003-04?

Ms Riggs—I think it did go into 2004-05, which is the fourth year of what was initially a four-year program. What it did not do in any detail was to examine other than the early stages of a second four years of Roads to Recovery. It is fair to say that one of the checks the department carried out in those days—and you will appreciate it was before my responsibilities in relation to this program—was to ensure that the councils were making their annual returns. The extent of checking of those in relation to the amounts they reported or whether or not projects that were to be supported through them were completed or so on was less than, clearly, ideal for the circumstances.

Senator O'BRIEN—So the changes that have been described are post the ANAO report?

Ms Riggs—Yes.

Senator O'BRIEN—At the last estimates hearings we talked about visits to a five per cent sample of councils to ensure that Roads to Recovery projects were completed. In response to question AUSL 11 the department said:

With 15,000 projects funded under the original Roads to Recovery program, it would have been impractical for Departmental staff to have tried to check the completion of all works.

In the light of the ANAO report, have you increased the sample size?

Ms Riggs—No.

Senator O'BRIEN—Is the department now inspecting completed projects?

Ms Riggs—No. In the last 12 months, councils have registered some 5,000 new projects for support under Roads to Recovery. I think we have let you know the number of people involved in this program in response to questions here at earlier hearings and you will know that it simply is not practicable to inspect other than a small sample of projects.

Senator O'BRIEN—But at the last estimates hearings we discussed the downsizing of the number of staff in the section from nine to three. In answer to question AUSL 08, relating to the downsizing of the section, the department advised:

... the volume of inquiries and correspondence fell away to a level which could be handled by three full-time staff plus some input from management.

But in May you told us, 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.

What is the staffing level of the Roads to Recovery section today?

Ms Riggs—It is about the same.

Senator O'BRIEN—Three?

Ms Riggs—It is not a section in its own right, as I know I have advised before. It is a team that undertakes a number of things within a branch that has some other sections. Of course, we use resources flexibly. There are three people who, in effect, are full time on Roads to Recovery and that number is still the same.

Senator O'BRIEN—Is the Roads to Recovery team staffed sufficiently to ensure that the program is properly monitored and administered?

Ms Riggs—In my view, yes.

Senator O'BRIEN—In May we were told a formal auditing program by an external firm was about to commence. Can you describe the audit program for us please?

Ms Riggs—I think that I have described it to you in the past. Unfortunately, we were not able to source a provider who could undertake what we had anticipated for the funds that we were able to make available, so we have rescoped those audits and we have not yet begun the rollout of the program for this year.

Senator O'BRIEN—So no particular local government bodies or projects have been determined to be audited at this stage?

Ms Riggs—That is right.

Senator O'BRIEN—Do you have an expectation of how many local government bodies or projects are expected to be audited?

Ms Riggs—I would hope that we might, in the months remaining in this financial year, be able to look at some 25 councils.

Senator O'BRIEN—I have some more questions. I am not sure if Senator Milne has some particular Roads to Recovery questions that she would like to ask.

Senator MILNE—I particularly want to ask a question in relation to the corridor strategy in Tasmania, but particularly as it pertains to the north-west of Tasmania. Could you give me an update as to your thinking on meeting those transport needs and outcomes?

Ms Riggs—All I can say to you at this stage is that that corridor study is underway. When officials have worked through the matters that all corridor studies are looking at—what the current transport demands are, what the future transport demands on a corridor might be, what the deficiencies are in relation to the existing infrastructure and what some of the priorities and means are by which those deficiencies might be addressed—there will be a presentation to governments of those reports. Ultimately they, along with all corridor studies, are to be presented to COAG by the middle of next year. I expect that COAG will make them public.

Senator MILNE—So you cannot give me any idea of where you are up to with it, of what progress has been made to date?

Ms Riggs—I could say to you that the project team for that study has engaged a consultant who is currently undertaking some examination of some of the matters that I have already outlined.

Senator MILNE—In the criteria where you are looking at those corridor strategies, what weight is being given to the need to improve public transport and reduce car dependency?

Ms Riggs—The corridor strategies will be based around, predominantly, the freight based uses of the corridors. That is the government's policy in relation to the primary purposes for which it makes investment in the network. It does not fund public transport.

Senator MILNE—In relation to the freight based priorities, what weight is being given to reducing greenhouse gas emissions? Is that a criterion for assessment in this corridor strategy?

Ms Riggs—No, not particularly.

Senator MILNE—So there is no part of the assessment criteria in looking at the options that you will take to COAG which would look at the freight effort and the options for reducing its greenhouse gas emissions?

Mr Elliott—In the context of the corridor strategies, we would not see that as being an appropriate objective.

Senator MILNE—You would not?

Mr Elliott—No. Greenhouse gases are probably better addressed by other means, such as improved vehicle design and so forth.

Senator Ian Campbell—Except, I think it should be said—and this is going back to my memory of my time in the portfolio—that the design of AusLink recognised that there was a massive increase in the road transport task and that was putting massive pressure on our highways, and that there was less and less reliance on rail comparatively. As I recall, one of the clear objectives was to try to make rail far more competitive. As Senator Milne would know, it would have, I think, substantial benefit for greenhouse gas reductions if you could shift more of the freight task onto rail. I think that was one of the policy goals. I am getting a few nods here, which I am sure *Hansard* cannot record.

Mr Elliott—It certainly was.

Senator MILNE—So, having said that, Minister, why isn't it a criterion, in looking at this corridor strategy, to look at greenhouse gas emissions, in terms of how the transport sector can shift its effort to increase amenity for Australians as well as reduce greenhouse gases? Why isn't that part of the assessment criteria for the corridor strategy?

Mr Wolfe—I think we might provide you with a little bit of information about a corridor strategy. It is an overarching broad document which looks at future capacity requirements against different forecasts of freight. Once the corridor strategy is completed and agreed between us and, in this case, Tasmania, then it is a case of determining what your response and your potential solutions and projects will be to address the corridor strategy. At that point you would then do a strategic merit test in a project proposal requirement and that would include looking at issues such as environmental benefits. So I think we should not be saying

that there is no criteria per se; it is just at what stage in the process you would look at that level of consideration.

Proceedings suspended from 10.34 am to 10.50 am

CHAIR—We will resume. Senator Milne, you have some precise questions, I believe.

Senator MILNE—I specifically want to ask a question in relation to your assumptions about the oil price on which you base your recommendations about road versus rail. I would like to know specifically what assumptions you are making about the oil price.

Ms Riggs—At this stage we are not yet at the point of having to make judgements about road versus rail for particular projects or satisfying particular deficiencies that the corridor strategies might throw up. So we are not making any such assumptions yet.

Senator MILNE—This is not just about the transport strategy; this is about the interstate long-term planning for transport effort around the country. Last year in these estimates you told me that \$40 was the basis on which you were making those projections about road versus rail. I think Mr Mrdak was telling me that last year. I would just like to know whether your assumptions have changed.

Mr Mrdak—That was the work that was being done by the Bureau of Transport and Regional Economics in relation to fuel as our base case. Certainly, as Mr Potterton I think outlined at the recent Senate inquiry into fuel sustainability, the bureau has revised those, I think in accordance with most economists and analysts. I can give you some further information in terms of what the current projections look like. The BTRE has recently done some further work for the AusLink corridor strategies, which will feed into them in terms of projections of demand, based on projections of fuel price and the like, moved upwards. The medium and longer-term analysts are still saying the projection is of some fall-back—and I think that has been evidenced in the last month or so—in fuel price from the higher levels that were reached a few months ago but nevertheless moving to a higher base than what was previously there last year.

Senator MILNE—With that projection of a higher base than last year, how does that then go into the planning assumptions? What was planned previously was based on \$40. Now that that is no longer the case, do you go back and review what is being recommended and how you assess projects, or do you just press on with what is already in the pipeline?

Mr Mrdak—No. Certainly our BTRE work has done a reassessment of the forecasts and projections for corridor traffic, and that feeds into the whole network analysis which is being done as part of the department's ongoing assessment of the AusLink corridors. Similarly, as projections are done for each corridor, that work is factored in. So we certainly do not work from the simple projections that were done at the first AusLink program. They are constantly being updated and fed into our thinking.

Senator O'BRIEN—Going back to the Roads to Recovery issue, did local councils and state and territory governments receive the \$307.5 million in supplemental R to R funding promised in the budget?

Ms Riggs—Yes.

Senator O'BRIEN—Was that paid over before the end of the financial year?

Ms Riggs—Yes.

Senator O'BRIEN—Moving on from that to some of the AusLink-funded projects, or not, I will start with Scoresby. Can you tell us where the \$541.53 million initially allocated for the Scoresby Freeway has been allocated?

Mr Hogan—I can respond to that. Of that money, \$185 million is allocated to the Deer Park bypass and Leakes Road upgrade; \$82 million to the Calder Highway duplication; \$23.5 million to the upgrading of the Arcadia section of the Goulburn Valley Highway; another \$20.2 million was provided to Victoria in respect of the Victorian side of the Albury-Wodonga project; and, recently, there has been an announcement of the provision of \$25 million towards upgrading the intersection of the Whitehorse and Springvale Roads. In addition to that, \$100 million was reallocated to the Strategic Regional Program; \$40 million was allocated to National Rail pool funding; \$34 million was allocated to the Hume Highway; \$10 million was allocated to the Goodna bypass study; \$10 million was allocated to the Toowoomba range crossing study; and \$11.8 million went towards the upgrading of the intersection of the Row and the Great Eastern Highway in Western Australia.

Senator O'BRIEN—So the \$25 million which was unallocated in February has been allocated to that Whitehorse intersection funding?

Mr Hogan—That is right.

Senator O'BRIEN—What is the expected cost of that project in total?

Mr Hogan—At this stage it is very early in the life of that project. Some of the initial funding towards it will be used to look at and refine the options for the upgrading work. It is fair to say that some of the initial cost estimates of, for instance, the tunnel solution, were in excess of \$100 million, but this is meant to be a contribution to a project, with Whitehorse council also seeking funding from the Victorian state government.

Senator O'BRIEN—You are expecting the total cost to be in excess of \$100 million?

Mr Hogan—I think it is early days and it may well be that other options might emerge in the study process. But a tunnel option would most likely be in excess of \$100 million.

Senator O'BRIEN—With the \$100 million allocated to strategic regional roads, how much of that has actually been allocated to particular projects?

Ms Riggs—None yet.

Senator O'BRIEN—When is it expected that it will be allocated?

Ms Riggs—In welcoming the applications that were received under that program, then Minister Truss and now Minister Lloyd said that they expected announcements would be made before the end of the year.

Senator O'BRIEN—Is there any knowledge as to where the rail pooled funds will be actually used?

Ms Riggs—That is a matter for the government to decide.

Senator O'BRIEN—So no decisions have actually been taken; it has simply been put into a pool to be used for that purpose.

Ms Riggs—Some time ago, the then minister invited states to nominate projects. A small number of those have been picked up. There are other matters under consideration in relation to other proposals on the interstate rail track.

Senator O'BRIEN—Which projects have been picked up?

Ms Riggs—Some work at Acacia Ridge, in Brisbane.

Mr Wolfe—There is Bakewell Bridge in South Australia and there are three projects in Western Australia.

Senator O'BRIEN—How much will each of those three categories require to be expended from the rail pooled funds?

Mr Wolfe—Bakewell Bridge was \$2.5 million. That has been paid to the South Australian government. The Western Australian projects total \$39.6 million. The Acacia Ridge contribution is \$25 million.

Senator O'BRIEN—So \$39.6 million is allocated for Western Australia. Is that right?

Mr Wolfe—That is right, and \$25 million for Acacia Ridge.

Senator O'BRIEN—That has used all of the rail pool funds, plus more.

Mr Wolfe—The money that Mr Hogan described was actually a top-up to an existing pool.

Senator O'BRIEN—So what did it top it up to?

Mr Wolfe—I think there is still an allocated \$35 million.

Ms Riggs—I think it is fair to say that under the AusLink investment program there is some \$580 million in rail projects in the plan for the five-year period.

Senator O'BRIEN—So none of this money went to the Tasmanian rail network?

Ms Riggs—The funding for the Tasmanian rail network for the remainder of this five-year period in fact is being offset by funds which are allocated under the terms of the bilateral to Tasmania for the replacement of the Bridgewater Bridge. Because that project has not proceeded at the pace it was originally anticipated, the full amount of funding that was allocated for that in the bilateral will not now be used by Tasmania for those purposes. So we have simply reallocated some of that to the first three years contribution towards the Tasmanian rail support package.

Senator O'BRIEN—I want to be absolutely clear that there are no funds going to the Tasmanian rail network from the specific rail pool funds.

Ms Riggs—Not in what we had originally thought of as being the rail components of the national projects program, no. So if I now recalculated it I could say to you that the \$580 million-odd going to rail projects is in fact some \$515 or \$517 million, if I count the \$37 million for the Tasmanian rail works.

Senator O'BRIEN—But then you would reduce the Tasmanian bilateral amount by that amount.

Ms Riggs—No; they are offered under the terms of the bilateral.

Senator O'BRIEN—But you cannot double-count it.

Ms Riggs—The \$57 million that was offered to Tasmania in the bilateral for Bridgewater Bridge is still in the Tasmanian bilateral; \$37 million of it for the first three and a bit years of the Tasmanian rail support elements and \$20 million of it awaiting some proposal from Tasmania about Bridgewater Bridge.

Senator O'BRIEN—I am simply making the point that you can only count that money once in one package or another.

Ms Riggs—Yes, but rail is an element of the same program as all the roads funding. This rail money is not separate from the roads funding in any of the bilaterals where it is being paid to a state government. The bilaterals are not about road projects. They are about road and rail projects where the money is going to the state government.

Senator O'BRIEN—Are the \$90 million plus or minus projects you mentioned, Mr Wolfe, in the bilaterals?

Mr Wolfe—They will be, yes.

Ms Riggs—They will be.

Senator O'BRIEN—They are not at the moment?

Ms Riggs—The minister has not yet offered the amendment to the bilateral to the Western Australian minister.

Senator O'BRIEN—So is this funding conditional on the bilateral being amended to include it?

Ms Riggs—Before we could pay it we would want to include it in the bilateral, yes.

Senator O'BRIEN—What about the Acacia Ridge project? Is that already covered in the bilateral or will another amendment be required?

Ms Riggs—That too will be an amendment to the bilateral with Queensland.

Senator O'BRIEN—And similarly the Bakewell Bridge South Australian project?

Ms Riggs—Yes, that is right.

Senator O'BRIEN—Thank you again for the provision of the updated AusLink figures contained in attachment 'AusLink 05' from the previous estimates. Have there been any changes since this table was produced that are pertinent to the document?

Mr Hogan—This is the table with the funding outcomes for 2005-06 included?

Senator O'BRIEN—Yes.

Mr Hogan—There have not been any changes to that table.

Senator O'BRIEN—Thank you for that. So I do not need to ask for an update; this is current?

Mr Hogan—No, that is the current one.

Senator O'BRIEN—I want to ask about some particular figures in that spreadsheet and its predecessor which was provided in answer to 'AusLink 04', taken in the February round. In relation to the Hume Highway Albury upgrade, I note that expenditure for 2005-06 was

estimated to be \$113 million but the payment outcome was \$141.69 million. What is the explanation for the additional expenditure of \$28.69 million in the last financial year?

Mr Hogan—That is because the project moved much faster than anticipated.

Senator O'BRIEN—It is to bring it forward, is it?

Mr Hogan—It is now ahead of the anticipated schedule.

Senator O'BRIEN—Was it just that work was faster than you expected?

Mr Hogan—That is right. There are a number of projects moving faster than anticipated at the moment and part of that is due to the very dry conditions.

Senator O'BRIEN—When is it expected that the Albury works will be completed?

Mr Hogan—It is expected that they will be completed in March next year.

Senator O'BRIEN—How are the works progressing on the Coolac bypass? I note that a payment outcome of just \$1.06 million was achieved compared to an estimate of \$35 million. Can we have that differential explained?

Mr Hogan—That project has been delayed by a heritage issue.

CHAIR—What is that—the wombats or the platypi?

Mr Hogan—It relates to Aboriginal heritage issues.

CHAIR—I drive past there all the time and it is the most dangerous bit of the highway because people forget they are not on the dual carriageway and boom! You have plenty of that. I am familiar, so I am asking a question I know the answer to, but what is their issue? As well as the heritage stuff—

Mr Hogan—I am not aware of the platypus issue. I will have to make a note.

CHAIR—You had better get up to speed on this because there is a colony of whatever they are that live in the bank of the creek.

Mr Hogan—We will take that up, but the issue we are aware of is the Aboriginal heritage issue, which is still being worked through. We are expecting, on last advice from the New South Wales Roads and Traffic Authority, for that to be provided in December.

CHAIR—Does that mean that the environmental side of it has not reported to you? Whatever it is that they are arguing about has been given plenty of profile in the local press. I am surprised you do not know.

Mr Hogan—I am certainly not aware of the platypus issue.

CHAIR—It might not be platypi. It might be budgerigars for all I know, but it is an issue of a colony of animals or whatever that live in the creek that are going to be affected. I have to say it sounded a bit hoochy coochy to me.

Mr Hogan—The RTA has not advised us of that being a particular issue. The issue which has delayed it is the need to identify whether there are Aboriginal artefacts in the area and to put in place arrangements for any identified Aboriginal artefacts.

CHAIR—Who is actually looking at that? Have you got a consultant?

Mr Hogan—It is handled by the Roads and Traffic Authority in New South Wales.

CHAIR—There is a fast and a slow way to sort this out is what I am trying to tell you.

Ms Riggs—It is not within our gift to choose that mechanism. It is a New South Wales road asset. They are responsible for the management of the project and they need to work it through the New South Wales planning arrangements.

CHAIR—Fair enough. I am not going to get into some blame game.

Ms Riggs—No.

CHAIR—All I am saying is that you will be there like the second stage of the Ord River arguing about this for 50 years if someone's arse does not get kicked, because the longer the consultant consults, the more he gets paid. It is a joke. Anyhow, we will get back to a civilised lot of questions.

Senator O'BRIEN—So how far behind schedule is the project behind now?

Mr Hogan—This issue has delayed it around a year, but it is still anticipated that the project will be completed within the current five-year period.

Senator O'BRIEN—Just a year later than expected?

Mr Hogan—That is right.

Senator O'BRIEN—Is it the same story with the Moree heavy vehicle bypass on the Newell Highway?

Mr Hogan—Again, that was delayed by environmental issues to do with contamination. Those environmental issues have now been resolved. The project has been divided in two and the northern section of the project is currently out for tender.

Senator O'BRIEN—Hence the \$2.7 million instead of \$20 million being spent?

Mr Hogan—That is right.

Senator O'BRIEN—You are expecting a \$5.4 million increase in expenditure in the current financial year and new expenditure of \$10.45 million in 2007-08. Is that a reflection of simply carrying over the expected expenditure from 2005-06?

Mr Hogan—That is right.

Senator O'BRIEN—So we are expecting the project to be completed in 2007-08?

Mr Hogan—No, I think it is going to run into 2008-09, particularly for the southern section.

Senator O'BRIEN—What is the progress of the work on the Deer Park bypass in Victoria?

Mr Hogan—The Deer Park bypass is progressing well and in accordance with a schedule which will see it completed in 2009. The work is being undertaken under three different contracts. The first part is the Deer Park bypass Western Highway's deviation, which incorporates an interchange with the Western Freeway. There was a site inspection to mark the commencement of works on Friday, 20 October. As to the Deer Park bypass proper, tenders were invited from short-listed contractors on 17 July this year and the tender award is

expected very soon—within weeks perhaps. The third part of the work is the Leakes Road interchange. Tenders for that contract are expected to be called in April 2007, a contract awarded late in 2007, with construction expected to be completed by mid-2009.

Senator O'BRIEN—Has the government's position on funding for the TransApex tunnel project changed? In May, Mr Elliott said it:

... 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.

Ms Riggs—That has not changed.

Senator O'BRIEN—Turning to the Port Botany links and the northern rail lines project, it appears expenditure of \$5 million in 2005-06 turned to nothing and expenditure in 2006-07 of \$20 million has been revised down to just \$1 million. What has happened?

Ms Riggs—The planning for that project has been delayed by decisions in relation to where priorities lie in New South Wales for that work. It has just been delayed.

Mr Wolfe—We should stress that the New South Wales government and the Rail Corporation all have to come to the party with that project because it is, in essence, their project. The ARTC did some initial planning. They requested the ARTC's assistance, which has been provided, but we anticipate that because of other priorities on the Sydney network that project will be delayed.

CHAIR—Could I just say that I found the answer to that. It is the platypi, and that is the cultural hold-up. I am surprised that you blokes do not know. I have to say I think that is something you can fix in 10 minutes, because the only time they are affected is at breeding time and you could easily get a protocol to overcome the issues surrounding that. I think it is a hocus pocus that there is this unknown—the artefacts thing apparently did not come up with much at all. It is about time someone got off their fat backside and did something about it all.

Senator Ian Campbell—Who are you talking about?

CHAIR—I am talking about whoever the decision makers are and I am not going to apportion the blame. If it is New South Wales, let it be that. All I know is that—

Senator Ian Campbell—We do an EIS process which is what applies to every project when these things come up. We make sure it is all done and then we give them money when it is properly done. I certainly hope that was not a reflection on any of the officers at this table.

CHAIR—I am not reflecting on anyone.

Senator Ian Campbell—Good.

CHAIR—I am simply stating the facts.

Mr Hogan—This issue is covered entirely by New South Wales state environmental law, but we will take that up. We were not aware of the specifics of it.

CHAIR—I am a green but I do not plait my armpits. I am an outcomes-driven green. I have to say that I think you could sort this out very quickly if you were of the mood to. But my view is that if you pay consultants who want to consult forever to get paid forever, you will never get it sorted out. Back to you, Senator O'Brien.

Senator O'BRIEN—For the Port Botany links and northern rail line there is expenditure of \$110 million. That is effectively expenditure that will be pushed back or reallocated?

Ms Riggs—Yes, that is right. It is still a commitment in the bilateral with New South Wales. We have three years to go and we will have to see where that goes. As Mr Hogan said, sometimes projects move ahead more quickly than anticipated and it gives us the capacity to reallocate from projects that are moving more slowly.

Senator O'BRIEN—So it is still in that bilateral?

Ms Riggs—Yes.

Senator O'BRIEN—The government made a number of road funding announcements in this year's budget, not including Victoria which missed out completely. I understand from the department's evidence in May that the states and territories received MOUs outlining the terms of each offer. Is that correct?

Ms Riggs—Yes.

Senator O'BRIEN—Did each state and territory sign those MOUs?

Ms Riggs—Yes.

Senator O'BRIEN—Did each state and territory receive the funding in one lump sum before the end of the financial year, as was suggested at our last hearing?

Ms Riggs—Yes.

Senator O'BRIEN—Is the proposed expenditure reflected in the revised AusLink funding spreadsheet provided in answer to 'AusLink 05'?

Mr Hogan—It is not reflected in that spreadsheet which is devoted to the AusLink investment program, which is the program which provides funding on an annual basis.

Senator O'BRIEN—So this document does not contemplate the AusLink investment program?

Mr Hogan—It does not include it.

Ms Riggs—The document you have is the AusLink investment program.

Senator O'BRIEN—That is what I thought it was.

Ms Riggs—The MOUs and the funding for those are not part of the AusLink investment program as described in part 3 of the AusLink act.

Senator O'BRIEN—So how much expenditure is part of the AusLink program that is not contemplated in this document 'AusLink 05'?

Ms Riggs—What this details is our payments up to the point at which we know and at any point in time our current scheduling of anticipated payments for projects which are being funded through part 3. The MOUs have packages of works approved under the terms of part 3, but the payment mechanism is quite different. Those payments were made as a single lump sum to each state and territory and the MOU commits the state or territory to complete the package of works in the time frame defined in the MOU, so it is a different payment mechanism. And we do not need to schedule when we expect to be making what levels of

payments against projects because the cash is already in the hands of the state or territory government.

Senator O'BRIEN—So whatever is contained in this document, for example in relation to the Hume Highway, would have to have added to it the expenditure announced in the budget?

Mr Hogan—That is right.

Ms Riggs—Yes.

Ms Page—We can supply you with the table that breaks up those funds, which I think might be the easiest way to do it. As Ms Riggs says, because they are lump sum payments, they are not spread across the profile of a project in a normal way, but we can give you a table which breaks up the allocations to each state if that would assist.

Senator O'BRIEN—It certainly would assist if this document can be added to, so we have a complete picture; yes.

Ms Page—Yes.

Senator O'BRIEN—Has the department completed its work on tolling for the Pacific Highway?

Ms Page—There is a working group, as you know, which comprises officials of this department, the Department of Finance and Administration and the New South Wales government officials. We have been working on joint advice to governments and we hope to complete that by the end of the year.

Senator O'BRIEN—Has Mr Vaile actively pursued his \$70 toll proposal since his return to the portfolio?

Ms Page—We have had no discussions on a \$70 toll proposal with Mr Vaile or anybody else, I think.

Senator O'BRIEN—How regularly does the Pacific Highway working party meet?

Ms Page—As required, but I would imagine during its life it has met probably about half a dozen times, sometimes through phone hook-ups, and there is a project working group which sits below the steering committee, which also meets regularly. At this stage we are meeting as required to review the work of the consultants.

Senator O'BRIEN—And its recommendations will be ready by the end of this year.

Ms Page—We are preparing advice to government as a result of that work.

Senator O'BRIEN—Am I confusing it with the other work on tolling, which you were going to provide by the end of the year?

Ms Riggs—That is right. There is a working party under a MOU with New South Wales, and you have previously asked us here about work that the government asked for on tolling. And Ms Page has responded in relation to the Pacific Highway. We are still preparing our advice to government in relation to alternative financing.

Ms Page—Clearly, that work on the Pacific Highway is an integral part of that advice though.

Senator O'BRIEN—Just to be clear, is the AusLink strategic regional program we discussed earlier a program for which the minister is considering applications at the moment?

Ms Riggs—The government is yet to announce its decisions in relation to the applications that were received by 1 May.

Senator O'BRIEN—So all of the applications currently under consideration were received by 1 May?

Ms Riggs—They would not have been eligible if they had not been received by 1 May.

Senator O'BRIEN—Sometimes exceptions are made. You are saying there have been none made?

Ms Riggs—The guidelines required that we receive them by 1 May.

Senator O'BRIEN—Yes. In relation to those applications received by 1 May, is there any reason for a delay in announcing the outcome?

Ms Riggs—There were some 495 applications. Good as we are at assessing things, that just takes time.

Senator O'BRIEN—So the department has not finished its work on those matters—is that what you are saying?

Ms Riggs—The government has not concluded its consideration of those applications.

Senator O'BRIEN—So the department has completed its work and the government is considering the department's recommendations. Is that where the project stands?

Ms Riggs—We have put a number of briefs to ministers over the course of our consideration of the assessment of those applications.

Senator O'BRIEN—Is the department still working on applications?

Ms Page—The government has not finished considering—

Senator O'BRIEN—I know what the government is doing. I am asking what the department is doing with its resources.

Ms Page—The government and the department are integral in this process. I do not think it is easy to separate them. The government seeks advice from us and we provide it as required.

Senator O'BRIEN—Has the department provided that advice to government in relation to the AusLink strategic regional program applications?

Ms Page—The department has, as I think Ms Riggs explained, provided some advice to ministers on this and I anticipate we may well provide further advice.

Senator O'BRIEN—Has the department made recommendations as to which projects should be funded and which should not?

Ms Page—I think my earlier comments stand.

Senator O'BRIEN—I am simply asking: have you made recommendations on the funding and nonfunding on projects in the work that you have done?

Ms Page—We have provided advice on a number of occasions in relation to certain projects and I anticipate we will be called upon to provide further advice.

Senator O'BRIEN—Will you categorise that advice as recommendations?

Ms Page—I would prefer not to discuss the nature of policy advice that we provide to ministers.

Senator O'BRIEN—I am not asking for specific advice on particular projects; I am asking if you have made recommendations.

Ms Page—We have provided advice to government consistent with the guidelines of the program in relation to certain projects.

Senator O'BRIEN—How many staff have been involved in dealing with the applications?

Ms Riggs—Some contributions were part time, but over the period since we received the applications some 10 to 15 staff would have been involved for some part of their duties.

Senator O'BRIEN—Has that been an ongoing work or has this been intermittent work?

Ms Riggs—As I said, for some part of their duties.

Senator O'BRIEN—That could be 99 per cent or one per cent—I do not know.

Ms Riggs—For some of them it was ongoing work; for others of them it was a matter of making a contribution in relation to something that they knew something about, for example.

Senator O'BRIEN—So how many staff were engaged on an ongoing basis?

Ms Riggs—It varied from time to time—as you know, staff come and go—but six or seven, I think, would have been effectively full time on this.

Senator O'BRIEN—Does that team continue to be engaged on the project, or has it been allocated to other work?

Ms Riggs—As Ms Page has made clear, there are no decisions from the government yet and we continue to support the government's consideration.

Senator IAN MACDONALD—Senator O'Brien may have asked this before, but do we have a total of all of the regional applications under R2R?

Ms Riggs—We received nearly 500 strategic regional applications, and the funding sought from the government for them, if that is the total, amounted to about \$1 billion.

Senator IAN MACDONALD—And what is available?

Ms Riggs—\$127 million.

Senator IAN MACDONALD—That of course says something, doesn't it?

Ms Riggs—It says a lot of people applied.

Senator IAN MACDONALD—Yes. There is a great need out there and the available amount is regrettably small, although the whole R2R program is just marvellous, as you all know. Can someone just update me on the Mount Low Parkway near Townsville?

Ms Riggs—Mr Elliott would be delighted to.

Senator IAN MACDONALD—Thank you, Mr Elliott. We get a lot of different advice from our state colleagues about timing and what is happening, so I would like to get the truth from you, which I know I will get.

Mr Elliott—Hopefully. As you know, we committed, as part of the additional funding that was provided at the end of the last budget period and under the MOU with Queensland, to planning for that project. That planning is meant to be completed around the end of this calendar year. Let me go back a step. There are a number of other projects for which planning is being undertaken as well.

Senator IAN MACDONALD—In the Townsville to Tully area?

Mr Elliott—In all of that section of road between Cairns and Townsville. Some work has been put underway immediately for some smaller projects that could be, but a large part of it is for planning work that needs to be undertaken, particularly for the flood prone sections. Once the planning work for the Mount Low Parkway is complete, we would hopefully be in a position to compare it with other projects and to eventually make some recommendations to the minister on which projects should be funded. So there is no commitment at this stage to fund the project, but there is a commitment to undertake the planning work for it.

Senator IAN MACDONALD—Does planning include costing?

Mr Elliott—Yes, it certainly would. We are quite keen to get the right costs for projects.

Senator IAN MACDONALD—What arrangements have you made with the Queensland government for a contribution of cash? I found out to my enlightenment at the last estimates that the state governments also contribute to AusLink these days.

Mr Elliott—That is not always true. In this particular project they have not indicated a willingness to contribute at this stage. We would welcome that if they did, of course, but at this stage all we have committed to is to pay for the planning.

Senator IAN MACDONALD—That is not my understanding and not the understanding of others. A few public announcements have been made. What is the arrangement with state governments for funding the national highways these days?

Mr Elliott—The overall arrangement that we have sought to introduce under AusLink is that, generally speaking, the Commonwealth contributes to and bears the lion's share of funding of the national network—not always but often—as declared under AusLink. In other words, there is a declared network that incorporates the former national highways and some additional road and rail links as well.

Senator IAN MACDONALD—But didn't the Commonwealth take on some of what were previously state government activities, like rail and non-national highway roads—

Mr Elliott—Yes, there are additional links.

Senator IAN MACDONALD—on the basis that the states would contribute to the overall scheme?

Mr Elliott—That is true, yes. That is the idea.

Senator IAN MACDONALD—That is the idea, but it seems to be a one-way idea: the Commonwealth taking on more expenditure in rail and non-national highway roads and

expecting something back from the states. As I understand it, from what you are saying, the minister tries to get them to agree, but if he does not then it is a case of: 'Bad luck, we will just pay a bit more.'

Ms Riggs—This first five years of AusLink is a transitional period. It is probably fair to reflect on the fact that, in those states, for example, where a number of former Roads of National Importance are now part of the national network, the negotiations between governments in settling just precisely where Australian government moneys would be invested in this five-year period probably met with a greater share of willingness on the part of the state governments also to contribute to national network projects. There was less of that.

Senator IAN MACDONALD—Can you demonstrate that for me in facts and figures—not now, but perhaps on notice?

Ms Riggs—Yes, sure. In general terms, I could put it to you like this: for roads that would have been formerly national highway roads across the nation, there is a total contribution from state governments now to construction projects to the tune of some \$780 million in this five-year period. These are roads that would previously have been 100 per cent Australian government funded, but there is now a contribution—it is probably less than 20 per cent all up—to those roads from state and territory governments. But that sharing has not been uniform. There was not a defined percentage of sharing that we set out to achieve in this transitional period. So there is more of it from states where more roads came from the former Roads of National Importance category into the network than perhaps there is in some other states.

Senator IAN MACDONALD—So the states are putting in \$780 million over five years across the whole of Australia.

Ms Riggs—To particular projects.

Senator IAN MACDONALD—What additional is the Commonwealth paying to what were formerly solely state issues, like rail, non-national highway roads and non-Roads of National Importance roads?

Ms Riggs—The Australian government established the Australian Rail Track Corporation in 1998, so contributions to that part of the rail system had been part of the way the Australian government was supporting land transport for some little time before AusLink integrated roads and rail into that system. As I have said earlier, there is some \$580 million worth of specifically rail projects in AusLink. Those are on the national network—that is, they are on ARTC controlled rail lines.

Mr Wolfe—Yes.

Ms Page—There are a couple of important areas where we are putting pressure on the states, though, to lift their contributions. We now provide a contribution to the cost of maintenance on the national network, whereas in the past we used to undertake 100 per cent of the maintenance requirement on the national highway system. So our increased investment in construction has to be reflected by an increase in maintenance responsibility by the states. The other important area is cost overruns where one of the options we have—and which we

have exercised—where we would have had to meet the full costs of cost increases or cost increases in estimates by the states is to require states to pick up the difference. In some instances, that is now occurring. So, while, as Ms Riggs says, it is incremental, we have through this program made some important changes in the extent to which the Commonwealth bears full risk for aspects of the network.

Senator IAN MACDONALD—I appreciate what you are saying and the goals are commendable, but it all seems to me to be reliant upon the goodwill of the states, which, as you know, is sadly lacking in many states of Australia. It does seem though that the Commonwealth has increased its contribution to roads and rail. It certainly increased its contribution to local roads, but that is something we did proudly. The return from the states seems to be, ‘Oh well, if we can get them to be good guys and feel a bit emotional about it, they might sign up.’

Mr Elliott—I think there are a couple of points to keep in mind there. One is that, as I said before, this is a transitional period. The states were not always ready to contribute to particular projects; they have forward programs as well. The other point, which I have just about forgotten anyway, is that the principles of AusLink will take a greater hold as time goes on.

Senator IAN MACDONALD—I appreciate the principles, but I would like to see some action so that the additional Commonwealth spending does not happen unless the states actually commit to some dollars.

Mr Elliott—I am sorry; that was going to be my second point. I beg your pardon.

Senator IAN MACDONALD—Good.

Mr Elliott—We have also included in the bilateral agreements a requirement for states to maintain the spending that they undertake from their own resources. They have that stricture on them so that the total amount of contribution to the transport system does not decline.

Senator IAN MACDONALD—I appreciate that and it is good of the states to maintain at least their former commitment. The Commonwealth commitment goes up every year whereas the states are only committed to at least holding it where it is—which is an improvement, I have to say.

Mr Elliott—Some states have increased their funding.

Senator IAN MACDONALD—As you know, with the R2R stuff the more the Commonwealth gave direct to councils the more the states cut back from councils.

CHAIR—Thank you, Senator Macdonald, we are not debating the thing here.

Senator IAN MACDONALD—Of course.

CHAIR—I have a very simple question. Does the Commonwealth inspect, audit, look at or think about the spend—how much of it is on the bulldozer, the earth mover and the concrete and how much is on consultants, fixed administrative overheads, thinking about and planning things, and seminars on the Gold Coast? Do you actually look at how wisely the money is spent and how much hits the target?

Mr Elliott—That is a very difficult question.

CHAIR—Perhaps you will have to have a seminar to think about it.

Mr Elliott—That is a very difficult question to answer simply because the amount of planning—

CHAIR—But it is a pretty useful question.

Mr Elliott—that might go into a project that is complex—

CHAIR—I realise that.

Mr Elliott—and is going to be different from something that is simple. So I do not think you can say that it should be—

CHAIR—But wouldn't it be a fair thing, as a matter of process, to have a protocol where you actually looked at that? I can remember years ago the DMR in New South Wales had a fixed administrative overhead in excess of 30 per cent and in the time of the new DMR guy—I think it was Fisk or somebody—they got it down to 15 per cent. Do you look at that stuff all the time?

Ms Page—AusLink does not pay for the administrative costs of road authorities. We do pay the costs that are attributable to individual projects but not the overheads of the organisation beyond that. I agree, there is probably an issue about how those costs have been attributed.

CHAIR—Which is my point.

Ms Page—One of the things that this program is letting us do is to look more critically at the nature of cost estimates between jurisdictions and the extent to which the risk management arrangements we have in place—in other words, the shared funding—show a pattern through the nature of those estimates. We are hoping, by the end of this program, that that will enable us to provide stronger controls of the type Senator Macdonald was talking about in terms of greater cost sharing and capping—

CHAIR—So will you get access, if they bill you, to how valid the bill is?

Ms Page—No, we do not examine in detail the way in which they bill us, though we have the ability to do that if we are concerned about it.

CHAIR—Should that not be just a standard thing to do?

Ms Page—It would be a very expensive thing to do for every single project, and it is probably not necessary for every single project, but we do have the ability to do it when we want to.

CHAIR—I appreciate that, but every now and then it would be nice to have the ability to walk through the door and do an audit, as it were.

Ms Page—We are considering how we might use that.

Ms Riggs—It is fair to reflect on the fact that, for every project that is approved, the states for each major stage in that approval process have to come forward with what we call a project proposal report. That is a quite detailed assessment of the elements that go into a phase, how much they cost and what benefits flow from them; and that is most rigorously done for the actual construction phase. So it is fair to reflect on the fact that the state based

teams that make up part of the AusLink division are able to express a view about the elements of the cost of any project and to discuss those with officials from the relevant state road authority before those are brought forward to the minister.

CHAIR—With respect, I will give two instances to make the point. A picture paints a thousand words. Firstly I want to talk about project management. There are people who live off project management consultancies. They go back and have another think about it. Junee Shire Council won the bid to do some work in the Wagga shire council area because they had lower costs. Junee shire project managed its own multipurpose whatever facility in Junee and saved a million dollars on the quote they were given by some bunch of consultants who go around and Hoover up all the consultancies in local government in New South Wales.

I am just amazed that you do not have no-notice audits. Do not give them three month's notice that you are coming. Just knock on the door and say, 'We'd like to have a look at this.' Recently one of the things I noticed which went unchallenged in apportioning the costs of management in MIS—and I think MISs are a tax rort so we will not talk about that, and we will not get Senator Macdonald going—was actually paying the tax, which became a tax deduction to the person who was seeking the tax deduction. It was the tax of the person who was going to make the profit from the investment. There are all sorts of corny ways of ripping money out of the system and I am just suggesting that you should have a no-notice knock-on-the-door audit occasionally to see if the costs are legitimate.

Ms Page—The way in which we are approaching it is to ensure that this program, building on what we have learnt, has even more incentives in it for states to reduce their costs through incentives themselves. We have found to date that the best way of doing that is to have cost-sharing arrangements for the project.

Mr Hogan—I would like to add to that. The eligible and ineligible project costs are set out in each and every bilateral agreement. There is provision in each and every bilateral agreement for the department to be able to step in and review projects. So that is very much in line with what you were talking about. The actual project proposals that we receive from state agencies are in fact quite detailed. They detail anticipated costs and a number of key line items. Those project proposals are referred to the engineers within the AusLink division of the department and they assess the reasonableness of those project proposals.

CHAIR—I will not comment on what you have just said. I think I will just leave it.

Senator IAN MACDONALD—I have two more quick questions. Can I get some information on the maintenance of the national highways. Who determines when maintenance is needed and who determines what share the Commonwealth and the states will bear of maintenance? What I am getting at there is that a lot of people are old-fashioned and, like me, thought that the Commonwealth maintained the roads. So when there are complaints about the state of the national highway the Commonwealth is blamed whereas, from what I hear you saying, it is not necessarily the case that the Commonwealth maintains those roads. That is my first question. The other question, which I will come to later but which I will give you notice of now, is: can you identify for me what AusLink road projects there have been in the south-east Queensland area in 2005-06 and 2006-07? Let us turn firstly to my question on the maintenance.

Mr Hogan—What happened in the move to AusLink was that the Australian government moved away from a position where it had fully funded maintenance on the national highway to a position where it was a contributor towards maintenance on the AusLink network. In making that move, it basically maintained its overall previous level of funding to the national highway. The corollary of that, if you like, is that, in total, the states would need basically to maintain their level of expenditure that they previously contributed to the new links on the AusLink network—so where they had been paying for maintenance in the past on, say, the Pacific Highway—

Senator IAN MACDONALD—So it is the old Roads of National Importance?

Mr Hogan—Yes. In total, you could reasonably expect that they would have to maintain that sort of expenditure. When it comes down to actually identifying whether it is Australian government funds or state funds going to a particular part of the network, the picture for most states is mixed. You would be hard pressed to say that is Australian government funding exclusively operating—

Senator IAN MACDONALD—But how do you work it out? Let me give you an example. I live in Eyre, which is about 90 kilometres from Townsville. I drive up and back to Townsville every day on a road that is not too bad; there could be a bit of maintenance on it. Who should I be blaming?

Mr Hogan—Queensland has a different arrangement from other states in its bilateral agreement insofar as it has undertaken to maintain its previous expenditure on the new parts of the network. So it does not share, if you like, maintenance costs towards the old former national highway and that continues to be borne or to be funded from the funds that the Australian government is contributing towards—

Senator IAN MACDONALD—So I should be blaming the Commonwealth then.

Senator O'BRIEN—You got it.

Senator IAN MACDONALD—You are right, Senator O'Brien. But there is a difference with the answer I got six months ago.

Mr Hogan—The situation in other states and generally is that the Australian government is providing funding, broadly in line with the previous level of funding it provided in relation to the national highway, and the states are topping that up, broadly in the order of the funding they previously provided to the new parts of the national highway. But where those funds are actually going—whether it is New South Wales making a contribution to the Hume or the Australian government funding making a contribution to the Great Western Highway or the Pacific, you cannot really say. It is different in Queensland.

Senator IAN MACDONALD—So the Commonwealth continues to increase funding for roads; the states are maintaining the status quo. So all the hype about AusLink really meant nothing. It was not much more than hype.

Mr Hogan—No, that is not true. In fact, there are indications that the states have increased their funding on the AusLink network. The facts and figures we have from states so far indicate that states have significantly increased their level of funding towards the AusLink network overall.

Senator IAN MACDONALD—Let us put some meat to what you are saying. I am a Queensland senator, so could you give me the figures that would substantiate what you are telling me in Queensland?

Mr Hogan—Queensland is one of the states which has so far not reported.

Ms Riggs—And it is not required to report until the end of the year. Some states have given us preliminary results, but, formally, the reports are not due until the end of December.

Senator IAN MACDONALD—We will anxiously await that, will we? Could you answer my other question, please?

Mr Elliott—That was to clarify those statistics you were after, I think, wasn't it, Senator ?

CHAIR—Do you want to come back with the answer?

Mr Elliott—It might be easier, I think, yes.

Senator IAN MACDONALD—I am happy enough for you even to take it on notice, because I would like the projects identified. I am talking about capital works.

Senator O'BRIEN—But that is identified in an answer to a question on notice now, isn't it? That is what you are referring to, Mr Elliott?

Ms Riggs—It is possible to answer this question from—

Mr Elliott—It can be extracted from the table that we have given you.

Senator IAN MACDONALD—Can you extract it for me for south-east Queensland?

Mr Elliott—Certainly.

Senator O'BRIEN—I want to ask a few questions about the north-south rail corridor study released in September. Firstly, what did the report cost?

Mr Wolfe—It has so far cost \$4.2 million and there is an announced ending payment which should bring it to about a total of \$4.7 million.

Senator O'BRIEN—Will that be the final cost?

Mr Wolfe—That will be the final figure.

Senator O'BRIEN—The cheapest option canvassed in the report is the far western corridor. The cost involved is said to be \$3.1 billion to build—it depends which route out of Victoria you take, but let us take the cheapest—which would achieve a transit time between Melbourne and Brisbane of less than 21 hours. Given that about \$2 billion of this would be required to construct the line between Toowoomba and Brisbane, how confident is the department that this is an accurate estimation?

Mr Wolfe—The estimates that were done for the study by the consultants were basically based on current construction costs. They spoke to the industry—particularly the ARTC and Queensland Rail, who are both in the process of doing some works as we speak—so it is a 2006 base model. Then they used the building price index over a 25-year period to calculate the likely costs over that period with a particular time involved in terms of how long it would cost to build each of the options. So I think, as estimates go, they are the ones currently being

used for building, so I would not want to speculate. It should be pointed out that obviously the building price index is higher than the current CPI—quite significantly higher.

Senator O'BRIEN—And it depends when you start.

Mr Wolfe—That is right.

Senator O'BRIEN—Given your comment, as estimates go, it is—like any other estimate—liable to blow out.

Mr Wolfe—I would say it is a sensible figure to use at this point in time over a 25-year cycle which the study looks at in terms of net present values and cash flows. I think if you were to try and forecast what the building price index might be in 20 years time, it is getting a bit speculative. But the study has used a range that is based on the current index and what might vary over time as the building project is actually undertaken.

Senator O'BRIEN—So is there a proposal that it be undertaken?

Mr Wolfe—No, that is obviously a matter for the government. The study just says, 'If you were to proceed with this project, this is how much it would cost.'

Senator O'BRIEN—I note the economic analysis indicates that major development of a rail track along the corridor would not achieve commercial rates of return for the private sector.

Mr Wolfe—That is right.

Ms Riggs—That is right.

Senator O'BRIEN—So this is not a goer unless the government funds it. Is that how we should understand that?

Mr Wolfe—Certainly the net present value indicates that a government contribution would be required.

Senator O'BRIEN—Has the department done any work on what sort of government contribution would be required?

Ms Riggs—No, it has not.

Mr Wolfe—No.

Senator O'BRIEN—Has the government asked the department to do that work?

Mr Wolfe—No.

Senator O'BRIEN—I take it that there is no current proposal for the Commonwealth to fund any of the rail corridors.

Ms Riggs—I think that when the former minister made the report public he said he was happily putting it into the public arena so that people could comment on it and the government would take those comments on board and consider what its position would be in the future.

Ms Page—The north-south rail corridor study really is an input into the broader Melbourne-Brisbane and Sydney-Brisbane, Sydney-Melbourne corridor studies. So to the extent to which decisions on investment would be taken, they would be taken as part of the

broader consideration of investment in those corridors. Those studies are not complete yet, as Ms Riggs has indicated.

Senator O'BRIEN—When are those other studies expected to be concluded?

Ms Page—There is a COAG commitment that they all be completed by the middle of next year.

Senator O'BRIEN—So we are looking at a July deadline.

Ms Page—I think 30 June is the commitment.

Senator O'BRIEN—Can I take it from your answers that that will happen, that the studies will be completed by then?

Ms Riggs—That is certainly our intention.

Senator O'BRIEN—There are no impediments that you know of which would prevent that.

Ms Riggs—They are joint Commonwealth-state studies. I do not anticipate any impediments from the Australian government perspective.

Senator O'BRIEN—Will the fact that the New South Wales government will go into caretaker mode affect it?

Mr Elliott—We have tried to plan around those sorts of events. It sometimes causes a delay in progress, but by and large we try to plan around those sorts of events.

Senator O'BRIEN—I take it the current caretaker mode situation in Victoria is not having an impact?

Mr Elliott—I am not quite sure whether it will have an impact. We have a study which is virtually complete, the Melbourne urban study, and at this stage I am not quite sure whether it will make it through the gate, as it were. But, as I said, we try to work around those things.

Senator O'BRIEN—I am simply trying to find out what, if any, impediments are likely to occur. Were there to be a change of government, would you think that would be an impediment to completing on time?

Mr Elliott—That is possible. The kinds of impediments that arise in the process are the workload that is being undertaken by us or our state colleagues or the events you mentioned, such as governments going into caretaker mode. That sometimes causes a delay. For example, the most recent one would have been Queensland, but after a few weeks the election period is over and in that particular case the existing government was returned to office, so that did not affect us very much. If there were a change of government, it could conceivably affect us, but at this stage nothing is really stopping us from getting where we want to get to.

Senator MILNE—I want to ask a specific question about the upgrade of the East Tamar Highway in Tasmania. Could you give me the rationale for that upgrade, please.

Ms Riggs—The government announced its intention to make funds available to the Tasmanian government for the upgrading of that highway. It did that in the context of the budget and we subsequently negotiated a memorandum of understanding, which has duly been signed by the two ministers responsible.

Senator MILNE—I understand that it is in process. What I was asking was the rationale for the upgrade.

Ms Riggs—The decision to give money to the Tasmanian government for that was a matter for the government. They have made that decision.

Senator MILNE—But surely there must be some assessment of the application for that funding.

Ms Page—There was not an application for funding. The government made a series of announcements towards the end of the last financial year, which Ms Riggs outlined earlier, and there is the table that we have undertaken to provide to the committee. It made announcements on additional allocations to a range of jurisdictions and included in that was an allocation of \$60 million to the East Tamar Highway.

Senator MILNE—And there is no paperwork, no rationale for why that money was needed, what that is supposed to do for the road?

Ms Page—The government made announcements on a series of priorities which it determined across a range of jurisdictions, and that included money for the East Tamar Highway.

Mr Hogan—Going back to 2004 we were advised by the Tasmanian transport department that they considered it one of Tasmania's priority projects.

Senator MILNE—Did they give a reason for that?

Mr Hogan—They did not provide a detailed case at the time, but if you look at the road there are major issues. The shoulder seals are very poor on parts of the road and the transition effects where you go from relatively good pieces of road to relatively poor pieces of road are fairly marked.

Senator MILNE—I do not doubt that the highway needs some effort. What I am interested to know is whether it is being upgraded because of a projected increase in heavy vehicles on that road. I just want to know what the rationale for this upgrading is apart from the obvious one.

Mr Hogan—I am not aware of that.

Senator MILNE—The second question I want to ask is in relation to all of these programs that you have funded under the improved transport infrastructure—the dual carriage ways, the flood immunity works on the Bruce Highway, the flood mitigation works for the Victoria Highway and so on. Does the government take any advice from the Australian Greenhouse Office or from any scientists on the likely impacts of climate change in relation to the standards to which those works might have to meet in the future in planning of those major projects?

Ms Riggs—The structure of the arrangements for the additional roads funding announced in the budget—the \$1.82 billion—is that we have a memorandum of understanding with each of the relevant state or territory governments which describe in some level of generality the works to be carried out. The responsibility for planning those works and for carrying them

out—including, for example, making decisions about the level of flood immunity that might be appropriate—are all matters for the state government to make judgements about.

Senator Ian Campbell—I might add that, through the COAG process, the states and the Commonwealth have commenced a process of looking at impacts of climate change on Australia and developing adaptation plans at a whole of nation level. That involves looking at impacts right around the country. I am happy to take or add further information, but I think that process is due to report back to COAG at its next meeting. The long-term aim of that is to ensure that all of these future planning processes do take into account the impacts of climate change.

Senator MILNE—I am glad to hear that that is occurring, because I would not put my faith in state governments to take that kind of future modelling into account when they look at their planning processes. I guess I would like to see the Commonwealth tie funding to some sort of criteria in that regard. Another issue in many other European countries is that they are now using the middle of dual carriage ways for renewable energy generation. Is there any consideration of that?

Senator Ian Campbell—I have not seen any projects in particular that would see us do that, but that is not to say that they are not there. The states would have to propose something and then we would have to have a look at it. We would certainly welcome such proposals.

[12.10 pm]

Maritime and Land Transport

Senator O'BRIEN—Mr Robertson, with respect to electronic stability control, the Australian Transport Council issued a joint communique after the 13 October meeting in Canberra and in relation to the ESC it says:

Ministers strongly encourage all motor vehicle manufacturers to install ESC in new vehicles.

Ministers agreed that the Australian Government should examine the potential for the technology to be required under the Australian Design Rules for new vehicles.

Does this statement reflect the Commonwealth's attitude to ESC?

Mr Robertson—Yes, that is accurate.

Senator O'BRIEN—The Australian Automobile Association says ESC could:

... 'prevent 80% of all skidding accidents' and that '35% of all vehicle occupant fatalities could be prevented.'

The logical conclusion to that is that a greater take-up of ESC would lead to a dramatic decline in the road toll. Does the department agree with that?

Mr Robertson—Certainly research is lining up that suggests that ESC is particularly effective in preventing single vehicle accidents. There are calls for caution because similar claims were made about the introduction of anti-lock braking systems and as the data matured, the initial projections were not as good as initially thought. But certainly ESC is very effective; if you see it in practice, it works very well. Most of the data supports the conclusion that in single vehicle accidents it could be particularly effective in preventing run-off and of course that has spin-off effects to preventing rollovers as well.

Senator O'BRIEN—What part of the road toll do we attribute to single vehicle accidents?

Mr Robertson—At the last count about 44 per cent of accidents are single vehicle accidents.

Senator O'BRIEN—So if ESC has the claimed effect, it would have a dramatic effect on road fatality.

Mr Robertson—It could have potentially. It is still early days yet in the assessment.

Senator O'BRIEN—I understand your qualification. My qualification is if the claimed impact is correct, it would have that.

Mr Robertson—If the claimed impact is correct, yes, certainly.

Senator O'BRIEN—What research has taken place into the effectiveness of ESC or are we simply going to wait to see the incidence of vehicles with ESC being involved in single vehicle road fatalities?

Mr Robertson—It is a difficult one to research for effectiveness. You normally need to rely on some sort of ratio technique that compares similar types of vehicles with and without ESC and then compare the accident rate over time. There have been numerous studies done over the past few years. A seminal study was done using Swedish road conditions which came to the logical conclusion that it was very effective because of the road conditions that you would be likely to experience in the Scandinavian countries. Similar studies have been done in the United States, which support those conclusions. So it is shaping up to be quite solid.

Senator O'BRIEN—Is there any research about the effectiveness of ESC in four-wheel drives on dirt roads?

Mr Robertson—The closest we have got at the moment is that we are doing a research project that we are funding. It is a \$200,000 project, using our resources and the resources of the Australian New Car Assessment Program, to assess a representative sample of vehicles to determine their performance where they have variants with and without ESC to try to measure at least the benefit to individual vehicles with ESC installed.

Senator O'BRIEN—Does the department share Mr Lloyd's view that mandating ESC in Australian design rules will slow down the introduction of ESC into vehicles?

Mr Robertson—That is always possible. If you have a situation where you indicate an intention to mandate, the manufacturers may logically say: 'We're not going to proceed with programs until we find out what is likely to be in the legislation.' It would be very costly to alter the design of a vehicle without knowledge of where it is going to go. It could happen. It is always a risk.

Senator O'BRIEN—Given that I think the last two Australian manufactured vehicles released come with ESC as standard—

Mr Robertson—That is correct.

Senator O'BRIEN—How do we line that up with your almost doom-saying analysis that if you mandate it, somehow that will cause people to sit back and say, 'We want to see what the regulations are', if it takes so long for the regulation to be drafted.

Mr Robertson—If a manufacturer had ESC in a design program and it was about to be rolled out with the next model change, it is conceivable they could hold off if they were concerned about what impact a regulation might have.

Senator O'BRIEN—That is your view and Mr Lloyd's view?

Mr Robertson—The department does not have a view per se. What we do is manage process, and in assessing whether there is a case to mandate you have to look at all sorts of things, including the rate of market penetration. Obviously where there is high market penetration the case for mandation is very low. You also have to look at issues relating to the technical nature of the technology. There are obviously difficulties in trying to mandate performance arrangements for this sort of technology that is moving at a very rapid rate. You run the risk of actually producing a requirement that could be design restrictive.

Senator O'BRIEN—In May we had some discussions on the effectiveness of day running lights in reducing the road toll, and the Monash University Accident Research Centre has predicted that day running lights could reduce fatalities in Victoria by 16 per cent. Mr Wilson, you noted that there had been some work done at an international level in terms of the UNECE regulations. Has this work advanced to the production of a report or a set of recommendations on day running lights?

Mr Robertson—Perhaps I should answer that one. Most recently, the European Commission released a consultation report on the issue of daytime running lamps. It has been a particularly contentious issue among a number of the European states. It is one of those technologies that has its proponents and also strong resistance in other areas, particularly in relation to vulnerable road users. In fact, it was initially proposed as part of an agreement between the European parliament and the vehicle manufacturers that there should be a voluntary installation of daytime running lamps on all vehicles in the European Union. Daytime running lamps was one of the ones that was dropped off because of strong opposition to it by some member states. Other economies—for example, Japan—have actually legislated to prohibit them. Most recently a document came out—it is only about three weeks old. That is a consultation document. I have to say, it does not make a particularly persuasive case, but it attempts to pull together as much research as it can.

Senator O'BRIEN—Which document is that?

Mr Robertson—It is a document produced by the European Commission and it is a consultation document proposing or trying to make a case for daytime running lamps. That is one for the European Union to consider.

Senator O'BRIEN—So it is stating a case in favour?

Mr Robertson—It is, yes.

Senator O'BRIEN—Has the department formed a view yet on the day running lights issue?

Mr Robertson—No. The department keeps an open mind on that and likes to see the research. It is a difficult one because there are so many strong views for and against. In the Australian context, you might recall we had a brief flirtation with daytime running lamps for motorcycles in the mid-1990s and the proposal was dropped amidst great opposition from

motorcycle users, who are of course vulnerable road users and they tend to be the most vocal about the issue. There are also issues about Australian lighting conditions and strong concerns in some of the European countries. If you take that to the Australian context and you consider the sorts of lighting conditions that we deal with, the case would not appear to be particularly strong. There is also the issue of the energy trade-off as well.

Senator O'BRIEN—Has the possibility of mandating day running lights been discussed at the Australian Transport Council?

Mr Robertson—Not recently. It may have been in the past but certainly not in the last few years.

Senator O'BRIEN—Since our discussions in May on the fitting of seatbelts to school buses, there has been an extensive debate in South Australia on the issue. Has any further thought been given to the development of an ADR making seat belts mandatory in all new school buses supplied to the Australian market?

Mr Robertson—The short answer is no. We have just completed a package of consultation as part of the review of Australian design rules on ADR68, which relates to seat belts in buses generally. It did not address specifically the issue of school buses because, as you would appreciate, it is difficult to regulate for what a bus may be used for. We do that, in part, in ADR68 by distinguishing between a route service bus and a non-route service bus. Obviously, you would know a route service bus if you saw it. That is the sort you would find normally in suburban use, where people are getting on and off—and obviously seat belts would be difficult there.

The issue primarily is one for the states. Bear in mind the Commonwealth only deals with new buses supplied to the market, so if you are looking at policies relating to whether buses should require seat belts when used on those routes, that is controlled by the states and that would be their call.

Senator O'BRIEN—Concern has been expressed about the cost of fitting seat belts to buses and the decrease in numbers of students being able to be carried on a bus if they are required to be belted in. The Victorian manufacturer, McConnell Seats Australia, is providing bus and coach builders with school bus seats that allow for the seating of three students to two adult seats. I am informed that seat belts add an additional three per cent to the cost of a new school bus. Does the department have any further information on this?

Mr Robertson—No, the department doesn't. We received this information too—the three by two seating concept. Obviously, when you are talking about requiring more buses for the same number of school students, you would be talking about numbers of buses, because there is standing room to be considered as well. We do not have any specific statistics on that sort of information.

Senator O'BRIEN—Importers want the Reva vehicle described as a heavy quadricycle. You would be aware that an import approval was issued to Stellar Energy Pty Ltd, trading as Solar Shop, to import one such vehicle. It was conditional that it be used only for market evaluation, research and compliance testing to ensure that Reva meets ADRs. What is market evaluation and research?

Mr Robertson—That is a standard import approval term. Market evaluation would normally mean that a person who is considering putting a vehicle into the Australian market would test interest in the sale of the vehicle. I should also say research could mean that manufacturers import vehicles to drive them around the outback to do dust seal testing, engineering evaluation testing and all that sort of thing.

Senator O'BRIEN—So you cannot drive this car on Australian roads in Australian conditions.

Mr Robertson—Not under the terms of that particular import approval, no.

CHAIR—Pardon me for interrupting, but what is the name of the car?

Senator O'BRIEN—Reva.

CHAIR—So it is classified as a four-wheel drive motorbike, is it?

Senator O'BRIEN—It is not classified as anything.

CHAIR—Where it is used in Europe, is it classified as a car or some other classification because it has no side collision specifications?

Mr Robertson—That is correct. It falls under the category of what is called a heavy vehicle quadricycle.

CHAIR—That is it. So it is not classified as a car?

Mr Robertson—Correct.

Senator O'BRIEN—That is the European—

CHAIR—It is the same vehicle.

Mr Robertson—It is the UNECE vehicle category.

Senator O'BRIEN—In an interview on 17 October this year on the Louise Maher *Drive* program here in Canberra, Minister Lloyd said:

Yes, look, all the information I have so far says that it—

meaning the Reva—

wouldn't meet the Australian design regulations.

Do you know what information the minister is referring to?

Mr Robertson—I think the minister would be referring to the sight of the vehicle. It is a small, lightweight vehicle. It does not appear that it would meet all of the requirements of a passenger car but it is hard to say because we have not seen any evidence of testing of the vehicle at this point.

Senator O'BRIEN—So the minister has had a look and that is the information he has? He has no specific information, that you are aware of, about the capacities of the vehicle or otherwise?

Mr Robertson—The department has not received any test information relating to the vehicle and obviously nor would the minister.

Senator O'BRIEN—Are you aware of any compliance testing of the Reva undertaken by Solar Shop?

Mr Robertson—I am only aware of an assessment which has been done by an Adelaide based engineering firm of what might need to be addressed to determine ADR compliance.

CHAIR—Does that mean the side collision stuff has come out? It is obviously not designed to be hit from the side.

Mr Robertson—It would not appear to be, from the look of it, but of course it has not been tested so we cannot say for sure.

CHAIR—It does not have to pass those tests in Europe?

Mr Robertson—Under the heavy vehicle quadricycle category it does not, no.

CHAIR—The quadricycle is the most dangerous form of transport in rural Australia that I can think of.

Mr Robertson—That is an interesting point, because the history of the quadricycle category in Europe was to allow basically agricultural bikes, what we call ATVs or four-wheelers, to be used on public roads, and of course that opened up a number of other categories.

CHAIR—They are seriously dangerous.

Senator O'BRIEN—We come to the specifications. Mr Lloyd said, on ABC radio:

Until the vehicle has actually gone through a crash test it cannot meet the Australian design regulations. So I am looking at whether there is the possibility to bring one or two of these vehicles in and actually put them through the crash test ...

He went on to say:

I am certainly having discussions with my department at the moment and I am keen to have a couple of these brought in and have them tested.

When do these discussions with the minister commence?

Mr Robertson—These discussions have been ongoing in the course of normal briefing to the minister on a range of issues that we deal with daily.

Senator O'BRIEN—So there have been discussions about bringing in additional vehicles?

Mr Robertson—I would not like to get into what gets discussed between the department and the minister in the course of a normal policy briefing, but it is a possibility, yes.

Senator O'BRIEN—There is a possibility?

Mr Robertson—Obviously it could be done.

Senator O'BRIEN—The minister said so on the ABC.

Mr Robertson—If the minister said that, yes.

Senator O'BRIEN—How many of these vehicles are in the country?

Mr Robertson—One.

Senator O'BRIEN—How many vehicles are needed for crash testing to test the compliance with ADRs?

Mr Robertson—One vehicle to start with. If it fails, it fails. To go through the normal range of testing for a normal passenger vehicle there are three tests that require crash tests—that is, an offset frontal, a full frontal and a side impact test. There may be other tests required which could damage the vehicle—for example, anchorage tests. We do pull tests which could damage the structure of the vehicle as well.

CHAIR—What about rollover?

Mr Robertson—No, there is no rollover test.

CHAIR—Why not?

Mr Robertson—We did look at a rollover test in the 1990s.

CHAIR—We are talking about a spruced up quad here. You would definitely want to do a rollover. That is what kills everyone on the quad; they tip over as easy as buggery.

Mr Robertson—Yes, that was examined. Rollovers are a particularly difficult issue to develop a test protocol for because rollovers are very haphazard events. It is not necessarily that the top might cave in; it is the fact that you cannot develop a test protocol that is predictable. When a car rolls, the occupants are thrown around in all sorts of directions.

CHAIR—They brag about the ability of some vehicles to hug the road in tight corners. Surely if you had a vehicle whose ability to hug the road was questionable you would highlight that as a weakness. It may be the world's greatest road hugger.

Senator FERRIS—Are we debating this issue?

CHAIR—No, not at all.

Senator Ian Campbell—The world has been looking for a reliable rollover test for some time, but I suspect if you did have a reliable rollover test there would not be many cars of the sort you drive on the road.

Senator O'BRIEN—That is right. So is the minister considering crash testing a second Reva and, if so, where is it going to come from?

Mr Robertson—I can say that that is under consideration, but the details of that I would not have yet.

Senator O'BRIEN—Who generally pays for crash testing?

Mr Robertson—The manufacturer.

CHAIR—So when you import the car for the test, would all the specifications and testing that has been done in Europe come with it?

Mr Robertson—That is a good question. It depends.

CHAIR—Wouldn't you demand it? I would.

Mr Robertson—How the vehicle is tested is their business. If, say, you were a European manufacturer, you would have tested the vehicle for a number of markets. Most of the regulations are harmonised regulations so, under the approval system that comes with the

United Nations system, the vehicles would already come with what is called a type approval issue.

CHAIR—I have no faith in the UN testing system. I have disproved them many times, especially in agriculture.

Mr Robertson—The point is that it could come with a testing that has already been done. The important thing is that they provide to us evidence of the testing and evidence that the vehicle passes the relevant regulatory requirement.

CHAIR—Do you or do you not know that this car does not have side collision specifications?

Mr Robertson—We have not seen any testing to indicate that it does.

Senator O'BRIEN—Has the department made any offer of financial assistance to the Solar Shop to facilitate testing of the Reva?

Mr Robertson—There are issues under discussion now. The applicant has applied to extend the import approval beyond the cut-off date of 9 November and we are in discussion on the terms of how that might work. Beyond that I do not think I would be in a position to discuss specifically what has been offered and what has been counter-offered, as the case may be.

Senator O'BRIEN—So there are some discussions but you do not want to reveal them here today?

Mr Robertson—Yes, at the moment there are.

Senator O'BRIEN—Would you categorise those discussions as some form of negotiation with Solar Shop?

Mr Robertson—Yes.

Senator O'BRIEN—Is it about bringing in additional vehicles?

Mr Robertson—It is not necessarily about bringing in additional vehicles. The issue under discussion at the moment is what happens to the existing vehicle.

Senator O'BRIEN—If the existing vehicle passed compliance testing including a crash test, would there be any additional barriers to the Reva being compliance plated?

Mr Robertson—None—presuming it passed all ADR requirements; I need to qualify that. If it did pass them, there would be no problem.

Senator O'BRIEN—In a media release on 11 October Mr Lloyd stated that he wrote to all state and territory ministers seeking their support for the UNECE heavy quadricycle category and that every response was negative. Is the minister right when he says that every response was negative?

Mr Robertson—He is right when he says 'every response' received from the states. The only response that had not been received at that stage was a response from the Western Australian Minister for Planning and Infrastructure. There are two ministers who deal with transport issues in Western Australia. The minister received a response from one of the

ministers who was unsupportive of the category and a second response, which was not unsupportive, proposing a trial arrangement for them.

Senator O'BRIEN—So has the department had a discussion with the Western Australian jurisdiction about a trial?

Mr Robertson—Not in any specific terms. That was an issue that the relevant minister put before the Australian Transport Council on 13 October this year. It was a late submission and the minister asked that it be reconsidered in April next year.

Senator O'BRIEN—In April next year?

Mr Robertson—That will be the next meeting of the Australian Transport Council.

Senator O'BRIEN—In his letter, the minister expresses similar concerns to those expressed by you at the Rural and Regional Affairs and Transport References Committee hearing into oil and alternative fuels on 18 August. The minister noted that if the UNECE heavy quadricycle category is adopted and vehicles like the Reva are allowed on the roads then golf buggies, off-road bikes and similar vehicles would also meet the category. From your research into the UNECE heavy quadricycle category, would golf buggies and off-road bikes fit the category?

Mr Robertson—Most certainly. In Europe you see quite a lot of ATV-style quad bikes on the roads which are fully road registrable.

CHAIR—Do they have a slow lane or are they mixed in with cars?

Mr Robertson—They are mixed in with cars.

CHAIR—Best of luck to them.

Senator O'BRIEN—So to your knowledge that is the experience in Europe of that category?

Mr Robertson—I have seen it on the roads, yes.

Senator O'BRIEN—So they are registered under that category?

Mr Robertson—Most certainly. In fact, that was why the category was introduced: to allow them to be registered.

Senator O'BRIEN—In his letter the minister refers to other vehicles that are already on the Australian roads that could be classified as quadricycles. He refers to the Daihatsu Charade L251S, which has a 695-kilogram tare mass and 40.5 kilowatts of power. That is actually lighter than the Reva and has slightly more power. In the same letter the minister outlines the specifications for a heavy quadricycle in the following way. He says, 'L7 means a vehicle with four wheels whose unladen mass is not more than 400 kilograms, not including the mass of batteries in the case of electric vehicles, and whose maximum net engine power does not exceed 15 kilowatts.'

CHAIR—What is that in my time?

Senator O'BRIEN—Fifteen kilowatts. So both the Charade and the smart car have four wheels but are overpowered and over the weight for the heavy quadricycle?

CHAIR—That is 20 horsepower, is it?

Mr Robertson—About that. Three-quarters in kilowatts would equal it in horsepower, yes. Just to clarify: I do not think that the minister was suggesting that the Daihatsu Charade would be a quadricycle. It is a similar vehicle to the Reva, a similar weight. It probably has a bit more mass, but the point being made is that it is a fully ADR compliant vehicle.

Senator Ian Campbell—I have the minister's letter here. The point he is trying to make is that there are cars of less weight and more power that do in fact meet the crash standards. I think the point is that you can go for an environmentally friendly low emissions alternative that does not compromise the safety of you or your family.

Senator O'BRIEN—So it is not the size of the vehicle or the speed of the vehicle that is at issue here?

Mr Robertson—Not in terms of standards. If the vehicle meets the applicable standards, then it is in. In fact, Mercedes has just released its all electric Smart car, which is a vehicle of similar size and dimension which is fully ADR compliant and all electric powered.

CHAIR—There would have to be some visuals. You know those blokes that ride the bikes that lay back and they are about that far off the ground?

Mr Robertson—Yes, the monkey bikes.

CHAIR—I have often thought that they could be run over on the road by a semi because you would not see them. I think it is a risk. You see those blokes going around the footpaths. I do not know whether they are older gentlemen like me who get around in whatever those things are which have a little flag.

Senator FERRIS—You will find out soon enough.

CHAIR—Are they allowed on the road or only on the footpath?

Mr Robertson—If they are a pushbike they are allowed on the road.

CHAIR—No, the motorised wheel thing. You know the—

Senator ADAMS—It is a motorcycle.

Mr Robertson—Again, that is a good question. I could give you a long answer on that. In short, the sorts of scooters that you find elderly people using—if they do not go faster than 10 kilometres an hour—are specifically exempt from the Motor Vehicle Standards Act.

CHAIR—So they are allowed on the highway, are they?

Mr Robertson—Technically they could, but they are not a motor vehicle to be used on the highway. I have seen them on Northbourne Avenue in Canberra, but you would be taking your life into your hands doing it.

CHAIR—I can see a nightmare coming. Senator Milne, do you have you some questions?

Senator MILNE—Just on the Reva. Basically what it comes down to is whether or not Australia is going to have a quadricycle category, isn't it?

Mr Robertson—It could. If you just looked at the issue as one of a quadricycle, you would be talking about a category of vehicle that would let the ATVs in—golf buggies or whatever—but as far as the issues concerned here, yes, that is what is on the table.

Senator MILNE—You are aware that the Reva will have to be destroyed this week unless the permit is extended?

Mr Robertson—It does not have to be. It could be exported and the option there is still to test the vehicle.

Senator MILNE—We have one car in Australia— there is a debate about whether we can have a quadricycle category—and this week it will be either crushed or deported. If it is deported, obviously it is going to be at great cost. This is an electric car. There are 300 on the road in London. Japan is offering to subsidise people to bring them into Japan, but Australia might well see the only one that is here crushed. There is one transport minister who would like a trial. Is it beyond the wit of the government to look seriously at the issue of having a quadricycle category along the lines that are permitted in Japan and the UK?

Mr Wilson—If I could just add to Mr Robertson's answers: I think that the responses that Minister Lloyd received with regard to the quadricycle were quite clear. There was no support from any of the jurisdictions for the introduction of the quadricycle category and it would be the responsibility of state jurisdictions to register the vehicles. There does not appear to be any support from any of the jurisdictions to register quadricycles for utilisation on their roads.

Senator MILNE—Does that include Western Australia?

Mr Wilson—I cannot categorically state for Western Australia because Minister MacTiernan and the police minister have different views with regard to the registration of the vehicles.

Senator Ian Campbell—Who is responsible for registration of vehicles in Western Australia?

Mr Robertson—That would be Minister MacTiernan.

Mr Wilson—It would be Minister MacTiernan.

Senator Ian Campbell—And she said she wants a trial but the police minister said that no, he would not register them.

Mr Wilson—The police minister said he did not support the introduction of the quadricycle category.

Senator MILNE—You just said a minute ago 'no jurisdiction' and in answer to that you are saying that there is a minister in Western Australia who wants a trial and there is one vehicle in the country.

Senator Ian Campbell—I think we would have to ask: you have two ministers in the Western Australian government, one who said, 'No, we won't register it,' and the other one said, 'Maybe we would like a trial.' I think, to be fair to Western Australia, you would have to go back and ask them what they wanted to do. Are they prepared to come up with some money to fund a trial? You would have to go back and get a whole-of-government position.

Senator MILNE—I guess what I am asking you—

Senator Ian Campbell—You have every state saying 'no' and one state saying 'yes' and 'no'. I think you have to be fair. It may well be that Mrs MacTiernan might go to the cabinet

and say, 'Look, I want to get a whole-of-government position,' but at the moment you have a yes and a no.

CHAIR—Obviously if the manufacturer does not have a side collision specification in the specification of the vehicle, then it is not eligible.

Senator MILNE—Just to come back to this, the one vehicle is going to be destroyed this week. That is my concern. There is a time limit on what is going on here and, Minister, given that we are unsure of what the situation in Western Australia is, would it not be a good idea to give an extension until we sort this out?

Mr Mrdak—As Mr Robertson has indicated, we are currently in discussions with the owner of that vehicle and considering the option of extending the existing authorisation.

Senator MILNE—I would like to go back to the issue of safety. Do we believe that Japan and the UK have significantly fewer safety standards than we do in Australia when it comes to vehicles?

Mr Mrdak—Those countries have taken a decision to introduce a quadricycle category based on their judgements in relation to their willingness to have such vehicles operating on their road system. At this point in time, as Mr Wilson and Mr Robertson have indicated, Australian registration jurisdictions have taken the decision that they are not prepared to register such a category on their roads. That is a judgement that those authorities have made in relation to capacity of that vehicle, its speed and its mix with other traffic. Quite clearly, we have a different traffic mix in this country than those jurisdictions do—the pace at which the vehicles move and the vehicles that they are competing with for road space. At this point, those jurisdictions have given us that view. As you have outlined, Minister MacTiernan from WA at the Australian Transport Council meeting earlier this month indicated her support for a trial but she did say that she would come back to the ATC at its next meeting with a proposal of how that trial might operate. There is a lot of work to do as to how a trial would operate: how many vehicles, what conditions and all that. That is work which is yet to be done by the state of Western Australia.

Senator MILNE—What are the conditions that are put on these vehicles operating in the traffic mix, say, in London or Tokyo that would be different?

Mr Mrdak—I do not think there are any.

Senator MILNE—The issue here is that your assumption is that they are going to be out on the main road. They are not. Their maximum speed is 65 kilometres. They are restricted to areas where that is the speed limit, surely. So saying that we will not have a quadricycle category because there is a traffic mix is ignoring the conditions under which they operate in other countries.

Mr Mrdak—I am not aware that there are restrictions on those operations in those countries. I think it just happens to be that they operate in those zones. But if you look at what traffic is moving within 60-kilometre zones in Australia compared to what moves in traffic density in London, it is quite a different traffic mix.

Mr Robertson—I can confirm that. There are no restrictions, certainly in the UK, on where the vehicles can be used. It comes down to common sense. But for the transport

ministers, it is a very weighty decision. Bear in mind the regulated offset frontal crash test is only at 56 kilometres an hour and it is very sobering. A couple of cars running into each other would be quite devastating for the vehicle of the smaller mass.

Senator MILNE—Do you have any figures on how many quadricycles have been involved in collisions compared with the rest of the traffic mix?

Mr Robertson—No, the information is not disaggregated to that level; we have tried to get that.

CHAIR—If they were confined to the cities I could make out a better case in my own head, but I have to say that to have something like that on the highway would be a real hazard. Senator O'Brien has said that motorbikes are a hazard, but at least they can keep up with the semitrailers. These things would get run over. Would there be a consideration of confining them to restricted—

Senator MILNE—To bus lanes.

CHAIR—No, not to bloody bus lanes; to an area where it was under the 60-kilometre limit or whatever.

Mr Wilson—I guess the difficulty, if you look at the road network within any of the cities in Australia, is that there is a mix of speed limits.

CHAIR—I understand that.

Mr Wilson—To try to restrict a vehicle even to the 50-kilometre zones is difficult. If you take Canberra, for example, you probably would not be able to drive from Parliament House to Civic because the speed limits do not sit at 60 kilometres an hour or below.

CHAIR—But at the present time, when I get my veterans' little—what do you call them again?

Mr Wilson—Scooters.

Senator MILNE—Gofer.

CHAIR—Whatever it is, I am actually allowed to go out on to the highway with it.

Mr Robertson—No, it would fall into a similar category to a billycart, basically.

Senator MILNE—Where can they go?

Mr Robertson—I guess it depends on which state, but technically it is like a pushbike. You can ride a pushbike on a public road.

Senator MILNE—So you can take a gofer on the road but you cannot take the electric car.

Mr Wilson—But a gofer does not fit within the Australian design rules.

CHAIR—So would you describe that as a grey area?

Senator Ian Campbell—A gofer does not do 65 kilometres an hour. What is amazing is that we have estimates hearings—and I have been coming to a few of them over the years—where people spend hours questioning the Transport Safety Bureau on every little bit of minutiae about the road toll in Australia and about safety and about side airbags and all this sort of stuff and then we get these zealots who come along and say, 'Let's just throw all of

that out the door. Let's not care about driving someone around the roads of Australia at 65 kilometres an hour with no safety.' I find it absolutely amazing.

Senator MILNE—It is not without safety.

CHAIR—Yes, but it fills in time.

Senator STERLE—It wastes time.

Senator Ian Campbell—It really does. I am with Senator Sterle on this. It really is quite amazing. You get every single transport minister in the country saying, 'No, we're not going to register them'—

CHAIR—Thank you, Minister. You have made your point.

Senator O'BRIEN—There is a vehicle called the Enfield all electric, which has been around for 30 years. Is that still on the roads?

CHAIR—I think it is a grey area.

Senator O'BRIEN—Similar vehicle, similar speed.

Mr Robertson—I am not aware of it. The only Enfield I am aware of is a motorcycle.

Senator O'BRIEN—No.

Mr Robertson—I am not aware of that. The only other electric vehicles I am aware of are scooters.

Senator MILNE—I just want to go on to the emissions standards and guidelines. I notice that \$12.2 million is the price that has been put on this for supposedly achieving greater fuel efficiency and greenhouse gas reductions. I notice that the strategy is to get the new emissions standards for light and heavy vehicles in place and the green vehicle guide and environmental performance criteria for heavy vehicles using diesel. I want to know what reduction in greenhouse gases from the transport fleet has been achieved because of what you have done to date.

Mr Jones—We would have to take that on notice. There is some work being developed by the portfolios of environment protection, heritage and transport, under the direction of the Council of Australian Governments. A report is being prepared which includes a range of data around greenhouse vehicle emission impacts. The report is not yet final. It is quite likely there is some material there that we could draw on to answer that question but the specifics we would have to take on notice.

Senator MILNE—So what are your performance criteria for assessing your success in what you are setting out to do here? Do you have a target? Are you trying to reduce emissions or reduce fuel consumption and emissions by a certain percentage? What is your target?

Mr Wilson—Could I just ask for some clarification? I think this may actually be a question that is better addressed by the Department of the Environment and Heritage in regard to the fuel standards.

Senator MILNE—No. You have, 'New emission standards and guidelines are in place' and, in terms of your criteria here, you have \$12.2 million that you have allocated to do it. You are announcing that promoting the green vehicle guide has been a good thing and that

publishing guidelines on environmental performance for heavy vehicles, diesel vehicles, is a good thing. You are talking about finalising new emission standards, but you are not telling me to what end. How are you going to measure your success rate?

Mr Wilson—Can I ask what reference you are reading from?

Senator MILNE—I am looking at your annual report, page 89.

Mr Wilson—Thank you.

Senator MILNE—It is about exposure to environmental damage from maritime and land transport and how the environmental damage is to be reduced because of these measures. You have spent \$12.2 million on measures to reduce the environmental damage from emissions, and I want to know how you are measuring it; how you have reduced environmental damage.

Mr Wilson—The \$12.2 million refers to the overall budget allocation to—

Senator MILNE—The whole thing?

Mr Wilson—The whole of my division rather than that specific—

Senator MILNE—Let us put aside the money. Just tell me, whatever you are spending, how are you measuring its effectiveness?

Mr Wilson—To provide you with a detailed answer, I will take it on notice.

Senator MILNE—Thank you, I would appreciate that. But I would just like to know in principle now how you are measuring it—apart from the number of hits to the green vehicle website, how else?

Mr Wilson—The work being done by the Department of the Environment and Heritage draws together the efforts on behalf of the Australian government in regard to greenhouse emissions and we would be feeding into that work.

Senator MILNE—Okay. I will wait for the detailed answer. Thank you.

Senator O'BRIEN—I want to ask some questions in relation to the National Transport Commission, firstly, particularly the heavy driver fatigue reform package. The October Australian Transport Council discussed the results of the NTC consultation on the fatigue package. I want to ask about the process. What advice, if any, did the department give the NTC in regard to the consultation process?

Mr Wilson—We have participated in the development of the heavy vehicle driver fatigue package on an ongoing basis since, I think, it was raised with ATC three or four years ago, so it would be on an ongoing basis in terms of the advice that we have given them. In terms of the finalisation of the documentation that went to the Australian Transport Council, we had discussions on what issues may or may not be being raised with the department by the industry and what issues that we may have some comments on.

Senator O'BRIEN—Did the department have a particular view on the direction you wanted the fatigue reform package to head in?

Mr Mrdak—No. It has been the case, as Mr Wilson has indicated, that the NTC over several years has been working on various issues. A lot of it is coming out of various OH&S issues in a number of jurisdictions and the like and concerns about getting an effective fatigue

regime nationally. The department has been keen to ensure that, as Mr Wilson has indicated, the industry is fully consulted because quite importantly the effectiveness of any fatigue regime is about industry compliance and industry operation with it. The department does not have a predetermined view, but we are concerned to ensure that we get a good mix between productivity in terms of the heavy vehicle industry and safety, which is trying to get an important balance into the whole fatigue regime.

Senator O'BRIEN—So you would have expected the NTC to have consultation with industry groups such as the Australian Trucking Association?

Mr Mrdak—Yes, and they have been involved with the Australian Trucking Association.

Senator O'BRIEN—Do you know what issues the ATA were keen to raise with regard to the fatigue reform package?

Mr Mrdak—I think there were a whole range of issues in relation to the draft NTC proposal that has been out for consultation. They relate to the base driving hours in the base reform package right through to various concerns that are held by livestock transporters and the like. I think there is a whole range of areas. Mr Wilson might want to give some detail on those.

Mr Wilson—The major issues that the Australian Trucking Association raised with the department with regard to the package that would be put forward to ATC were the standard hours, the hours available under the standard hours tier of arrangements, the commitment of all jurisdictions with regard to the provision of appropriate rest areas, the definition of the outer marker in the advanced fatigue management regime and how that would be applied with regard to the livestock trade, and the ability to split the proposed block of seven hours rest at night into a six- and one-hour rest to enable the opportunity to sleep and then travel.

Senator O'BRIEN—So Minister Vaile and before him Minister Truss would have had representations from the ATA in relation to the fatigue reform package, wouldn't they?

Mr Wilson—Yes.

Senator O'BRIEN—What input have the current and the previous minister provided in the development of the package?

Mr Wilson—Drawing on my memory, I believe ministers have discussed the package at least twice previously to the ATC in November, but I would have to check the details in that regard. That would be their opportunity to provide specific directions and policy guidance to the NTC.

Senator O'BRIEN—What other industry groups were consulted and what particular issues were they keen to pursue?

Mr Wilson—I would have to take that on notice. As you would be aware, the NTC has been in charge of finalising the package to go before ATC. Whilst I could list a number of organisations such as the livestock association, the ATA and the state jurisdictional road transport associations, to give you a complete picture I would have to contact the NTC.

Senator O'BRIEN—Thanks for that.

Mr S Jones—Perhaps I could add to that. The NTC as part of the processes have publicly released complete documentation package on the policy and on proposed regulatory frameworks. They have supported that with a roadshow process that has travelled extensively around Australia. They have conducted discussions with stakeholders literally in all jurisdictions and a variety of both rural and regional locations. So the short answer about who has been consulted is that absolutely everybody who is interested has had an opportunity to come and participate. They have gone to some much smaller locations as well as main cities. So it has been all the main interested stakeholders in the industry and a lot of individuals as well around Australia.

Senator O'BRIEN—So drivers and owner-drivers have been completely and fully involved?

Mr S Jones—Absolutely. It was an extremely extensive road trip.

Senator O'BRIEN—Do you know whether these road trip sessions were well attended?

Mr S Jones—Yes, I believe they were. We have heard periodically from the NTC on the nature of the way the consultations have gone. They said they have been extremely robustly received and they have received a barrage of questions from affected stakeholders. Sometimes even in very small meetings in very far-flung places they have had some incredibly robust discussions and commentary put to them. So it has been a very extensive process.

Senator O'BRIEN—Was the Transport Workers Union or any other union involved in the consultation process?

Mr S Jones—I am not aware of that directly, but they certainly would have had every opportunity.

Senator O'BRIEN—Okay. Was there a process of inviting people to be involved and then a general—?

Mr S Jones—I believe so. The actual consultation forums that were preparing the package directly, involved some of the major stakeholders and the process of announcing and publicising both the release of the public material and the details of a roadshow was fully available on the NTC's website. So there was a very extensive process of alerting people.

Senator O'BRIEN—Is there a list on a website which will tell us who actually was involved in the consultation?

Mr S Jones—Not that I am aware of. We would have to check that.

Senator O'BRIEN—If you could, thank you.

CHAIR—Even though I do not feel I have done anything to deserve lunch, it is time for lunch.

Mr Mrdak—If I may, Senator O'Brien asked two questions this morning in relation to the secretary's allowances and also in relation to staffing levels. With your indulgence, I would like to table the answers.

CHAIR—Thank you very much.

Proceedings suspended from 1.00 pm to 2.04 pm

Senator O'BRIEN—I want to know if the department is aware of the Fatigue Expert Group and their report *Options for regulatory approach to fatigue in drivers of heavy vehicles in Australia and New Zealand*?

Mr Wilson—I have not personally seen the report?

Senator O'BRIEN—Was that options paper considered in the design of the fatigue reform package?

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

Senator O'BRIEN—While you are getting information on that, I would also like to know whether any changes to the draft fatigue reform package resulted from consultation with the Fatigue Expert Group. In relation to consultation with industry and other stakeholders, have any changes to the draft fatigue reform package resulted from such consultations and, if so, what are they?

Mr Wilson—I will answer in general, but I will also provide you with a specific answer. The fatigue package has changed. My understanding is that the fatigue package that the NTC will present to ATC ministers for voting on later this year will be slightly different. It will have been amended from that package that was circulated earlier this year, resulting from consultations with industry and consultations and discussions at the ATC. The package will have changed, but I will get you the specifics in regards to what was changed from the original release to what is circulated.

Senator O'BRIEN—What is the time line for the final resolution of reforms and the introduction of legislation?

Mr Wilson—My understanding is that the package will be circulated to transport ministers early in December, certainly before the end of this calendar year, for voting. Subject to the vote, that will then go forward into legislation through 2007. But, as you would be aware, that will be dependent on the legislative programs of each of the jurisdictions.

Senator O'BRIEN—Legislation will be required in all states and territories? Does the Commonwealth have—

Mr Wilson—Not the Commonwealth; as far as I am aware it will be in all states and territories.

Senator O'BRIEN—Has this department been asked for advice or, indeed, has it formed a view on the proposed 457 subclass visa for truck drivers?

Mr Wilson—I certainly cannot recollect being approached on the 457 issue.

Senator O'BRIEN—Would any other part of the department have been approached?

Mr Wilson—I do not believe so. Is that in relation to truck driving?

Senator O'BRIEN—Yes.

Mr Wilson—Yes.

Senator O'BRIEN—Have there been any other approaches in relation to 457 visa categories?

Mr Robertson—The only reason I queried Mr Wilson on that one was that under the vehicle importation arrangements, you can bring your vehicle in on a personal import if it is a case of permanent residency. One of the ways of determining that is if you are on a 457 visa. That is all.

Senator O'BRIEN—Thank you.

CHAIR—Thank you very much for your time.

[2.09 pm]

Australian Transport Safety Bureau

Senator O'BRIEN—Welcome back. I want to refer to the *Road Deaths Australia* monthly bulletin. Can you outline the process for compiling the report, the source of the statistics, and the time frame for its preparation and distribution?

Mr Motha—The monthly bulletin is compiled from data that we collect from the states and the jurisdictions. That data is collected soon after the end of each month. It was actually an outsourced task but now it is compiled within the ATSB. We put together the data. We compile it in a format which sets out a breakdown in different ways. That publication is then put on the website in the subsequent month.

Senator O'BRIEN—When you have a bulletin that is called the July bulletin, is that something that would normally be published in July?

Mr Motha—In August, because it covers the data for July. So the July data would only come in in early August, and it would be published usually in August, unless there are some inordinate delays in getting the data.

Senator O'BRIEN—So you would expect it at the beginning of August, would you?

Mr Motha—Usually towards the middle or the latter part. It varies, depending on the time at which we get the data.

Senator O'BRIEN—The August bulletin was not available until late August, and that was not until my office had alerted ATSB that it had not actually been loaded onto your website.

Mr Motha—The September bulletin was released—

Senator O'BRIEN—On 20 October, but it was loaded under 'Publications and Investigation Reports' not on the main page under 'Road Fatality Statistics—Latest Bulletin', which still contained the August bulletin. Is there some reason for a change?

Mr Motha—I am sorry, could you repeat the question?

Senator O'BRIEN—I am making a statement. The September bulletin was loaded on the website on 20 October, but it was loaded in a different area. It was loaded under 'Publications and Investigation Reports', not on the main page under 'Road Fatality Statistics—Latest Bulletin', which is the location for the August bulletin.

Mr Motha—That could well have been the case. I am not aware of that. It could well have been an oversight or a mistake. It is usually loaded in the area of road safety statistics.

Senator O'BRIEN—My concern is that for three months in a row the ATSB *Road Deaths Australia* monthly bulletin has not been readily available. Do you have the staffing resource necessary to keep the ATSB website up to date?

Mr Motha—Yes, I believe so.

Senator O'BRIEN—How many staff would be engaged in that task?

Mr Motha—In terms of the three months you mentioned, we will check the situation for you and get back to you.

Senator O'BRIEN—You said there was a change in that it was previously outsourced and now the information is collected in-house?

Mr Motha—Yes.

Senator O'BRIEN—Does that mean you engaged additional staff to collect information?

Mr Motha—No, we do it with existing staff.

Senator O'BRIEN—So this is a savings measure? You are not paying for someone to do it, you do it with existing staff?

Mr Motha—That is correct.

Senator O'BRIEN—And for how long have you been doing that?

Mr Motha—Just a few months.

Senator O'BRIEN—So the last three months of statistics, the ones that I am complaining about, are the ones you have taken over?

Mr Motha—Yes.

Senator O'BRIEN—Do you think ATSB has the staff to take that on itself?

Mr Motha—Yes, we do. We believe we have the staff. The savings that we would make in that process would be used to fund a position to do that.

Senator O'BRIEN—But you have not put an extra person on?

Mr Motha—We have actually.

Senator O'BRIEN—You have now? Sorry, I thought you said you had not.

Mr Motha—We have.

Senator O'BRIEN—When did that person start?

Mr Motha—That was done a few months ago.

Senator O'BRIEN—The National Road Safety Strategy 2001 to 2010 targeted a 40 per cent reduction in the road toll. The target for August 2006 was seven deaths per 100,000 of population, and 7.8 was the figure achieved. Generally speaking, the road fatalities appear not to be declining. In a media release on 12 October, even Mr Lloyd agreed that 'road safety outcomes since late 2004 had generally been disappointing' but then he went on to say that 'there had been an encouraging improvement in recent months'. He was right to say that road safety outcomes had been disappointing. Was he right to say that there had been an encouraging improvement in recent months?

Mr Motha—Yes, that is correct because in July and August we did have a decrease.

Senator O'BRIEN—What do you say about the fact that the September 2006 road deaths are up 3.7 per cent on September 2005?

Mr Motha—In September it was up slightly. However in July and August deaths were down.

Senator O'BRIEN—Would Mr Lloyd have seen the September statistics before making his comment on 12 October?

Mr Motha—I cannot answer that. I do not know.

Senator O'BRIEN—Would those statistics have been available on 12 October?

Mr Motha—The September statistics?

Senator O'BRIEN—Yes.

Mr Motha—I will have to take those on notice.

Senator O'BRIEN—How are the October figures looking? With tragic multifatality accidents they must be looking pretty ordinary.

Mr Motha—We do not know yet. We will only know that in a few weeks.

Senator O'BRIEN—For some months I have been saying that, as a community, we can no longer afford to accept any deaths on the road and that we should embrace a zero road toll target, as they have in Sweden. Mr Vaile seemed to have embraced this concept when he said, 'One death on the road is one death too many.' Has a zero road toll target been discussed at the ATC?

Mr Motha—No. As I explained last time, when the national strategy was conceived and put together in 2000 the vision zero concept was considered, but it was considered more pragmatic to adopt an actual target—and that was no more than 5.6 deaths per 100,000 people by 2010.

Mr Page—It is fair to say that at the last ATC meeting, when ministers agreed to release the next two-year action strategy plan, they did express concern about the trend and the ability under the 10-year plan to achieve the target rate. They have commissioned work to examine what some of the factors are, essentially on a jurisdiction-by-jurisdiction basis, and to look more closely at the measures in the action plan and what commitments jurisdiction can make to better enforce or more strongly advocate the measures in that plan.

Senator O'BRIEN—The National Road Safety Action Plan talks about a number of things, including:

Governments to implement vehicle fleet purchasing policies that have regard to high vehicle safety standards for both occupants and pedestrians, and that promote uptake in the general fleet of effective advanced safety features such as ESC.

Does the ATSB believe that safety focused fleet management can make a difference?

Mr Motha—Yes, we believe that.

Senator O'BRIEN—In the same media release that I quoted from earlier Mr Lloyd said:

"The Australian Government is working with manufacturers to encourage the latest generation of safety features, such as electronic stability control and curtain airbags, being made available to motorists as quickly as possible," ...

Holden, Toyota and Ford vehicles already have ESC as standard on a number of models, including base models, and curtain airbags are becoming more common. Would it be more useful for the minister to work with his own department and his ministerial colleagues to ensure that government fleet vehicles are fitted with enhanced safety features?

Mr Motha—As was explained this morning, Minister Lloyd has taken this matter up with Minister Minchin, and a letter has been sent on the issue of ESC. He has also, in another letter, drawn the attention of Minister Minchin to the action item in the new action plan that deals with fleet safety.

Mr Page—Given that it is a national plan too, the expectation is that all ministers will write to their fleet managers in particular jurisdictions to draw their attention to this. It is not just a Commonwealth initiative.

Senator O'BRIEN—When was this matter agreed at the ATC?

Mr Motha—On 13 October.

Senator O'BRIEN—I note that ATSB chairs the Motorcycle Safety Consultative Committee that meets twice yearly. How long has that committee been functioning?

Mr Motha—That committee was formed in 1991.

Senator O'BRIEN—Who is on it?

Mr Motha—There are a number of motorcycling groups on it, including the Australian Motorcycle Council and various other state based motorcycling groups.

Senator O'BRIEN—Is that information publicly available?

Mr Motha—Yes, I can provide it to you.

Senator O'BRIEN—Thank you. Who does the committee report to?

Mr Motha—The MSCC is chaired by me, and has been meeting twice a year. The MSCC is reviewed every three years. There was recently a review that extended the MSCC to June 2009.

Senator O'BRIEN—What is its role?

Mr Motha—Its role is mainly consultative. It is not a policy-making group. It consults with the government on issues to do with motorcycle safety, particularly issues that are not dealt with in other forums.

Senator O'BRIEN—What has this committee actually achieved?

Mr Motha—Various issues that are of concern to the motorcycling groups are discussed at this committee. One of the significant things I can point to is the *Ride On* video. That has been one of the most successful products that the ATSB has produced. The *Ride On* video was done in collaboration with the MSCC. We are at the moment also working on a road safety awareness brochure in collaboration with them. Various issues that have been raised from

time to time have been communicated to the organisations or bodies that could do something about those issues.

Senator O'BRIEN—I note from the *Road Deaths Australia, Monthly Bulletin September* that motorcyclist deaths for the 12 months ending 30 September have tragically increased 8.6 per cent on the same period last year. When will this committee meet and would it consider making recommendations to address the growing number of motorcyclist fatalities?

Mr Motha—The committee met in March this year. The review that I referred to earlier has recommended that meetings be conducted only once a year. If there is a real need, we can have a meeting. It does not preclude the possibility of a meeting. But physical meetings will be held only once a year. In terms of recommendations to improve motorcycle safety, there are a number of recommendations in the new action plan.

Senator O'BRIEN—From last March?

Mr Motha—There are recommendations in the action plan for 2007-2008 that was endorsed by ATC on 13 October.

Senator O'BRIEN—So that is happening independent of this committee?

Mr Motha—Yes. The committee did have input to the development of the action plan.

Senator O'BRIEN—Does the committee provide minutes or formal reports to the department?

Mr Motha—Yes. We put out an action list 48 hours after each meeting outlining the actions or the decisions that were made at the meeting, who would do them and by when. Minutes of meetings are also put out later.

Senator O'BRIEN—Can copies of those documents be provided to the committee?

Mr Motha—Yes, we can make those available to you.

Senator O'BRIEN—During the May estimates I raised the issue of the novice driver program trial announced by the government during the 2004 election campaign. The ATC's National Road Safety Action Plan 2007-2008 says that novice drivers are over-represented in crash data by a ratio of at least three to one. This is a very important program, considering the recent tragic deaths of young people on Australian roads. Mr Bills previously told us that this is a \$10 million project. Have the funding issues that were involved been resolved?

Mr Motha—Yes, they have been resolved. In fact, the legal agreement is currently being circulated for signing by the parties to the agreement.

Senator O'BRIEN—Will the states and territories be required to provide additional funds?

Mr Motha—Total funding is capped at \$10 million.

Senator O'BRIEN—Where is that funding coming from?

Mr Motha—There is \$3 million from the Australian government, \$2.8 million from the Victorian government, \$0.2 million from the RACV, \$2.5 million from the New South Wales Roads and Traffic Authority, \$0.5 million from Insurance Australia Ltd and \$1 million from the Federal Chamber of Automotive Industries, totalling \$10 million.

Senator O'BRIEN—I take it the program has not been put out to tender yet.

Mr Motha—It has. On 21 August a tender was issued for the development of the curriculum, and tenders closed on 20 October.

Senator O'BRIEN—What additional hurdles have been faced getting this program up and running?

Mr Motha—All the issues that we described to you last time have been resolved. We are now working at a rapid pace to implement the trial. The first tender was the one for the curriculum development. There are two more tenders to be issued—one for evaluation of the program and the other for program management—and that will happen in the next few months.

Senator O'BRIEN—In February, Mr Lloyd told the Main Committee:

In the first instance it is important we have a trial of an innovative driver education program in New South Wales and Victoria, which I hope will commence later this year.

So I take it that is not likely to happen this year at all.

Mr Motha—It will. The registration of the participants will begin in November. That is the targeted time for that. The trial proper will begin early in 2007.

Senator O'BRIEN—So it will not happen this year, it will be next year?

Mr Motha—Registration, which is module 1 effectively, will happen this year. So it will start this year. Correction: it will be November of next year. This year is the development of the curriculum, so it is November 2007.

Senator O'BRIEN—So the trial will be in place by late 2007?

Mr Motha—That is correct. Module 1 will begin in November 2007 and module 2, the actual trial, will commence in early 2008, the following year.

Senator O'BRIEN—So Mr Anderson's goal of a full national program by 2007 is clearly out the window. When do you expect the novice driver program will be fully operational?

Mr Motha—The final program report is scheduled for completion in May 2010.

Senator O'BRIEN—Moving on to aviation, I note that the second interim factual report regarding the Lockhart River fatal accident was released on 31 August 2006. When do you expect this investigation will be completed?

Mr Walsh—We are working very hard to get a draft of this report out by the end of this month. We are pretty well on target for that at the moment. The report has currently started our internal review processes that we routinely do as part of the release for draft reports. I am sorry, that should be the end of November, not the end of this month. That is what we were targeting for there.

Senator O'BRIEN—The final report will be out by the end of November?

Mr Walsh—Yes. There is a draft report and then there will be a 60-day comment period in accordance with the international protocols. Obviously, finalisation of the report will be contingent upon the timeliness of responses and any sort of additional work that is required as a result of that.

Senator O'BRIEN—I realise that, in terms of fatalities, this is the most serious accident in Australia for quite some time. Is the period of time to investigate this tragedy comparable with experience overseas of the time taken to investigate air crashes?

Mr Walsh—That is a difficult question in some respects. It probably is comparable with similar agencies around the world. There are always experiences where investigations are completed quicker, and there are certainly experiences where it has taken a lot longer for some investigations. The ATSB target for this type of investigation is 18 months, not that we aim to take 18 months; we will always try and do it as quickly as we possibly can. At the moment we are probably looking at getting the draft out in around the 18-month time frame, so we are not too far off our target. Obviously, we regret the delay that has been involved but, given the amount of work that is required, the difficulty, the importance of making sure we get this right and the emphasis we have to place on making sure that we have been entirely thorough, we really need to take the time to get it out. We are working very hard to that.

Senator O'BRIEN—It sounds as though you need a few more resources.

Mr Walsh—This investigation has been assigned priority for resources. We have had upwards of eight people working on it at times. We have currently got four people working on it. We would assign more resources to it if we thought that would expedite the process but, at this stage of the report, assigning further resources to it will not expedite it. The corporate knowledge is within the heads of the people who are on it. If there is anything that those people do need or anything that we recognise we need in terms of throwing additional resources at it, then we certainly will, but really there is not much more we can do at the moment because it is just a painstaking process.

Senator O'BRIEN—Have the resources you have applied to this limited the resources you are able to apply to other pressing tasks?

Mr Walsh—I think that would be a fair comment. Certainly, assigning the resources that we assigned to this has applied strains elsewhere, and there have been a number of other strains on the ATSB in terms of staffing. We have one senior member who has been on very long-term sick leave for a serious illness. The investigator in charge of the Lockhart River investigation left the ATSB not long after the last Senate estimates process, so obviously we had to bring a new investigator-in-charge in from the cold, which was an unenviable task. He actually volunteered to do it. Obviously, it was a significant and substantial task to come in, get across the issues and move ahead. So there is a delay involved just from that as well.

Senator O'BRIEN—With regard to the ongoing investigation of flight deck security doors, I note that the issue was reported in July 2005 and that the investigation is not yet complete. How many operators have referred concerns about these doors to the ATSB?

Mr Walsh—I would need to take on notice the exact number. There were a number of operators who raised concerns. That report is currently out as a draft for comment with the directly involved parties. The comment period closes in a few days time, so the report will progress from there.

CHAIR—Are you asking about the Lockhart River?

Senator O'BRIEN—I have been, yes.

CHAIR—I have a couple of questions. When is the report due? I am sorry; I have not been following this.

Mr Walsh—Which report was this?

Senator O'BRIEN—I can help you. The draft is due at the end of November, and there is a 60-day comment period.

CHAIR—What part in the report, given it is a draft, does human failure play?

Mr Walsh—The investigation is holistic. It is looking at all aspects of the operation of the aircraft. That is the human element in terms of the—

CHAIR—I do not need all the bureaucratic colour and movement. Was it human failure or not?

Mr Walsh—I think that is a very simplistic way of trying to look at what is involved.

CHAIR—Yes, I appreciate that. I like to make things simple.

Mr Walsh—There are a range of issues that would have contributed to the occurrence, and I think that will come out in due course in the investigation.

CHAIR—But you have reached a conclusion. There has been a lot of delay in this and there are a lot of people with a high level of anxiety. I think it is a disgrace.

Mr Walsh—We have worked extremely hard—

CHAIR—I bet you have, yes.

Mr Walsh—to get this out as quickly as we can. As I said earlier, we certainly have given this a high priority in the resources. It is extremely important to us for the sake of those who lost their lives; it is extremely important that this has not happened in vain. We want to make sure that we are as thorough as we can possibly be and that we take whatever safety action we can out of this, or get the most safety benefit out of it.

CHAIR—What actually delays a report like this? You can only look at it so many times. What is the delay between now and when, Senator O'Brien, November?

Senator O'BRIEN—Actually the end of January, I suspect, for the final report.

CHAIR—So what is the delay for? Is it to go back and re-read it, think about it, do more investigation, or put it into some other form of words that is more neutral?

Mr Walsh—The report is going to—

CHAIR—When these things happen—I say this as an old burnt-out pilot—if it is pilot error, it is pilot error.

Mr Walsh—I think there are often many things that contribute to an occurrence.

CHAIR—All of that.

Mr Walsh—There certainly are in this case.

CHAIR—The investigation is complete, and the report is in draft form. Why the delay?

Mr Walsh—The report is undergoing our normal internal review process that is like a quality control process.

CHAIR—Yes, but does it sit in a tray here for a week and then go over to that tray for a month?

Mr Walsh—No. This report—

CHAIR—So someone works on it for seven or eight hours a day, five days a week.

Mr Walsh—The current investigator in charge is virtually working seven days a week on the report. The review team have been working over the weekend on it. It is an absolute priority for us. It is certainly not sitting anywhere waiting for people to attend to it. It is undergoing our normal internal review process to ensure that we have got it right. That is the basis for the timing.

Mr Stray—To set the whole thing in context, it is not just a matter of writing a report and then putting it out. We write a report and then it goes through a peer review process, during which time the peer reviewers look at the evidence and ensure that the report is linked to the evidence, that there has been nothing written in the report that is not supported by evidence. It then goes to the deputy director and then it goes to the executive director. Those checks and balances have stood us in good stead over many years and must happen.

CHAIR—Yes, fair enough, but have you established who was flying the plane?

Mr Walsh—I think the interim factual report indicates that, based on the indication that the co-pilot was doing the radio broadcasts, it is likely that the captain, or the pilot in command, was flying the aircraft before the accident occurred.

CHAIR—That is a guess, is it not?

Mr Walsh—The standard practice for most airlines and for this airline was for the non-flying pilot to do the radio broadcasts. In this particular case it was the co-pilot who was doing the radio broadcasts.

CHAIR—It is a guess. It is not scientifically established.

Mr Walsh—No.

CHAIR—And the box is destroyed.

Mr Walsh—It is based on the evidence that is available. It is likely that it was the pilot.

CHAIR—Was the co-pilot fully qualified and experienced in that plane?

Mr Walsh—As we said in the interim factual report, he was not qualified for the GPS.

CHAIR—Which was what was on that day.

Mr Walsh—That was the approach that was being flown on that day.

CHAIR—Yes. So if he was flying it, he was unqualified to be flying it. He may have endangered the passengers. It is a guess that he was not flying it—a convenient guess.

Senator O'BRIEN—He did not endanger them; he killed them.

CHAIR—He actually killed them, sorry. The guy was not qualified to fly in those conditions. What the hell is he doing flying?

Senator Ian Campbell—I do not think we should be pre-empting the report.

CHAIR—I am not pre-empting the point, minister.

Senator Ian Campbell—Sorry. You just—

CHAIR—I am sorry, but when you fly these things you have got to be qualified to fly in all the conditions you might confront. This guy was not qualified. He should not have been in the seat.

Senator Ian Campbell—We do not need to have an investigation if you want to find that.

CHAIR—Well, is that not a fact?

Mr Walsh—That is one of the findings of the report, along with a range of other issues.

CHAIR—It is an established fact, can I say that, that he was not qualified.

Mr Walsh—That is correct. Yes.

CHAIR—What the hell was he doing there? I look forward to the report. You can look forward to having a good time from me. It is a disgrace.

Senator ADAMS—My issue is on the safety of Jandakot Airport in Western Australia. There has been some community consultation and quite a lot of scare tactics being used, so I will ask you three questions. Is the Jandakot air space considered to be unsafe as a result of its proximity to Perth?

Mr Walsh—That is not something I can give you an answer on. That is not an issue that the ATSB has been examining, addressing or looking at.

Senator ADAMS—The second one is to do with the super-jumbo Airbus 380 and the statement that has been made that Jandakot Airport would have to close because of the airbus taking up service in Perth. Who can answer those questions?

Mr Page—I think they are questions that should be directed to the Civil Aviation Safety Authority.

Senator ADAMS—I will do that when they come along.

Mr Motha—I can clarify the question you asked about the September *Road deaths Australia, monthly bulletin*. That bulletin was released in the usual place on the website, on the road safety/fatalities page.

Senator O'BRIEN—I am told that is not where my staff found it, but I shall inquire further. Thank you.

CHAIR—Thank you very much. Unless you have anything further to add I think that concludes it.

[2.44 pm]

Australian Maritime Safety Authority

CHAIR—Thank you very much, ladies and gentlemen.

Senator O'BRIEN—I wanted an update on your organisation's inspection program of foreign vessels. Has there been any change in the processes you follow to conduct safety inspections of vessels visiting Australian ports, particularly for the first time?

Mr Davidson—We have just released our 2005 report. The basis on which we do inspections has remained the same now for a number of years. We have been undertaking further work with CSIRO statistical researchers who have been looking at these statistics and helping us refine our targeting regime, but essentially the principles remain the same and vessels that are high risk can expect to be inspected and medium risk, less so. It is a risk based approach and continues to be so.

Senator O'BRIEN—I understand that a particular vessel, the *Thor Hawk*, that left Australia with a negative finding against it, managed to find its way back into Australian waters doing some work for the Department of Defence in Darwin. Does that mean it would have automatically been inspected when it returned to Australian waters to see if it had corrected its deficiencies found by AMSA on its previous visit?

Mr Davidson—I am not aware of the particular vessel that you are talking about. If you provide that, we will be able to give this to you chapter and verse. A vessel that is inspected and found to have deficiencies will either have to have those closed out before it departs or agree to a program to close out. If it is going to another port state that is within the agreed MOU arrangements—and it usually is; either the Tokyo MOU or the international MOU—we will pass on that information to the next port and they will go down, as we do for theirs, and inspect it to make sure that they do get closed out and that the regime is working pretty effectively.

Senator O'BRIEN—Do you mean that they will inspect it?

Mr Davidson—That is correct.

Senator O'BRIEN—Would you not then check to see whether the work had been done when the vessel came back to Australian waters, if it did?

Mr Davidson—Only if the records show that the work is still outstanding.

Senator O'BRIEN—Would your records show evidence of the work having been completed, even though it might have been done overseas?

Mr Davidson—Generally speaking, yes, because the reports all go into a central database that, say, the Tokyo MOU maintains, and that would show that the matters have been closed off. I would not give a 100 per cent guarantee on it being right all the time, but it has proven to be pretty reliable.

Senator O'BRIEN—When you say that it has been proven to be pretty reliable, how do you find out how reliable it is if you do not check?

Mr Davidson—We do quite a lot of inspections, which are not necessarily related to closing off of issues, and we will revisit vessels. In terms of the period between inspections, every six months they become eligible. Certain types, particularly based upon history, if they have a history of having deficiencies with us, are a higher risk ship and we are more likely to go down and inspect them. We tend to revisit those vessels that have had deficiencies.

Senator O'BRIEN—That is all I have.

[2.48 pm]

CHAIR—We will now call Aviation and Airports, and we might include a bit of time on Jandakot. Senator Adams would like to ask some questions—if the appropriate person is at the table—about Jandakot. This is the story about how you can do a deal with the government to swap something worth \$20 million, which might be worth \$300 million developed, for something worth \$3 billion, is it not? Is that the gist of it? I look forward to the answers.

Senator ADAMS—My question, firstly, relates to the sale of Jandakot Airport to—

CHAIR—The South African head company, is it not?

Senator ADAMS—That is correct. It is Ascot Holdings. Firstly, in terms of the sale of the airport, the first thing that the people with their commercial premises at Jandakot Airport knew about this was through the media. That has been of great concern. Secondly, in terms of safety, Jandakot airspace was unsafe as a result of its proximity to Perth; the arrival of the new superjumbo Airbus 380 at Perth Airport would require the closure of Jandakot Airport; the airport was already approaching its movement limit and would exceed the available capacity in the short term, and there was no means of expansion to meet the expected demand. My first question is about the safety aspect. Is that true or not true?

Mr Mrdak—You are quite right. The first that a number of tenants at Jandakot Airport heard of this proposal was in the West Australian media or the national media. There were some meetings earlier in the year, around May, when the new owners of the new airport met with the then minister and outlined a concept that they wished to explore. The advice from the minister at that stage was very clear: the Australian government had not formed a view. But the minister stressed to them the importance of the owners talking to the tenants at the airport to ascertain their views and consult them about any concept that would involve a new airport and the relocation of the existing facilities. Among the issues raised by the owners of the airport with the government at that time were issues about the potential future constraints on the airport site. As you would be aware, Jandakot Airport had a master plan approved recently, which included a future proposal to develop a fourth runway, which enabled it to overcome some of the infrastructure constraints, particularly in cross-wind conditions.

The owners of the airport have cited potential issues, given its location to Perth Airport, with future expansion. As you would be aware, there is a ceiling on training circuits at Jandakot owing to the way it interacts with Perth airspace. The question for the government is whether that ceiling and the current flying training operations are an impediment to future growth of the airport. That has been a proposal put to the government by the owners of the airport. We expressly asked that they discuss that with their tenants and, in addition, to ascertain their views about what sorts of constraints Perth imposed on future flying training and other commercial operations at Jandakot. We are also seeking advice from Airservices Australia, which operates air traffic control services, and also the Civil Aviation Safety Authority. But to date the advice quite clearly from the Air Traffic Control Agency and the safety regulator is that Perth and Jandakot can continue, as they are, to operate together. Obviously, the boundary of the Jandakot circuit training area does lie underneath one of the approach paths to Perth Airport, but the advice thus far from the air traffic control provider

and the air safety regulator is that that can continue and not be an impediment in the future to Jandakot.

Senator ADAMS—In terms of the company that has purchased the airport, under the plan is it able to go into any other business other than running an airport on airport land?

Mr Mrdak—The primary purpose under the lease is to operate an airport. The Airports Act does provide for activities on the airport site that are compatible with the operation of an airport. Therefore, as you have seen right around Australia with the development of airports, a range of activities is now taking place on airport land that are compatible with continuing and expanding the operations of an airport. Provided the activities are not prohibited by virtue of the act and the regulations and it is not inconsistent with the development and continuing operation of an airport, they are permitted to undertake other commercial activities on the site.

Senator ADAMS—Under that plan they are expected to improve the site. I would advise you of an example in writing on 29 June 2006 from the managing director of JAH, John Fraser:

...that capital expenditure that is now needed for the efficient functioning and future growth of the airport will, if spent, be wasted when the airport is forced to relocate.

Can you give me any clarification as to why that statement would have been made?

Mr Mrdak—I am not aware of that statement. I will just check with my officers. I am not aware of that statement and certainly not aware of any situation that would give rise to that claim.

Senator ADAMS—Mr Fraser himself signed the master plan in January 2006. That was why I was wondering just what—

Mr Mrdak—The department's assessment and our advice to the minister in approving the master plan was that the master plan did provide for the future growth of aviation on that existing site.

Senator ADAMS—When rumours like this start, people get very concerned, especially if they own businesses at the airport. I have received a letter today highlighting the pressure that the people are under. This is from a chief flying instructor who owns a business at that facility:

It is not fair on small business to be kept in limbo while the government and property developers play a bizarre game of monopoly with our Commonwealth asset. I realise that things have not reached the stage where the government is required to make a decision. However, real damage has been done here day by day as we try to live under the shadow and it seems that Ascot Capital will drag this out as long as it takes and use whatever means to get what they want, destroying our businesses with uncertainty in the process.

We have quite a nasty situation at the airport. Do you have any comment on that, as this group has leased the airport from the Commonwealth?

Mr Mrdak—Just to clarify, this concept has no imprimatur from the Australian government. This concept is just that at this stage. There have been discussions. I have met with the owners of the airport, together with Mr Williams and the ministers, but those discussions have been about exploring a concept. There is no involvement with the Australian

government at this point. Former Minister Truss did ask the airport owners to discuss their concept with the tenants of the airport to gauge their views and also to discuss it with residents around the location of the new site they were proposing as a new development. This was to ensure that we had all of the issues on the table. But there is no going forward at this point between the Australian government and the owners of the airport in relation to taking this concept further. The airport owners may choose to come back to the government with a firmer proposal, but the Australian government at this stage is not part of developing any proposal for the closure or the relocation of Jandakot Airport.

Senator ADAMS—Last Wednesday night I attended a meeting at Mandurah, which is adjacent to where the proposed new airport site is going. There were some 200 people at that meeting. The prospect of having an airport in their backyard is creating a lot of concern for that community. A number of people have properties for sale in that area and, of course, their properties are completely on hold because there is no resolution about whether Jandakot Airport is going to close and this other one is going to become a reality. Is there any way in which we can alleviate these people's concerns?

Mr Mrdak—The first stage is for the owners of Jandakot Airport to reach a firm decision as to whether they wish to proceed with a firm proposal to do this and then put that proposal to the Australian government. There have been discussions only around a concept at this point. It is open to people to develop an airport site. Someone could develop a greenfields airport site at any point in Western Australia and that becomes a responsibility of the state planning and other authorities as to whether they would approve such an airport development. Our interest as the Australian government revolves around the lease of Jandakot Airport and the regulation of the operators of that airport under the Airports Act and the lease given by the Australian government. We do not have a role in relation to any new airport that might have been developed.

CHAIR—The rezoning of that would be someone else's area?

Mr Mrdak—If Jandakot's site was to be rezoned for another purpose, it would be a matter for the state planning authorities as to the rezoning of any further—

CHAIR—Which comes first, the sale or the rezoning?

Mr Mrdak—At this stage we are nowhere near that—

CHAIR—Obviously you would have to be a deadhead not to get the rezoning before you signed your money away. At that stage what would the federal government's attitude be?

Mr Mrdak—We have said to the airport owners in putting this concept to us that they need to have a clear view from the Western Australian government about what the Western Australian government's view on planning would be both around the new site they were proposing and also what may happen to the existing Jandakot site.

CHAIR—This is the equivalent—and I stand to be corrected—of shutting Bankstown because it would make Harry Triguboff or some of his mates happy about the development potential. It is like moving the rifle range from Long Bay way out into whoop-whoop somewhere, say, Goulburn, Mittagong or somewhere else. That would be equivalent, would it not? Is it 70 kilometres away?

Mr Mrdak—It is of the order of 40 kilometres. I do not know the area.

CHAIR—I think it is more than 40 kilometres. You stand to be corrected on that. It may be closer to 70 or 80 kilometres. It would be a serious disruption. I understand there is an operator at Jandakot who would love that to happen. He has noisy old World War II aircraft that annoy the hell out of everyone every time they take off and land. He would be hoping to have it moved, but everyone else who flies a 172, 182—or whatever—would be seriously inconvenienced. It would be the equivalent of our moving Bankstown to Bowral. I would love to see us attempt that. There is a legitimate position for the Commonwealth to consider in all of this.

Mr Mrdak—Very legitimate. Hence, as I said, the Commonwealth is in no way supporting any move to close Jandakot at this time. There is simply a concept being put forward by the owners of Jandakot. The Commonwealth has not reached a view on it but recognises that the sorts of concerns raised by Senator Adams are quite valid concerns by the tenants of the airport and the operators at the airport.

CHAIR—It seems to me, upon quick reflection, that this is just a sharp opportunity for a developer to convert all of this into housing blocks and get millions of dollars in a bank account somewhere, and bugger the inconvenience to everyone else. We did have a statement recently in Sydney—I actually have not been to Jandakot—where a developer said that they ought to get rid of all the parks and open space in the city ‘so I can build more units’. I do not go along with that and I think we should go to war if that is the driver behind this.

Mr Mrdak—As I say, the Australian government’s position is, and remains, that Jandakot is the second airport. It is the GA airport for Perth, and there is nothing at this stage that has shifted the Commonwealth from that position.

CHAIR—What they have to be careful of is that money does not speak all languages.

Senator ADAMS—As far as the people who have the lease of the airport at the moment, the directors have 49 per cent foreign ownership, which is the way that it has to be. Have all these directors lived in Australia for the last five years?

Mr Mrdak—My understanding is that the directors are either Australian citizens or have Australian residency, but Mr Williams might wish to give some further information.

Mr Williams—What Mr Mrdak said is correct. Just prior to the sale, the proposed new owners of the airport approached the Australian government in relation to the ownership issues. We reviewed the proposed ownership structure for the airport and the new owners, and on 31 January—having regard to the ownership regulations under the Airports Act—a declaration that Ascot Holdings was a substantially Australian investment fund and met all the criteria under the act and regulations, was signed by the secretary to the department. They basically met the foreign ownership requirements.

Senator ADAMS—Is it true or not that the directors have to have lived in Australia in the last five years, even though they might be Australian citizens?

Mr Williams—I would have to check that level of detail for you.

Senator ADAMS—Could you take that on notice?

Mr Williams—Yes.

Senator ADAMS—As far as environmental issues—this might be something ministers can answer for me—Jandakot Airport was placed in its position to protect a water mound and it has heritage-listed bush at the southern end of the airport. If and when this land is sold, would commercial development or residential development be able to take place there?

Senator Ian Campbell—That is jumping three steps ahead.

Mr Mrdak—We are a long way short of any consideration such as that. You are right; the site has a range of environmental issues, not least of which is the presence of the water mound and the bushland. I would imagine that, if the site was being contemplated for any alternative use—and I reiterate that the Commonwealth is not at this stage at that point—then it would have to satisfy WA planning and environmental matters and also any Commonwealth legislation in relation to the environment. I would imagine, given the presence of that, there would be severe limitations on the use of the site for any alternative purpose.

Senator ADAMS—I guess that there is nothing the Commonwealth do about this, but I just wonder if you are aware that since the new owners took over the lease rentals at the airport have increased by between 64 per cent and 114 per cent on top of increases of 10 and 11 per cent in the previous two years. We have a real community concern. There are 900 people who work at Jandakot. You have the Royal Flying Doctor Service, a brand-new teaching hospital adjacent, which is going to be 10 minutes away, the aero club, which has huge movements in and out, and two foreign pilot training schools. What I am trying to say, and the reason I have raised this, is that there is just so much angst, which is going to build and build and build, that I really do hope that perhaps the minister will be able to look at this fairly quickly and come up with a decision.

It just unfair, and there is so much money and blood, sweat and tears tied up in aviation. I have a history going a long way back and, having married a flying doctor pilot, I know what it is like. We have been through all the ups and downs of aviation, and it is pretty hard. When you are running a business there, as a number of the people who have contacted me are, you just want a resolution so you know you can go forward. They have aircraft auditors and there are just huge amounts of money tied up in this with their forward planning. If for any reason this proposal does go forward and the government gives it the okay, things will have to really change. Already we have one flying school looking at going to Canada and another flying school looking at relocating to Brisbane. It is a lot bigger than it seems, which is the reason I raised the issue today.

Mr Mrdak—I do appreciate the uncertainty for tenants of the airport. As I say, the position being put by the owners of the airport is that they believe there are some tenants of the airport who would support a relocation, but quite clearly you do not want—

CHAIR—Nobody wants noisy planes.

Mr Mrdak—Yes.

CHAIR—Well, good luck to him. He can relocate. Can I just say that this seems to me to be a classic carpetbagger greed operation. I could not put it more strongly. My understanding is that 24.9 per cent of this Ascot whoever-it-is—and that is why you employ lawyers:

because lawyers are all about the law and not the truth—is owned by a British Virgin Island company. Now, if ever anything sounded carpetbaggerish, it would be that, and we are on to it.

Senator O'BRIEN—The ATSB Lockhart River second interim factual report contains a number of safety recommendations. I note that recommendation R20060006 of the report, regarding cockpit flight recorders and amendments to the Civil Aviation Act 1988, has been noted as having a response status of 'monitor'. The comments by both CASA and the department seem to indicate that neither party is willing to take responsibility for implementation. Can you advise the status of this recommendation and which agency is taking responsibility for it?

Ms Chilvers—That recommendation is actually being taken forward by the department and drafting instructions have been prepared and lodged with the Office of Parliamentary Counsel.

Senator O'BRIEN—When would we expect the promulgation of a new regulation?

Ms Chilvers—It is an amendment to the act, not to the regulations. These things are always in the hands of the parliamentary business committee and I cannot hazard a guess as to when it is likely to be introduced. But certainly it is being treated with seriousness.

Senator O'BRIEN—In any case, you would expect the draft to be completed shortly?

Ms Chilvers—Yes, again, subject to the priorities of the Office of Parliamentary Counsel.

Senator O'BRIEN—I want to touch on the issue of the dispute between the city of Belmont and the Westralia Airports Corporation over rate equivalent payments. I am given to understand that that dispute has now been resolved. Can someone let me know whether I have been correctly advised?

Mr Mrdak—I think 'resolved' is a pretty broad term. Shall we say that I think the matter of the outstanding payments for 2005-06 has been settled. Perth Airport paid all amounts due for 2005-06 and Perth and Belmont, at our encouragement, are continuing discussions about the issues involved going forward. Following the last hearing of this committee I held meetings with both Perth Airport and the shire councils involved and, as Mr Williams and I indicated at the last hearing of this committee in May, we had general counsel advice to clarify any legal issues in terms of the application of the lease. I provided and explained our clear views on that matter to both the airport and the council representatives. Then we engaged in a series of discussions with the parties, the result of which was that Perth Airport, while still looking to build a relationship which involved some degree of discount or some degree of service provision by the city of Belmont, did pay the amounts outstanding. With our encouragement of both parties, we hope both parties will continue discussions about finding a way forward.

Senator O'BRIEN—So raising it here had an effect—is that how I should interpret your answer?

Mr Mrdak—And there have been a whole range of avenues where it has been raised. But certainly, as I outlined here to the committee, once we had clear general counsel advice—which had been consistent with the position the department had been putting since the leases

were first established, I have to say; there was no inconsistency with the general council's view and the view that was being by the department consistently—we then held meetings with all the parties and the Perth Airport made a decision to pay the amount outstanding for the year gone.

Senator O'BRIEN—Has the department written to airport lessees generally and reminded them of the lease requirements to make rate equivalent payments?

Mr Williams—As Mr Mrdak indicated, we recently—in the last few months—wrote to both the Perth Airport and to Adelaide Airport outlining in summary the general counsel's advice. As Mr Mrdak indicated, that was consistent with the position that we had put previously to airport lessee companies, so there has been no recent reaffirmation of the policy. However, as we have indicated in previous hearings, we are unaware of any disputes or issues in relation to any of the other airports, so there has not been any particular need, except in the case of these two airports.

Senator O'BRIEN—Is there general acceptance that the department should be more proactive in trying to head off these disputes arising between its, or the government's, lessee and local government bodies?

Mr Mrdak—As Mr Williams outlined, apart from these two airports involved, Perth and Adelaide, where these disputes have arisen—Adelaide's does go back some time—I do not think the other airports and local governments have seen the department's involvement as being all that necessary. I think in most part they have reached agreements and have been able to work through these issues. One of the issues around Perth and Adelaide has been the inability of the parties to reach a mutually acceptable agreement. In that case, it was important that the department reiterated the advice which we have been providing for many years about the application of the clauses of the lease.

Senator O'BRIEN—Thank you for that. What are the requirements for airport lessees to ensure that insurance is in place?

Mr Williams—I will just get information on that. In relation to the airport lease, at the time of sale each of the airports entered into various sale agreements for the Commonwealth which stipulated a range of insurances that they had to have in place at the time of the granting of the lease. Under the airport lease there is a continuing obligation to maintain that level of insurance that they had at grant time.

Senator O'BRIEN—How does the department monitor compliance?

Mr Williams—We engage the services of an insurance adviser. We have had a range of advisers over the years. In particular we recently ran an open tender process and in September we engaged Jardine Lloyd Thompson to be the department's insurance adviser. Prior to that it was Aon Risk Services. With their assistance we conduct annual reviews of their compliance with the requirements.

Senator O'BRIEN—What is the status of Archerfield and Hobart airports?

Mr Williams—My understanding in relation to Hobart Airport is that there are no particular issues. Our annual report, at appendix 1, has a table which refers to an outstanding issue. That has been satisfactorily resolved since the publication of the report.

Senator O'BRIEN—What was the issue?

Mr Williams—One of the requirements of the lease is that the Commonwealth is a named insured party under the insurance policies they take out. One of their policies did not have that in place, so we queried that with them and that has now been satisfactorily resolved. They reissued a policy with the Commonwealth as a named insured. In relation to Archerfield Airport, again in the appendix there is a reference to one outstanding issue, which relates to war and terrorism insurance and the fact that Archerfield Airport does not have the required level of cover.

Senator O'BRIEN—What action is being taken in relation to that?

Mr Williams—We have communicated on a number of occasions to Archerfield Airport in the form of letters and in the form of various meetings. In particular, Mr Mrdak wrote to the managing director as recently as 21 October. I wrote to Archerfield Airport in December last year invoking a clause under the lease which effectively directed them to take out the appropriate level of cover. To date they have not complied with that request. Mr Mrdak reiterated that request. At this point we are still in discussions with Archerfield Airport.

Senator O'BRIEN—Is it envisaged that, given that that seems to be a breach of the lease, action will be taken in relation to the lessee's tenancy?

Mr Williams—We are hopeful of a resolution in the near future. Failing that, there are various steps that we would need to take advice on in resolving the issue, whether through legal or other means.

Senator O'BRIEN—Is one of the potential solutions the removal of the lessee?

Mr Williams—It is not a termination event under the lease. It is certainly, as you indicated, a potential breach of the lease.

Mr Mrdak—I do not think we are at that stage as yet. In response to Mr Williams's correspondence and discussions, the airport board has a different view of what would constitute an effective insurance cover in relation to these matters. Our advice and the position we have taken differs from the board's. My letter of last week puts the Commonwealth's position again. I would be hoping to follow that up with a discussion with the management and the owners of the airport in the coming days which would enable us to settle this issue. I would hope it would not reach a position where either of us has to go to further steps.

Senator O'BRIEN—Given that the Australian government provided a grant to resurface Norfolk Island runway, has the department ensured that sufficient insurance is in place for that airport?

Mr Mrdak—That would be a matter for the Territories Division, I am not—

Senator O'BRIEN—So it is not this division?

Mr Mrdak—aware of that. That is an asset owned by the Norfolk Island government. The insurance of that asset would be a matter for the Norfolk Island government. I do not have any knowledge of that, I am sorry.

Senator O'BRIEN—What administrative role does the Aviation and Airports Division have in relation to that airport?

Mr Mrdak—No role.

Mr Doherty—No. I cannot think of a direct role that we would have. The civil aviation legislation would apply to Norfolk Island Airport, so the safety requirements which ultimately flow from our legislation would apply, but we would not have a direct role. The direct oversight role would rest with the normal authorities.

Senator O'BRIEN—Are there any legal requirements for that airport to have insurance?

Mr Doherty—I am not aware that there would be, as part of the normal regulatory arrangements for airports, an insurance requirement, but we can check that.

Senator O'BRIEN—Thank you. I would appreciate that. I note that a paper has been forwarded for public consultation on the future of aviation and firefighting services and that submissions close in August. I note that a number of submissions have been received. Can you advise what the process is from here?

Mr Ford—The consultation period has closed. We have received over 30 submissions and the process now is to consider those submissions and the issues that have been raised and then move to some advice on possible options for the provision of those services.

Senator O'BRIEN—So the department will advise the minister?

Mr Ford—Yes.

Senator O'BRIEN—When would you expect that to happen?

Mr Ford—The submissions are wide-ranging and come from a range of stakeholders with an interest in the issues. They raise some views which are pretty extensive and, in some cases, contradictory. So they will warrant some careful consideration. We would probably look to be pulling together advice and providing it by the early part of next year.

Senator O'BRIEN—Thank you for that. Former Minister Truss announced in September that the department will be developing a national airspace plan. Given that reform of airspace has been on the agenda since 2002, can someone give the committee a run-down on how the department will proceed?

Mr Mrdak—Perhaps I could start by giving you an overview of where the plan will sit. As you would be aware, the September announcement by Minister Truss of the government's decisions in relation to taking forward airspace changes and reforms contained a number of elements. The first is the establishment of the Office of Airspace Regulation in the Civil Aviation Safety Authority to bring together airspace regulation with the other aviation safety regulatory areas. The airspace plan is designed to provide the policy statement essentially which would set the architecture which Australia will apply and, consistent with the ICAO classifications, it will set out the way in which airspace changes will be progressed, the risk framework and the types of analysis which are required to be undertaken. It will also set out the government's reform program in terms of remaining elements of the NAS characteristics which would be implemented in the future, subject to the tests which the Secretary outlined this morning in relation to cost benefit and safety and consultation to be undertaken by the Office of Airspace Regulation. So that is the shape of the plan.

The process now is that there is a team within the department, headed by Mr Sargent, which is now working with Airservices, CASA and the Department of Defence to prepare a first cut. We are now seeking input from industry in relation to the elements of that plan. In September, when the minister announced the changes to airspace, he released an Airservices Australia discussion paper on implementing the remaining NAS characteristics and a potential Australian airspace architecture. We are seeking views from industry about that discussion paper to give us some guidance in relation to how the plan should shape. The aim is to have an interim plan available around February or March next year for consultation and discussion in the lead-up to the establishment of the Office of Airspace Regulation on 1 July, subject to legislation passing the parliament.

Senator O'BRIEN—So you will actually have the interim plan available for consultation around March, you think?

Mr Mrdak—That is our aim, to have an interim plan at that stage which we can talk to.

Senator O'BRIEN—How much time will be allowed for consultation after the interim plan is available for circulation?

Mr Mrdak—We anticipate a reasonable period recognising that, once the Office of Airspace Regulation is established, this would be the initial guiding document for a start up. We would then go into a more detailed process of the plan which would be developed over the coming 2007-08 financial year, which would enable a longer-term plan, in which to set a more medium-term horizon. So we are initially looking for an interim which would have the Office of Airspace Regulation having start-up architecture set by government policy and then a longer-term development from there.

Senator O'BRIEN—What sort of legislation needs to be drafted? Is it a bill or is it a regulation?

Mr Mrdak—There would be bills. To simplify it, essentially the current function for airspace regulation sits with Airservices Australia under the Air Services Act. We would have to remove that regulatory function from Airservices, give CASA a clear head of power and a set of functions around airspace regulation. We would also need to set out the key elements in relation to how the plan and the policy statement would sit vis-a-vis their responsibilities, and the factors that they need to take into account in making their regulatory decisions.

We recognise that CASA's role will be somewhat different. It will be very much implementing future airspace change as well as regulating change proposals taking place from Airservices and the like. Similarly, there will be a range of needs as to how they coordinate civil airspace with Defence. So there will be bills which at this stage we are working to hopefully be in a position to introduce into the parliament before the end of this year.

Senator O'BRIEN—They are currently being drafted, I take it.

Mr Mrdak—They are currently being drafted.

Senator O'BRIEN—How many bills?

Mr Mrdak—There are two.

Mr Doherty—We are expecting two bills.

Senator O'BRIEN—When would you expect the drafts will be available?

Mr Mrdak—We have an early draft at the moment which we are working through. Given the very tight time frame working back from 1 July next year, we would hope to have reasonable drafts within the next couple of weeks. Our intention, if at all possible, is to introduce them in the November sittings.

Senator O'BRIEN—You mean the last two weeks of sitting?

Mr Mrdak—The last two weeks of sittings.

Senator O'BRIEN—That does not allow for any time for an examination if, in the normal course of events, the bills went to a committee.

Mr Mrdak—We will be seeking to introduce them into one of the houses in that sitting, with the intention then of trying to progress them in the New Year.

Senator O'BRIEN—Thank you for that. What development plans for airports are currently being assessed by the department?

Mr Williams—Currently we have the proposed development at Sydney airport for a retail complex.

Senator O'BRIEN—Is that the only one?

Mr Williams—That is the only one currently.

Senator O'BRIEN—What is the stage of development of the brickworks on the Perth airport site?

Mr Williams—As you know, the minister approved a proposed development on 15 August this year. So far the development is in the early stages of design, et cetera. There has been some clearing of land on the proposed site. That is the only concrete action that has taken place so far.

Senator O'BRIEN—What is the status of the proposed development on Hobart airport?

Mr Williams—For the direct factory outlet?

Senator O'BRIEN—Yes.

Mr Williams—There is a major development plan which went out for public comment in the last few months. That public comment period closed on 22 September this year. At this stage the proponents would be reviewing those public comments and, as per the act, they have to demonstrate, in submitting a plan to the minister, how they have had due regard to those comments, so that may lead to some adjustment to the preliminary draft plan that went out for public comment. At this stage that plan has not been lodged with the minister.

CHAIR—Does that avoid all the local planning? It is the greatest lurk since MISs were invented. Try it out here at the bloody Canberra airport! Try getting to the Canberra airport at 8.30 in the morning. The Snow family won Lotto 55,000 times out there, because they avoided all the local environmental planning. Bugger the poor buggers that have got to drive along the road; that does not matter because they have avoided the planning! This is a repeat of that over there, I take it. Do they avoid all the local planning?

Mr Williams—All the planning on federal leased airports—

CHAIR—Why are you continuing with this? It is dopey.

Senator Ian Campbell—It is government policy.

CHAIR—Good luck. But it is stupid. I have invited whatever her name is out here to come with me for a ride in the morning. It does not work. It is a lurk.

Mr Williams—The issue of roads—

Senator Ian Campbell—It is the legislation of the parliament. It was supported by the entire parliament.

CHAIR—Good luck to the entire parliament.

Senator Ian Campbell—Generally speaking, the Commonwealth environmental controls are far stricter than any of the state jurisdictions.

CHAIR—I invite you to come for a drive with me at 8.30 in the morning to see how well it works.

Mr Mrdak—I think the traffic around Canberra—

CHAIR—I am sorry to be so grumpy.

Senator Ian Campbell—I really would not appropriate the traffic problems of the ACT onto the airport.

CHAIR—I am sorry.

Senator Ian Campbell—They are under-investing in that road substantially. We should actually put some pressure on the ACT government—

CHAIR—I do not want to apportion the blame. You can blame me. I will take the blame.

Senator Ian Campbell—The traffic—

CHAIR—It is just that these things—

Senator Ian Campbell—Yours would be a good argument, Chair, except that the traffic is flowing in the wrong direction. The traffic is always flowing into Canberra at 8.30 in the morning.

CHAIR—These things are the equivalent of MISs which corrupt the capital market in rural Australia and have the potential to destroy family farming. This is the same thing. There is a 'no' from over there, but I am happy to have the blue with you any time you like, Senator Adams. This is corrupting the capital market for the development of a city. I will let it go back to you now I have had my rant.

Senator O'BRIEN—Going back to the Perth development, have all the conditions placed on that development been met, given that you tell us that some clearing work has commenced on the site?

Mr Doherty—This is in relation to the Perth brickworks?

Senator O'BRIEN—Yes.

Mr Doherty—Yes. At this stage the important condition which applied was in relation to a flora and fauna study, and that was completed before the clearing work was carried out. There

are a range of conditions which then come into play at different stages. Before they undertake actual construction on the site, there is a range of works. Before the brickworks is commissioned there is a range of further conditions and then, as it goes through operation, there is a range of conditions which continue to apply. So at this stage for the work that they have conducted we are satisfied that they have met the conditions which apply, but there will be further conditions that come into play as it proceeds.

Senator O'BRIEN—Going back to the Hobart airport site, is it true that the public consultation is filtered back through the airport owner to the minister and does not come directly to the minister?

Mr Mrdak—That is correct. Under the act, the airport owner has to reflect all of the comments and submissions received and their response to those in lodging the final major development plan or the draft major development plan for the minister's consideration.

Senator O'BRIEN—So the minister does not see those public submissions, or the public response to the proposal.

Mr Mrdak—Not necessarily. In a number of proposals members of the public or groups choose to also copy those to the department or to the minister, but it is a legal requirement of the act that the proponent reflect all submissions received and their comments on those submissions in the final draft MDP they submit.

CHAIR—If there was an unsuitable industry proposed, for instance, at the Canberra airport—I will not define what an unsuitable industry is but I can colour it up, if you like—would the Commonwealth have the power to stop that?

Mr Mrdak—Yes.

CHAIR—What, under an environmental thing?

Senator Ian Campbell—It is under the master planning process. All of the airports have got to have a master plan. It should be noted in the case of the Hobart airport, though, that the airport is actually owned by a quango of the state government.

CHAIR—I think there will be questions about Hobart.

Senator Ian Campbell—Yes, but I think it should be made clear that the state government is in a position to stop development at Hobart airport because they own it.

Senator O'BRIEN—As distinct from the Commonwealth, which has the approval process.

Senator MILNE—Yes. I want to follow up on the Hobart airport developments. There has been a refusal to release the socioeconomic impact assessment. The community feels that is really a breach of process. How can you comment on the likely impacts of the proposal if they refuse to make those documents public? Can you explain why a decision was taken not to release that?

Mr Williams—That was a decision of the Hobart airport in developing and releasing the plan. They did not release, as you said, the economic impact study, although the plan did include a summary of the report and the impacts, and I also understand that in public consultations and meetings they had they also released further information in relation to the report. At the end of the day, under the act it is a requirement for the owners, in submitting a

major development plan, to comply with the content requirements of the act. The advice to us is that an economic impact study does not necessarily fall under the mandatory requirements of the information required. We have been developing consultation guidelines which have been approved by Minister Truss in which we will be stating that our expectation is that such studies and technical reports should generally be released to the public.

Senator MILNE—In this case then I would like to ask, through the minister, that that study be made public, because in Tasmania there has been great confusion about who the proponent for the project is and the state government has never made it clear that it is the proponent. The decision not to release that study has been highly significant. So through you, minister, I would like to ask that that be released so there is some clarity in Tasmania about who is proposing this project and what that economic impact is. There has been quite a lot of duplicitous talk about who is responsible for the development in Tasmania, especially in explaining it to the community. I think it would be very useful if you could see that study is released.

Senator Ian Campbell—What I can say in relation to that one is that you and I both know that the Tasmanian government—and therefore the people of Tasmania—own the airport, and the Tasmanian government can, with one phone call, direct the airports corporation which owns Hobart airport to release that study. It is their study; it is not the Commonwealth's study. They have commissioned it. It is the property of the people of Tasmania and the Tasmanian government can ask the owner of the airport to release it. They own it. The Premier can say, 'Release the report.' So I think really you are asking the wrong minister. I think you need to ask the minister for transport down in Tasmania.

Senator MILNE—That has certainly been done and that has not been forthcoming, therefore I am asking the Commonwealth, as the assessor of the project, to release that report in spite of the fact that it is beyond the deadline for public comment. The second thing I would like to ask about is transparency. As was just indicated, the proponent actually summarises the submissions that the public make, albeit that they were denied the socioeconomic impact statement. The proponent, having summarised those, makes it available to the federal minister with recommendations as to whether it should proceed. How can that be a transparent or fair process?

Mr Williams—In relation to the public submissions we, in assessing the plan, can request access to those reports, so there is not necessarily that filter in place.

Senator MILNE—Why have we got a process where the proponent puts the best spin they can on the submissions that come in and then makes a recommendation on the basis of the spin they put on them? Surely all the submissions that go in should be on a website and not be filtered through the proponent. That is not a fair process.

CHAIR—That is what you would call a conflict of interest intention, I would have thought.

Mr Williams—I think the minister—and the department—in assessing these plans, takes very seriously the comments that come forward during the process. The minister is not limited in the matters that he might have regard to. He certainly does have regard to public submissions, including ones that are made directly to him.

CHAIR—But if the bloke that is making it is going to be the beneficiary—

Senator MILNE—Exactly.

CHAIR—This is dumb. If the bloke who is the beneficiary is the assessor and does the recommending, that is a no-brainer. The guy has a conflict of interest. How can he assess something when he is the beneficiary of the assessment?

Senator MILNE—Exactly.

CHAIR—Where is the independence in the thinking?

Mr Doherty—I do not think it is fair to say that he becomes the assessor.

CHAIR—He is the person who assembles the mood of the submissions.

Senator MILNE—That is right.

Mr Doherty—He puts that together but I think it is fair to say that if, at the end of the day, the minister is not satisfied that he has done that in a fair way he does not approve it.

CHAIR—Why have a process where the person who assembles the thinking of the finalisation of all the thoughts that have been presented is the beneficiary?

Mr Doherty—I understand the issue. I think what was behind the approach was the expectation and the hope that the proponent would look at those comments and be able to amend their proposal to take account of them. We do see that, that proposals do change before they come forward as a result.

CHAIR—I am sure they do to try and fit the minimum whatever to slip through. If anyone was bored enough to read today's transcript, there would not be one person who would not think about this: that you make submissions to a person about what you think is wrong with whatever proposal and they then assess it and move it on—doh!

Senator MILNE—Quite right.

Mr Doherty—Their judgement is not necessarily accepted.

CHAIR—Why not have an independent process? Why put people through that farce?

Mr Doherty—That is the scheme that is in the legislation.

CHAIR—Good.

Mr Mrdak—As Mr Doherty says, the incentive—

CHAIR—I am sorry. I am a bit grumpy today.

Mr Mrdak—No. You are right.

Senator Ian Campbell—That is how planning approvals take place in virtually every jurisdiction in the world. You put together a proposal, you go out for public comment, you receive it all, it gets put together, and it then goes to either the local council, the state government or the planning authority. That is how it works. It is not a unique process designed under a special act.

CHAIR—I accept that but, with respect, if I am a person who has a fundamental objection to what is proposed and I put a submission to the person who is the beneficiary of the

proposal, I am sure that if I was the beneficiary of the proposal to which submissions have been made, if you follow what I mean, I would find a way to tailor the objections received down rather than up.

Senator MILNE—That is right.

CHAIR—That is just human nature. I could give you an instance in the lower Balonne where there is allegedly an independent chair of a committee that is giving recommendations on future licence approvals. That person is a beneficiary herself of one of these licences but allegedly she is independent. I am arguing that in a different place, because it is also a no-brainer. Anyhow, best of luck.

Mr Mrdak—The purpose of receiving these submissions is for the proponent then to reflect and, as he agrees, change that proposal. The assessment happens once the draft is then lodged with the minister and the department, and often in those situations we will seek copies of submissions. A number of proponents do put them on their websites and the like, so we do see copies and we work our way through them. So the minister gets a full picture and if we believe the proponent has not adequately reflected the submissions we will provide that in advice to ministers.

CHAIR—That is fair enough, but conflict of interest is both actual and perceived. There is no question that this is a perceived conflict.

Senator Ian Campbell—Well, no, because the person who is the proponent does not make the decision. They are not the decision maker, so there is no conflict.

CHAIR—I did not come here to argue with the minister.

Senator Ian Campbell—No, but the minister gets to see them all. In the case of the brickworks in Perth, to pick a totally non-contentious example, I am sure the proponent would have liked to get an environmental approval and an approval from the Commonwealth with no conditions on it. They ended up with 60 conditions, I think, because we analysed all of the submissions, we looked at them, we—

CHAIR—That is fair enough, and I appreciate it is the law and the parliament has approved it, but why have the torture of a process that obviously has the potential for a conflict of interest?

Senator MILNE—If I can just return to this particular development—

Senator Ian Campbell—If I can I answer that, what happens with so many developments around Australia is that the proponents, these nasty, horrible, disgusting developers who go out and put their money on the line and create these disgusting, horrible, polluting developments and, damn it, sometimes—every now and again—create a job on the way through—

CHAIR—Yes, all of that.

Senator Ian Campbell—Yes, they sometimes do, these nasty, horrible, entrepreneurial developers, disgusting capitalist pigs. Every now and again they create a job or two. But, when they go through, do you know what happens with the developers?

CHAIR—Do not get too carried away.

Senator Ian Campbell—No. Everyone is down on developers, proponents and economic activity.

CHAIR—No, we are not.

Senator Ian Campbell—In practice, they go out to the community, they listen, they adjust their developments, they change them, they put parkland in different places and they try to get on with the community.

CHAIR—I do not disagree with that.

Senator Ian Campbell—It is a good process.

CHAIR—It is great.

Senator Ian Campbell—It is the same process that applies in virtually every local council, state and federal area in this country. Has it got flaws? Yes, it has. There are a lot of human beings involved, and human beings are deeply flawed critters.

CHAIR—I think we should return to the agenda.

Senator Ian Campbell—But it is not a bad process.

CHAIR—I could actually get stuck into the New South Wales government over how they have taken away planning approval from local people, which is another thing.

Senator STERLE—You started all of this.

CHAIR—I think we should declare half-time on that one and return to the agenda.

Senator MILNE—Can I have a guarantee that all of the submissions that were submitted to the developer will go to the minister? What I understood you to have said is that some of the submitters put them on their website, and you said the minister might access some of them. Will all of the submissions go to the minister, notwithstanding that the developer is looking at them, summarising them and passing them on?

Mr Mrdak—Parties who make submissions to drafts will often send copies of that submission or refer the submission to ministers. Where we have areas of concern, we can ask for copies of submissions made to the proponent. I would have to look at the circumstances as to whether all the submissions would come to the minister.

Senator MILNE—I request that the minister ask for all of the submissions, because they are going through the state government, which is the proponent for this development. The spin that will be put on them might not necessarily be what is in them, and there will be some submissions that will most certainly go to the minister but others that will not, notwithstanding the fact that the community did not get the economic impact statement. This is a really critical issue in determining this development. Will you ensure that the minister gets all the submissions and will you make public that economic impact statement?

Mr Mrdak—The decision I am making public, the economic impact statement—in the first instance as the minister's outline—is a decision for the proponent. That is not a document the Commonwealth holds. We have not seen that document, to my knowledge. That is a document held by those parties. If that is integral to our assessment of the draft major development plan, we would seek that document and make that available to our ministry.

Senator MILNE—How could an economic impact statement not be integral to your assessment of the project?

Mr Mrdak—It will depend on what information is provided in the draft major development plan, once they have reworked it in the light of those comments. We have not seen the revised draft. The proponent may well be now, as they are working their way through the comments, substantially redrafting the MDP. Until we see that, we are not in a position to make a judgement. They may well be incorporating the whole of the economic impact study and attaching it to the draft MDP. I do not know that as yet.

Senator MILNE—I just cannot understand an assessment process that does not require the economic impact statement to be out there, firstly, for the community to comment on and, secondly, for the minister to look at in assessing the project. This is a critical issue for Tasmania because it will determine the future viability of many businesses in the CBD. This government, through a quango, is playing a double game here. We want the information right up-front, and I am asking the Commonwealth to do that.

Senator Ian Campbell—It is one phone call for the state minister or the Premier to ring up and say, 'Please release the statement.' It is a very long process for the Commonwealth to write, 'Dear Premier, we have had this angst raised; Senator Barnett has been going on about this and so have a number of my colleagues from Tasmania.' It is one phone call for the Premier to say, 'Release the document.'

Senator MILNE—I accept that.

Senator Ian Campbell—This is the Tasmanian government. It is their document. It is their quango. One phone call. Chair, I assure the committee that the minister will ensure that he has before him every bit of information that is required to make a proper assessment of this process.

CHAIR—Thank you very much.

Senator Ian Campbell—If he regards this document as being vital to that process, he will make sure that it is there. You can rest assured of that. But in the meantime it is one phone call. Senator O'Brien may have influence there.

Senator STERLE—I would like to bring to everyone's attention the environmental assessment report from the Department of the Environment and Heritage, which is your department, Minister. I want to talk about this report's relationship with the Minister for Transport and Regional Services. I refer the department to this report on the establishment of a brickworks on Commonwealth land at Perth airport.

CHAIR—Is that the environmental report into the brickworks?

Senator STERLE—Yes, it is.

CHAIR—You did not actually say that. I thought it might have been—

Senator STERLE—I am sorry. It is the environmental report. I am sure the minister will respond to my questions. From all indications, the Minister for Transport and Regional Services did not read the report. I do not believe he has seen the report because, if he had,

there is no way he would have given the tick-off, or the approval, for the proposed brickworks.

Senator Ian Campbell—You are wrong on both counts.

Senator STERLE—In that case, he did not care what the report said. Can someone please explain to me how it has been possible to bridge the enormous gulf between the findings of the independent environmental experts in the Department of the Environment and Heritage and the decision to allow the building of the brickworks to proceed?

Mr Mrdak—That report from the Department of Environment and Heritage was a key input. It was publicly released by Minister Campbell and Minister Truss to enable public comment and also to seek the views of the proponent in relation to the issues raised. In response to that document, the proponent did submit a whole range of material and additional information to enable those issues to be further addressed. In the light of that further information and comments received on that report, Minister Truss made his final decision in relation to the project, which included, as Mr Doherty has outlined to you, a whole range of conditions to address the various outstanding issues remaining from the DEH report and our other assessments of the proposal. I would say that that report has been closely examined and analysed. It has been out for public exposure. Comments have been received from the airport and the proponent of the brickworks to address many of those issues. The outstanding issues are then to be addressed through the conditions set for the project.

Senator STERLE—Thank you, Mr Mrdak. This report is quite damning, when you read it. I will not go page for page or quote for quote. However, page 10, for example, refers to the distance between the proposed brickworks and sensitive areas, including nearby residential areas. Page 13 goes on to talk about the potential air emissions. Page 15 talks about air quality modelling and page 18 raises possible health impacts. The clear inference to be drawn from the above extracts from the DEH environmental assessment report is that DEH was not prepared to say that there were no problems with locating the proposed brickworks at the Perth airport or that, on the known facts, these problems could be satisfactorily overcome or prevented. How is it that the minister dismissed the advice from the very government department that has the very expertise to advise on the likely impact of locating a brickworks in the middle of the community?

Mr Mrdak—I do not think any minister dismissed the work that DEH has done. As I said, the DEH report was sent to the proponents to give them an opportunity to respond to the outstanding issues raised by DEH. It was published to enable people to make a comment. A number of matters were addressed by the proponent but, where there were areas of continuing uncertainty and further work to be done, they were picked up through the conditions for the development. If you look at the conditions for the minister's approval, they are designed to address any areas of uncertainty, and the proponents have undertaken to do that before they move to construct and then operate the facility. I certainly do not in any way accept that that report was set aside or not considered. In fact, it formed a key part of our assessment of this project for the government.

Senator Ian Campbell—I think it would be very valuable for anyone who has concerns about what is occurring in the Swan Valley and the impact of brickworks generally in the

Swan Valley to read this report very closely. What the report by my department showed was that the existing monitoring of emissions, of a range of gases emitted by the brickworks, currently regulated by the state government, was entirely ineffective. The great value of this work has been to ensure that the state government have been humiliated. There has been a light shone on the fact that they had, firstly, approved two new brickworks with no public consultation and no requirements for controls on pollution whatsoever. This report actually blew the lid on that. All of a sudden the now state environment minister in the state Labor government has had to, in a humiliating way, admit that his predecessor, Dr Judy Edwards, made a massive mistake in allowing the massive expansion of the existing brickworks out there with no controls, no public consultation and no environmental approval process whatsoever.

Effectively, the situation now is that the state government have been back-peddalling at a hundred miles an hour and are now seeking to bring in an approvals process or an environmental regime around the existing brickworks, which will probably still fall well short of the approvals process and the regime that will be built around the site at the Perth airport. I encourage people to read this report. It is well worth reading. It shows, for example, at page 16, that under the existing WA Department of Environment and Conservation for existing brickworks there are no limits at all on nitrous oxide, NO_x; for sulphur dioxide there is a small limit; for CO there is no limit set; for VOC there is no limit set; for CO₂ there are no limits; for dust there are no limits; and for dark smoke there are no limits.

CHAIR—Where does the nitrous oxide come from?

Senator Ian Campbell—From heating the clay. It is NO_x, nitrous oxide.

CHAIR—NO₂ is nitrous oxide.

Senator Ian Campbell—For nitrous oxides there is no limit set under the existing regime. This has shamed the state government into action, because in the Swan Valley airshed—you probably know the Swan Valley, Mr Chair; as you fly in over Perth airport you see the lovely vines and the foothills—

Senator STERLE—I think you live there, don't you, Minister?

CHAIR—I get into enough trouble over here without going over there.

Senator Ian Campbell—I lived there for many, many years, and I saw the brickworks spewing all of this pollution into the air night after night. All of a sudden they have been called to account, as has the state government. The hypocrisy of the Labor Party in Western Australia has been exposed. This report went up on the web the day we released it. I am happy for anyone in the Swan Valley to read this report, because it shows that the Labor Party does not care about the health of the people who live out there.

Senator STERLE—May I continue, Mr Chair? That is why it has been uncovered and is now being fixed up. Well done, Minister, but let us get back to—

Senator Ian Campbell—It is being fixed up now, is it? That is good.

Senator STERLE—Let us talk about the surrounding suburbs of Rose Hill, Forrestfield, High Wycombe and Maida Vale. Let us get back on track in terms of the brickworks on the Perth airport site. On page 20 of this very good report, which was so damning—

Senator Ian Campbell—Mr Chair, did the senator say he had fixed the problem now?

Senator STERLE—Your mob did not even have the decency to stand by it, even though their own member for Hasluck must have been fibbing all of this time because of the concerns he has raised in grievance speeches and debates in the House. Yet the minister makes the statement that it is non-controversial. Someone forgot to tell the member for Hasluck. On page 20 of the environmental assessment report, under the heading ‘Management, Monitoring and Compliance’, the department’s advice was:

The Department also notes that questions have been raised on the adequacy of the regulatory power of the Airports Act 1996 to manage industrial facilities, as the proposal will require greater regulatory involvement than normal airport developments. Regulatory staff with appropriate expertise related to brickworks operations and with the capacity to intervene in those operations, if necessary, will be essential in providing confidence that an adaptive management approach can result in a sound compliance regime.

In that case, minister, I ask you: if the DEH did not have serious doubts about the expertise in DOTARS to handle complex environmental matters, why would it make such a statement?

Senator Ian Campbell—That is because when they looked into the monitoring and compliance regime in Western Australia they found nothing there, because your comrades in the Labor government there had no monitoring in place and had no effective regime in place. One of the conditions that we put on our approval, because we happen to care about the people who live out there, was to ensure that there is an effective compliance regime.

CHAIR—I am pleased this is a robust process with robust questioning. It is now time to go to a gentle afternoon tea.

Proceedings suspended from 4.00 pm to 4.21 pm

Senator STERLE—I must thank the chair for the opportunity to have a break, because it does give you time to collect your thoughts. I was trying to get my head around this. DEH is the agency with the expertise in this sort of thing, not DOTARS, with the greatest respect. DOTARS’s expertise is not environmental impacts and concerns. I was trying desperately to work out why DOTARS has the carriage of this decision. I honestly thought that the whole idea of your department’s report was that it was done because we would be concerned about the impacts on children and the residents of Hasluck and the suburbs around Hasluck. I would have to check the *Hansard*—and I would urge you to check the *Hansard* too, Minister, in case I have it wrong—but I am sure that you came back with a response that the report was commissioned to humiliate the state government. Why would I think it would be done for the betterment of children around the Perth Airport?

Senator Ian Campbell—It was done under the federal Airports Act and the detail of the report in many parts of it certainly does humiliate the state government in shining a light on the fact that it allowed a massive expansion of brickworks in the Swan Valley airshed with no approval process and no monitoring of pollutants into the atmosphere—no nothing—while you and your comrades were on the ground stirring it up as much as you could for your political benefit.

Senator STERLE—To humiliate—

Senator Ian Campbell—It shows a lot of tenacity to keep going on about it.

Senator STERLE—I must clear this up, because I am in the seat of Hasluck at every opportunity, being the duty senator, and I am bombarded with questions from the local residents there.

Senator Ian Campbell—What does ‘duty senator’ mean?

Senator STERLE—Why would I think for one minute that this report would address the concerns of the health of the people of Hasluck—in a seat or in an area that is nowhere near the Perth Airport! It is another five or six kilometres away. How silly of me.

ACTING CHAIR (Senator Ferris)—Comments like that are not helpful.

Senator STERLE—It has been going on all afternoon. You missed it. You were not here.

ACTING CHAIR—I was in another estimates committee.

Senator STERLE—You should have been here. You would have heard it earlier.

ACTING CHAIR—Thanks for your advice. Let’s have the minister’s response.

Senator STERLE—Yes, I look forward to it, Minister. Sorry.

Senator Ian Campbell—Senator Sterle’s problem is that he thinks that pollutants from the existing brickworks that have been approved by his state Labor comrades respect the boundaries of federal electorates. He thinks they only blow east when the sea breeze is in and do not blow west when the easterly is blowing. He seems to think that the destruction to the air quality that has occurred because of the state Labor government’s lack of an adequate monitoring regime, lack of an adequate enforcement regime and approval of a massive expansion of the capacity of kilns within that area only a very short distance from the airport, took place with no public consultation and no approval process. That is very embarrassing, no doubt, to him and his colleagues, but I admire his tenacity in continuing to raise it. I would be happy if he keeps doing it all the time.

Senator STERLE—What staff does the Department of Transport and Regional Services have in Perth to monitor compliance by BGC and WAC of the 60 conditions of approval stipulated by the minister?

Mr Doherty—I will answer that in the broad and Mr Williams may wish to add detail. In terms of our own staff we do have an airport environment officer who is on site and monitors a range of conditions relating to environmental aspects on the airport. The conditions did impose a much wider range as well in terms of auditing and independent experts who were involved in developing the various plans which would be followed and reporting on the compliance against conditions. Those are set out in the conditions, which have been published.

Senator STERLE—So this environmental officer is just on the airport and he or she will not be working through the suburbs that may be affected when the wind blows the other way?

Mr Doherty—The environment officer is essentially a departmental staff member whose role is compliance with the conditions and the airport environment plan. In terms of broader community consultation, there is also a community group set up by the brickworks proponents which will have a role of bringing in an understanding of the broader views within

the community. I should add that within the conditions there was also a requirement to have a complaints-monitoring process so that we will get community views through that process.

Senator STERLE—Did you say that there is a community group being set up by the brickworks proponent?

Mr Doherty—That is right.

Senator STERLE—Do you mean BGC?

Mr Doherty—That is right.

Senator STERLE—BGC will put this community group together?

Mr Doherty—That is correct. With the Westralia Airports Corporation as the airport lessee.

Senator STERLE—I will not dwell on it, but I would like you to take on notice how that will be independent when that group has been put up by the proponent of the brickworks.

Mr Mrdak—The point being made is that it is a group designed to get community input and commentary back to the proponent and to the Westralia Airports Corporation in relation to any concerns. Separate to that, as outlined in the conditions, is that there are not only additional AEO requirements in terms of monitoring but also requirements in the conditions in relation to independent experts approved by the department and the department of environment who would be required to monitor the scrubber system inside the brickworks and also the ongoing emissions, which is consistent with best industry practice where you have independent experts who are monitoring the data being captured by the proponent and providing independent reports that are available for the scrutiny of agencies such as us and the DEH to ensure that the emission limits are being met. There are a range of measures in place in terms of independent audit, oversight by the airport environment officer and the departments, and also the process that Mr Doherty has outlined, which is a community consultation or feedback process being put in place by the airport. That is not a regulatory area. That is simply to get community views and input in relation to the operations. Am I correct?

Mr Doherty—Correct. I do not see it as being a body that would make independent decisions in the sense that was suggested. It would be a body that is there to make sure that the concerns are drawn to attention.

Senator STERLE—I am mindful of time, and I would just like to put on the record my concerns that the proponent is being put forward as a party on the community group or as being in charge of the community group. What qualifications does your environment officer on the airport have?

Mr Williams—He has a degree in environmental science.

Senator STERLE—What budget does the Perth Airport environmental officer have to perform his or her regulatory functions?

Mr Williams—As Mr Doherty said, he is a departmental officer. However, the costs of the function, including as outlined in some of the conditions, the costs of independent experts and

so on, including the cost of the airport environment officer, are recovered from WAC, Perth Airport.

Senator STERLE—What does that all mean in English?

Mr Williams—He does not have a set budget.

Mr Mrdak—Under the airport lease the airport owner is required to meet the full costs of the airport environment officer.

Senator STERLE—Should I ask the airport owners how much they put aside?

Mr Mrdak—We bill the airport operators for that.

Senator STERLE—Is there a budget?

Mr Mrdak—There is no set budget. Mr Williams manages the contract. The person undertakes a certain number of duties and we bill the airport for that. In relation to this situation, we also have provision to hire additional resources, as Mr Williams has outlined, in the event that our AEO feels that they need additional specialist skills or independent experts in air quality and the like. We can engage those and again the costs of that have to be met by the airport.

Senator STERLE—Condition 4(c) requires BGC to provide notice and information within 24 hours to the AEO and WAC on any environmental impact resulting from emission limits being exceeded. How does the department plan to validate the company's assessment of the environmental impact on a toxic emission level breach?

Mr Mrdak—Our view would be that, if the AEO feels that they are unable to verify or have any concerns on information being provided, we would engage additional expertise to do so.

Mr Doherty—You also have to go back to condition 2 on that one, which is a requirement to arrange continuous monitoring. The monitoring is to be ongoing and supervised by an accredited expert in the field, and then subsequently there is the provision of reports but also urgent reports, under the beginning of condition 4, where there are indications of problems.

Senator Ian Campbell—This is the very monitoring that should have been in place under the existing state licensing regime, which has been absent. We are insisting on it. It has been absent in the past, because your comrades in the government in WA have not insisted on it. We are insisting on it. If it does not happen, nor do the brickworks happen.

Senator STERLE—What power does the department have to determine any forced or remedial action to be taken by the company in the event of an emissions breach?

Mr Doherty—When you get a report from an accredited expert like this which indicates a breach, we also have the airport lessee involved in the process, which is interested in its position in managing its obligations under the lease and we have access to contracted additional expertise if we need it. It is a bit hard to identify in the abstract what we would do in a given circumstance, but what we have here is the mechanism to ensure that the problem is drawn to our attention so that we can bring together the resources necessary to deal with it.

Senator STERLE—You have to forgive my cynicism, because the experts also had a damning report on why it should not go ahead. What recourse will members of the public

have to pursue damages from the company and the Commonwealth in the event that they are personally and adversely affected by an emissions level breach?

Mr Doherty—That is a legal question that I do not think we can answer here.

Senator STERLE—Will reports and plans required by the minister—

Senator Ian Campbell—There is a very good reference on page 18. What did the report find? It found that under the state Labor government's regime, in a review undertaken in 2003—this is the report of the state Labor government, the one that the state Labor environment minister buried and did nothing about until this report came out, the report the senator is now referring to; he is right, it is a damning report, and this was before Dr Judith Edwards and then before Mark McGowan, the now state environment minister, who did nothing about it until this report came out from the Commonwealth:

It is clear from the weight of evidence over many years that exposure to acid gas emissions, mostly HCL, with some contributions from ATF and SO₂, have caused demonstrable adverse health affects, primarily itchy eyes and respiratory sensitivity. The policy paper discusses the various factors considered in determining ambient air quality standards for acid gases and formulated guidelines for stack emissions to address them.

Your state comrades did nothing about it until I released this report and they were humiliated into action. Let us hope that they take action.

Senator STERLE—That is good, because on page 18 it also says, from the departmental view, that they raised doubts about whether the BGC assessment accurately addresses the risk to public health. I am quite happy to quote the whole thing and not just bits that suit you.

Senator Ian Campbell—I am happy for the whole world to read this. That is why I put it up on the internet for the world to see, unlike your comrades who hid behind that report and did nothing about it for three years and let the people in the Swan Valley, Hazelmere and Guildford breathe this stuff in every day.

Senator STERLE—This is wonderful. We will fix all the environmental issues; we will build another brickworks.

Senator Ian Campbell—It is not wonderful if you live out there. There are a set of conditions—

ACTING CHAIR—Senator Sterle!

Senator STERLE—Don't just call me. Listen to him—

Senator O'BRIEN—Absolutely. If you are going to be chair, be even-handed.

Senator STERLE—Don't attack me. This has been going on for the last hour.

Senator Ian Campbell—If you ask a question, I will answer it.

Senator STERLE—If you raise your voice, I will raise mine back. I will not be chided by the chair on a one-sided argument.

ACTING CHAIR—Senator Sterle, the minister was speaking, and it generally is the case when a minister is answering a question that the minister is permitted to answer the question before the senator asking questions shouts over the top of him.

Senator STERLE—That goes both ways.

ACTING CHAIR—If you want to continue to do that, we will need to have a private meeting and call in some standing order specialists. I would prefer not to do that. Can we please have orderly questions and orderly answers? I direct that also to you, Minister.

Senator Ian Campbell—Thank you. It is very hard to maintain a conversational level when you have these Transport Workers Union tactics of yelling and screaming over you. I will try to maintain a conversational level.

Senator O'BRIEN—Are you going to let him go on like this?

Senator Ian Campbell—You cannot take offence at being called a Transport Workers Union rep. That is what he is.

ACTING CHAIR—Minister, can we just proceed with questions on the estimates?

Senator Ian Campbell—I would like to give an answer if I could.

ACTING CHAIR—Thank you.

Senator Ian Campbell—In the face of this evidence, the Commonwealth put in place a set of conditions to ensure that the people who live in Hazelmere, Guildford and the Swan Valley will not have to be subjected to the poisons that Senator Sterle's comrades in the Labor government in WA subjected them to over previous years, in full knowledge of this 2003 report, which we had exposed. We have put in place a rigorous monitoring regime and a set of conditions that ensure that the disgraceful activity by polluters does not occur again.

ACTING CHAIR—Thank you for that answer. Any further questions?

Senator STERLE—Yes.

ACTING CHAIR—Please proceed.

Senator STERLE—Will reports, plans and so on required by the minister's conditions of approval be accessible to the public?

ACTING CHAIR—Who was that question directed to?

Senator STERLE—To the department.

Mr Mrdak—Given the public interest in these matters, that is something I certainly would take up with the minister. Given the nature of the reporting requirements, I would envisage that in the community consultation mechanism being established by BGC, and also the WAC consultation arrangements alike, the community would rightly expect access to this information. I cannot give you details at this stage but I would imagine that would be a matter we would take up with the minister and with the proponents at the time.

Mr Williams—I would also add that in addition to those reports the conditions be released to the Department of Environment in Western Australia as well, having regard to all the other brickworks around the community there.

Mr Mrdak—In giving it to the WA government we are trying to be as open as possible with all this data to ensure that it does fit in with airshed management for the region. As I said, as this information becomes available to us, we cannot see why we would not make that publicly available more broadly.

Senator STERLE—Condition 23 requires that BGC put in place processes to measure the actual plume arising from the operation of the brickworks. If the actual plume from the operations of the brickworks exceeds the predicted plume, BGC must immediately provide information to ASA and CASA for reassessment on the potential impact on air safety and efficient air navigation. Why is there no reference to the need to assess the possible impact on residents in the nearby residential suburbs of an abnormal plume event?

Mr Doherty—The conditions do try to address both. Condition 23 relates to a specific concern about hazards to aircraft in the air. Turbulent air or problems with visibility from a plume rising straight into the air can create issues for aircraft, so this condition was aimed specifically at that. The general conditions about the unpleasant gaseous emissions from the site, or particles for that matter, are addressed by the earlier conditions. For example, condition 12 back through to conditions 1 and 2, are for continuous monitoring and reporting of problems.

Senator STERLE—Thanks, Mr Doherty. On that, Chair, I will wind it up.

CHAIR—They tell me you've been out of control.

Senator STERLE—No, just playing the same game with a straight bat.

CHAIR—Thank you very much. Where are we moving on to? We are all waiting expectantly for CASA.

Mr Doherty—Just on one issue that Senator O'Brien raised earlier today in relation to the staff numbers for the APEC transportation ministerial meeting: it is a little hard to identify exactly how many are involved in the ministerial meeting, but I have about five staff involved on APEC related matters. Two to three of those are predominantly on the preparations for the transport ministerial meeting and the other half of the five on the agenda for the participation on the transportation working group. In addition, the Office of Transport Security has two staff dedicated primarily to work around the transportation ministerial meeting. The number is in the region of five for the department as a whole. But of course a range of officers, including me, are involved in the exercise for a proportion of our time.

Senator O'BRIEN—Thank you.

[4.41 pm]

Civil Aviation Safety Authority

CHAIR—Welcome.

Senator O'BRIEN—Can you provide the committee with an update of the restructure announced by CASA in February this year?

Mr Byron—Yes, I am happy to do that. In February this year we announced a range of activities as part of the ongoing reform of CASA. In terms of the one that you referred to, particularly with the restructuring announced in February this year, which focused on the Canberra based operational people within Air Transport and General Aviation Operations Group, there were other issues associated with the reforms that do impact on the restructure. But, fundamentally, if you recall, in that announcement I indicated that my target was for these reforms in the restructure to be completed by June 2007. There has been considerable

progress in the restructuring activities, and I would say that we are well over halfway. We are likely to have completed the activities prior to June 2007. In terms of the final detail of costs and numbers, we do not have the final figure until the matter is finally resolved, but it is progressing.

CHAIR—Completely out of context and with the indulgence of the committee, I have to clarify what happened this morning when we were discussing platypuses. I probably jumped in at the wrong time. There was a misunderstanding that this was referring to the Albury-Wodonga project area.

Senator O'BRIEN—I thought that was a strange publication.

CHAIR—It is obviously at Coolac.

Senator O'BRIEN—It is nowhere near Albury-Wodonga.

CHAIR—That is nearly complete; there is no impact on Albury-Wodonga. This is at Coolac. The RTA has been aware of the platypus issue. However, they thought that it really was not impacting on the timing—we will let history judge whether they were right or wrong—and they did not contact DOTAR on the issue. It is Coolac and not Albury-Wodonga. I apologise for any misinterpretation of what went on this morning.

Senator O'BRIEN—How does the announcement by the former minister that CASA is to be brought under the Public Service Act affect the restructure?

Mr Byron—It does not directly affect the restructuring activities that I announced in February and other changes prior to that. It primarily affects the way in which CASA's financial reporting needs to be reported and managed into the future. There will be an impact on the way our finance office works, and we are currently working our way through that with the Department of Transport and Regional Services to define the detail of that. Other than that there will not be any impact, to my knowledge, on our restructuring activities.

Senator O'BRIEN—Would you agree that CASA's accountability and performance will be improved by being subject to the Public Service Act and the Financial Management and Accountability Act?

Mr Byron—I have not looked at it from that perspective. The government has made the call that we are to be brought in line with other government agencies—as I understand it, as a result of the Uhrig inquiry. Certainly, there will be stricter controls on CASA's financial activity, so in that context, from the government's perspective, that would be an improvement.

Senator O'BRIEN—I take it that means that CASA has not been sufficiently accountable for its actions?

Mr Byron—I would not say that.

Senator O'BRIEN—The minister must think so.

Mr Byron—I have not looked at it from that perspective. Certainly in my time—and I would assume my predecessors before me—on the board I have taken that very seriously.

Senator O'BRIEN—I saw a reaction behind you that seems to indicate that some people have thought about it in those terms. Are you saying that you did not?

Mr Byron—What was the question?

Senator O'BRIEN—Whether you had thought that the change was a reflection that the minister thought that CASA had not been sufficiently accountable for its actions?

Mr Byron—The minister's announcement is in line, as I understand it, with the government's decision that certain agencies, such as CASA, be brought under the requirements of the FMA in line with the Uhrig recommendations, which were made some time ago.

Senator O'BRIEN—Should we understand it as a meaningless procedure?

Mr Byron—No, I am certainly not saying that. There will certainly be stricter controls on the flexibility that CASA has with its finances.

Senator O'BRIEN—Do you agree that that was required?

Mr Byron—From my point of view, we have taken a very serious approach to managing our finances and I would say that my predecessors and boards before me have taken the same approach. This reduces the flexibility of me, being sole director, in financial matters and that is a tightening and probably a good outcome from the government's point of view.

Senator O'BRIEN—Do you disagree with the statement that Mr Truss made?

Mr Byron—No, I do not disagree with it.

Mr Mrdak—As Mr Byron has indicated, this is one of the outcomes of the Uhrig review of government agencies. One of the outcomes of that has been the recommendation that authorities that have significant budget funding should be under the FMA and the Public Service Act, reflecting their nature as statutory agencies undertaking a public interest regulatory role. This decision by the government in response to the Uhrig findings simply reflects a whole approach being taken right across the Commonwealth in relation to authorities. It is not in any way seen as in isolation for CASA alone.

Senator O'BRIEN—I am not proposing to comment about any other entity. I was talking about CASA and the minister's statement. You are not seeking to detract from the minister's statement, are you?

Mr Mrdak—No, I am not in any way. What I am trying to do is to put this into context. This has come as a result of a government review of all of its agencies, and a decision to apply these types of measures is not simply being applied to CASA. It is what the government is doing across a range of agencies where it deems that the agencies are substantially budget funded and should be managed in that way, rather than under the former CAC Act that applied.

Senator O'BRIEN—I understand this means that the reserves of CASA would have to be handed to government and managed by government. What effect will that have on CASA?

Mr Byron—At the end of every financial year, as I am sure you would be aware, we end up with a certain amount of reserves available for future expenditure if approved by the government. As I understand it, the reserves that are available at the end of the current financial year will be passed to the government and will not be available to CASA for the subsequent financial year. That is the advice that I have at the moment. The whole exercise is

being worked through at the moment, but it is reasonable to assume that will be the outcome in terms of the management of reserves. I presume we will operate in much the same way as a government department does.

Senator O'BRIEN—Is this going to have an impact on how CASA runs?

Mr Byron—Certainly not. We will have the flexibility if we require additional funding for future activities to put in NPPs under the normal budgetary process.

Senator O'BRIEN—In the February announcement there was this following comment:

Up to 65 positions in Canberra will be abolished with new positions being created in Brisbane and CASA's other field offices around the nation. These changes will be implemented by mid-2007.

Going to the status of those changes, was the engineering support section abolished?

Mr Byron—The engineering support branch within the Manufacturing Certification of New Technology Office performed some functions within that division and there has been a restructuring of MCNTO— which is the abbreviation for that division within CASA—which has seen the title of the function under ESB abolished but some of the activities that they performed are being done under different branch names.

Senator O'BRIEN—What functions were undertaken by the engineering support section?

Mr Byron—There is a range of them.

Senator O'BRIEN—Do you call it a branch or a section?

Mr Byron—It is a section. There is a range of them. I would have to on notice give you the full details but, for example, there would have been the assessment of industry STCs, supplementary technical certificates, if they required assessment. That sort of function is still available, it is just that it is not done by a section called ESB. If you would like I can give you a more detailed breakdown of the types of work that they performed.

Senator O'BRIEN—Yes, I would appreciate that; and an indication of where if anywhere that work has gone?

Mr Byron—I understand.

Senator O'BRIEN—Is it fair to say that that work is now performed in Canberra? Do you need to give me that answer on notice?

Mr Byron—I will need to give you an answer on notice on that. As an initial assessment I would say some is done in Canberra but certainly not all of it, but I will give you a detailed answer on notice.

Senator O'BRIEN—Is it fair to say that some in Canberra believe that the Canberra staff are being overwhelmed by the volume of work?

Mr Byron—I have not had that reported to me, no.

Senator O'BRIEN—Is it the case that in this section there were 13 positions located in Brisbane, Melbourne and Sydney and that these staff were offered voluntary redundancies?

Mr Byron—There were a number of staff in the ESB that were offered redundancies as part of the restructuring of MCANTO. I would need to check the precise locations for you.

Senator O'BRIEN—If you could, that would be helpful. Is it also true that of the 13 experienced engineering staff only two have elected to remain in the now retitled section on AWAs?

Mr Byron—The detail of that I will have to confirm with you on notice. I know that we certainly have retained a number of staff who are highly experienced.

Senator O'BRIEN—I would appreciate an answer to that on notice. If indeed it is the case that the abolition of the section meant getting rid of 11 staff, can you clarify for the committee how, when these positions are disappearing, we reconcile that with the media release from February that stated that new positions were being created in Brisbane and CASA's other field offices?

Mr Byron—The best way I can answer that is to say that not every position requires the same capabilities or experience. In creating additional positions, particularly in the Air Transport Operations Group, we certainly require people that have skills and capabilities relevant to the work they are going to be doing of conducting oversight of the air transport sector. That may not be the case for some staff from previous parts of the organisation. In some cases it would, but not in all cases.

Senator O'BRIEN—How would you respond to the comment which has been made to my office that 'Field offices have been gutted so work goes to Canberra, who are not qualified to do the work'?

Mr Byron—I would reject that. Certainly, it has not been reported to me that field offices have been gutted. In fact, the impact of the restructure is not significant on the field offices and, particularly, as I think I have reported to the committee previously, on our technical people at the frontline.

Senator O'BRIEN—Would you then be able to give the committee a breakdown of numbers and qualifications of technical staff in Canberra and the field offices, showing me a comparison for the last three financial years?

Mr Byron—I can do that on notice, certainly.

Senator O'BRIEN—I refer to your message of 11 October which recently appeared on CASA's website. It commences with the line:

Fundamental changes are being made to aviation safety regulation in Australia.

Is that true?

Mr Byron—We have already made fundamental changes to the regulation of aviation safety. I reported to the committee previously that I felt that the approach taken previously which focused very narrowly on some of our functions was not broad enough to achieve the objectives that the Civil Aviation Safety Authority is empowered to under the act and that we needed to do some of our functions to a greater degree. We need to do additional functions which the Civil Aviation Act effectively directs us to do. Collectively, that is fundamental change. The announcement that was put out on 11 October in some ways reminds people in the industry of things that we have already embarked on over the last two years and some of the changes that are ongoing. It is really creating an awareness in the industry that the

regulator will be taking, and has already taken, a different approach. In simplistic terms, people in the industry have already seen, and will continue to see, a lot more of us.

Senator O'BRIEN—This fundamental change is on all fours with the legislative environment in which CASA exists? Is that true?

Mr Byron—You mean is it supported by the legislation?

Senator O'BRIEN—Yes, does it comply with the legislation? Is it on all fours with the provisions of the legislation as it now stands?

Mr Byron—In my view, definitely; yes.

Senator O'BRIEN—Has Minister Vaile endorsed this fundamental change?

Mr Byron—I have had a briefing with Minister Vaile. I have explained to him the broad thrust of the changes that we are making at CASA, the reasons for the changes and given him an update on the progress. So I have done that and he, as minister, is aware of that.

Senator O'BRIEN—I understand that your message to staff says;

... many people are still focusing on compliance with the regulations, not whether CASA and the industry are achieving the best possible safety outcomes.

Does section 9 of the Civil Aviation Act not require CASA to develop 'effective enforcement strategies to secure compliance with aviation safety standards'?

Mr Byron—Yes, but section 3 of the act says that everything that we do should be related to safety outcomes as measured by accidents and incidents. The functions, as listed in section 9 of the act, describe a range of activities, one of which is enforcement activities. In terms of the hierarchy of functions, I suppose one that we should be giving more attention to in my view is the surveillance of the aviation industry, particularly as the act tells us to take account of the contribution made to aviation safety by industry management and the quality of their safety related decisions. So whilst compliance with the regulations is unquestionably a function of the Civil Aviation Authority, it is not the end of the story.

Senator O'BRIEN—I would have thought it had never been the end of the story.

Mr Byron—There certainly have been people in this organisation and, I believe, people in the industry who have felt that that is the only role of CASA. We are making it clear that that is not the case. The act makes it quite clear that we should be doing more to effect safety outcomes.

Senator O'BRIEN—Does section 28BD of the act not require a holder of an AOC to comply with all applicable requirements of this act, the regulations and the civil aviation orders? What is wrong with those of us who expect CASA to enforce aviation safety rules established by and with the authority of the parliament expecting CASA to enforce them?

Mr Byron—There is nothing wrong with that at all, but what I am saying is that that is not the end of the activities of CASA. We certainly do that. We have done that in the past and we will continue to do that. There is no change to that, but there are additional activities that we should be performing under the power of the act if we are going to make an actual contribution to safety in the real world.

The aviation industry, in managing its safety risks on a daily basis, certainly should be complying with the regulations; but there are many other activities that can impact on safety outcomes that are not necessarily covered by the civil aviation regulations or orders. In my view, and I believe the act gives us the requirement, we need to be finding out from industry additional work that they are doing to manage their risks. To make the assumption that all risks are covered by regulations is, in my view, naive. It is part of the task of CASA to do that, but it is not the only thing we should be doing. If some people are interpreting this approach as a change from checking compliance with the regulations, we are not saying that—

Senator O'BRIEN—You said that a fundamental change was being made to aviation safety regulation and then you went on to talk about this approach. I just want to be clear what it means, because frankly there is a legislative framework under which CASA operates and it requires the enforcement of regulations.

Mr Byron—That statement covers a range of information—and that is one item from it—but it also talks about CASA needing to act firmly when we are required to, but we still need to check compliance with regulations. No one is saying we are not going to do that, but we are going to do additional activity and we have started to do that.

Senator O'BRIEN—Let me quote from part of your statement:

In short, CASA will not be knocking on your door armed with the regulations and a plan to dig around until breaches are found.

When CASA carries out an audit or other surveillance the focus will be on your safety systems, safety culture and how you manage your risks.

How can I understand that other than that your focus is going to be on safety systems, culture and risk management rather than observance of regulations?

Mr Byron—Yes, but the next paragraph says:

This does not mean CASA will stop examining how you are operating. Audits and surveillance, for example, will still include observations of line-flying, maintenance work and training.

Senator O'BRIEN—But it continues:

But this will be done as a way of measuring the practical outcomes of safety systems—not as an end in itself.

Mr Byron—That approach can never be an end in itself.

Senator O'BRIEN—So that is how CASA has been operating in the past, is it? You have just looked at ticking the regulatory box and there has not been a look at safety culture at the same time?

Mr Byron—I think some of our people have tried to do that, but certainly from an organisational point of view, going back a couple of years there has been a focus on simply checking compliance with the regulations as an end to itself. What I am saying is that that is not enough.

Senator O'BRIEN—What did you mean when you told staff:

... there will be far less emphasis on getting involved in the operational detail of organisations through issuing administrative notices such as requests for corrective action, as this is in effect CASA doing the work of managing safety for industry.

Mr Byron—It says there will be less emphasis. What I mean by that is that that is not the only thing we are going to be doing. I am asking staff to do more. In the past some of our staff might have had the attitude, or the belief, that the organisation simply wanted them to check compliance with the regulations. We are asking them to do more. So it is a communication exercise which is trying to encourage people in the industry, and in CASA as well, to make sure that there is more to safety regulation in an attempt to achieve safe outcomes than merely just checking compliance with the regulations. There will continue to be regulatory compliance audits. They are going on right now.

Senator O'BRIEN—Before today's hearing I reviewed some of the findings of the Monarch coronial inquiry and the Seaview commission of inquiry and I noted that in 2000 this committee endorsed the findings of those inquiries in its report into CASA's administration of ARCAS Airways. I understand your message to staff says you are committed to a 'fresh definition of the relationship between the regulator and the industry', and you say:

CASA's main emphasis will be on helping organisations and people to manage their own risks, by using motivation and education.

It sounds like you consider the industry to be a partner, Mr Byron, and that approach does worry me.

Mr Byron—Did you say a partner?

Senator O'BRIEN—Partner.

Mr Byron—The regulator is the regulator and will always be separate from industry. Doing our function of checking compliance with the regulations is very much as a regulator to industry activity and does not imply a partnership and certainly cannot be done in a partnership. There are other activities that industry must undertake to manage risks on a daily basis—I know this from my own practical background in the industry—and there is a role, quite clearly, for part of the regulator to be working with industry to make sure we understand how they are managing their risks and, if they are not managing them adequately over and above compliance with the regulations, then assisting them to get there. Section 3 of the act makes it quite clear that the purpose of this organisation is to effect safety outcomes. There is a range of ways that you can do that.

Senator O'BRIEN—In the commission of inquiry into Seaview, Mr Staunton said:

No doubt the benevolent treatment of industry and the apparent willingness to overlook quite serious breaches was given impetus by industry being declared the partner of the Civil Aviation Authority. Partnership envisages cooperation. Prosecution, cancellation or suspension are hardly the actions of a partner. They're acts of hostility.

And following its inquiry into CASA and ARCAS this committee said:

... that CASA take steps to recommit itself to strong action through prosecution or suspension of those operators who deliberately breach maintenance, airworthiness and reporting and recording requirements, thereby compromising air safety.

Are you walking away from those recommendations?

Mr Byron—No, I am saying there is additional work to be done. I read the report of the Seaview commission of inquiry and other associated documents at that time, and I am very much aware of the dangers of becoming too close to industry on everything we do. There is absolutely no suggestion that we are going to do that. What I am saying is that there is more to the job of an aviation safety regulator to satisfy the act than doing that. That is one of the reasons why we have introduced new capabilities into our workforce—people who are skilled in that area. There will always be a role for our frontline technical people to check compliance with the regulations.

Senator O'BRIEN—I am just baffled by some of the language in your statement. You say, for example:

Never-the-less, many people are still focusing on compliance with the regulations, not whether CASA and the industry are achieving the best possible safety outcomes.

Shouldn't we focus on whether the regulations are being complied with?

Mr Byron—We need to be focusing on the safety outcomes as the primary activity, and below that there will be a subset of activities that we must do—one of which is, unquestionably, compliance with the regulations—but there are other activities and other work that contributes to that. It is a complex issue and it is not solved simply by ticking boxes, as you say.

Senator O'BRIEN—It may well be partly solved by ticking boxes.

Mr Byron—I agree.

Senator O'BRIEN—I am concerned that that statement implies a walking away from the rigorous auditing of organisations to ensure they are complying with regulations.

Mr Byron—I assure you that there is no walking away from rigorous compliance audit when they are necessary, without any question. Every organisation, particularly every large transport organisation, is subject to exactly that. It is also subject now to additional interface with CASA.

Senator O'BRIEN—I think Senator McLucas has got some questions that she wants to run at this time.

Senator McLUCAS—Yes. I want to ask some questions about CASA's oversight of Lessbrook trading as TransAir Pty Ltd, which is the company that was running the plane that went down at Lockhart River, where 15 people lost their lives. Does the enforceable voluntary undertaking that was made by the company on 4 May this year still remain in force?

Mr Byron—The enforceable voluntary undertaking issued on 4 May would normally have up to, as I understand it, six months to run, which would take it through to November.

Senator McLUCAS—It has not been amended in any way?

Mr Byron—The EVU has not been amended, no.

Senator McLUCAS—Did the company seek to amend it?

Mr Byron—I would need to take on notice whether they sought to amend the EVU. I am not sure of the answer to that.

Senator McLUCAS—I understand they can seek to, and you can refuse amendment. I think you are telling me there has been no amendment but they may have sought to.

Mr Byron—I will get advice on that.

Senator McLUCAS—Thank you.

Mr Byron—The company sought an extension of the timing for the EVU, but the issues that we had described within the EVU were significant enough that we did not agree to that.

Senator McLUCAS—So they sought an extension at the point of signing, on 4 May, or subsequently?

Mr Byron—Subsequently.

Senator McLUCAS—Can you tell me when, please?

Mr Byron—We will need to take that on notice.

Senator McLUCAS—Thank you. They were simply seeking an extension of the period of operation of the EVU?

Mr Byron—Yes.

Senator McLUCAS—Right.

Mr Byron—The period of the EVU.

Senator McLUCAS—We will get that on notice.

Mr Byron—We will get that detail to you.

Senator McLUCAS—I understand that the act requires CASA to publish details of undertakings on the internet. How does the EVU differ from the documentation that you have published on the internet?

Mr Byron—The EVU, as I understand it, is published on the internet. I will just get confirmation of that. I am advised that it is a summary of the detail of the EVU.

Senator McLUCAS—So it is a summary.

Mr Byron—Yes.

Senator McLUCAS—So in what ways do you think the summary that is on the internet, which I understand runs for about 15 lines, differs from the EVU itself?

Mr Byron—The EVU would specify areas that CASA is requiring the operator to improve. In relation to Lessbrook, trading as Transair, I can advise you that the main issues covered by the EVU which CASA had concerns about were related to organisational management—there were issues related to maintenance, maintenance data and that type of thing. They were very much to do with how the organisation managed its risks.

Senator McLUCAS—Do you think that the summary of the EVU that you have published on the website complies with your requirement under 30DK(4) of the Civil Aviation Act to publish details of the undertaking?

Mr Byron—My understanding at the moment is that yes, we comply; but I understand what you are saying. It relates obviously to the amount of detail that we publish. In these sorts of things, under the requirements of the act we have an obligation to make people aware that CASA has a concern with an operator to the degree that we have asked them to enter into an EVU, and it is probably the awareness of that activity that is the most important thing. On the other hand, CASA have been accused, in years gone by, of not acting fairly. So we do take quite seriously the balance of trying to make sure that we create the awareness of a concern that CASA has with the need to look at the rights of the organisation to improve its operation.

Senator McLUCAS—So there is a balance between the financial arrangements of an operator and safety. Is that what you are saying?

Mr Byron—No, I think it is just a balance. The main purpose of putting the EVU on the website is to create an awareness of it. I think that sends a very strong signal that CASA has concerns and has required an operator to enter into an EVU. In terms of the detail that goes onto the website, there is absolutely no attempt to balance the detail of the issues; it is about how much information do we need to put on there to create the awareness.

Senator McLUCAS—How many undertakings were there in the EVU?

Mr Byron—We would need to take that on notice. There were a considerable number.

Senator McLUCAS—Can you also confirm that the number of undertakings in the EVU are different to the number identified in the summary document on the website?

Mr Byron—I would need to check that level of detail. I have been advised that the content of the website certainly describes in broad terms the concerns of CASA that need to be addressed, but obviously all the detail is not there. I would need to check to make sure that each of the items within the EVU is adequately covered by the summary, which I think is the question you are asking me.

Senator McLUCAS—Yes, I am. Can you come back to the use of the word ‘balance’? Can you explain what you mean by the use of that term when you were saying that in putting a summary on the website you have to balance that with something else? I need to be very clear of what you mean.

Mr Byron—Yes, I would not want you to think that it is a balance between the financial interests of the company—which you suggested—and safety issues. It is a balance between how much information we have got and how much we need to put on the website to make it quite clear what CASA is doing. It is just an order of balancing the amount of information.

Senator McLUCAS—Why do you have to balance the amount of information and putting it on the website? What do you have to contemplate?

Mr Byron—The purpose of putting it on the website is to create an awareness.

Senator McLUCAS—Yes.

Mr Byron—You could argue that you could put the whole EVU on the website or you could put a one-line statement. It is simply a balance of the amount of information to satisfy the requirement to create the awareness.

Senator McLUCAS—Does the act refer to a balance or a summary? I thought the act said quite clearly ‘details of undertakings’.

Mr Byron—I am advised that the act does not tell us that we should be putting the entire EVU on the website, but it does require us to make sure that the nature and the intent of the EVU is covered with whatever we put on the website. So, once again, the word ‘balance’ has nothing to do with balancing safety; it is about information.

Senator McLUCAS—So your intent in placing the EVU on the website is to let the community know that there is a problem with Transair.

Mr Byron—Yes.

Senator McLUCAS—And that is all. You do not attempt to give the community any understanding of the nature of the problem, how long it has been going on, or what remedies and what activities are going to be undertaken to fix that problem.

Mr Byron—As I understand it, we do not have a requirement to do that. Really that cuts to the heart of the role of the regulator. That is actually what we are doing as part of our normal work with the operator. We will be talking in a lot of detail with the operator about what we expect them to do. That is our job.

Senator McLUCAS—I will be interested in getting your answers on notice about the number of undertakings that were agreed to in the EVU and the number of undertakings that are published on the website. In my view they are different. I understand the EVU says that Transair was the subject of CASA audits in November 2001, August 2004, February 2005 and February 2006 which disclosed to CASA auditors that it had ongoing compliance and structural problems. Three of the audits that disclosed ongoing compliance and structural problems took place before the disaster in May of 2005. I also understand that the EVU revealed ‘continuing areas of non-compliance with CASA regulations’ and a failure to ‘maintain an appropriate organisation under the Civil Aviation Act’. So we are talking about non-compliance going back to November 2001. That is not on the CASA website; it does not indicate that this problem has been ongoing since 2001.

Mr Byron—From my analysis of the information and dealings with this company, the issues relating to the EVU relate to information that CASA has gained as a result of increased surveillance conducted in accordance with activities that we flagged back in early 2005 across the industry—and certainly there has been a significant amount of increased surveillance from mid-2005.

Senator McLUCAS—Mr Byron, I will just take you back to the EVU. It says that there has been non-compliance since November 2001. So you cannot say that this started in February-March 2005; we have had a long conversation about this over a long period of time. This goes back, according to the EVU, to 2001. So it is not new information that we are talking about.

Mr Byron—It is probably best if I approach it this way. The magnitude of the issues that CASA has discovered in relation to Transair since mid-2005 are significantly different from the magnitude of the issues that are on the record prior to that. That is my understanding. That is largely a result of the increasing surveillance activity.

The EVU was required by CASA, from a significant point of view, as a result of surveillance activity conducted since mid-2005. Without doubt, as a result of audits, most operators—such as Transair back in 2001—would have had issues of non-compliance recorded against them but not to the degree that has led to EVU. I would need to check the record but you are quoting from the EVU there.

Senator McLUCAS—Let us go back over that time, because I think that is only reasonable. You are telling me that there has been increased surveillance that has resulted in this EVU. But the EVU itself says that there has been ongoing non-compliance since November 2001. I have asked before for a copy of those four audits, and you have indicated that it is not possible to provide them.

What I would now like to know is what action was taken by CASA following the November 2001 audit, the August 2004 audit, the February 2005 audit and the February 2006 audit. It is only reasonable that this committee needs to get an understanding of what action CASA has taken. If you are saying that the non-compliance now is so dreadful in comparison to back then, then we need to understand that. The only way that I think I will get it is if you tell me what you did subsequent to every audit.

Mr Byron—Certainly from my looking at the records of the activities that were done back in 2001 or 2002 and even leading through to 2004, the various audit reports, recorded activities, were not anywhere near the same scale—

Senator McLUCAS—Mr Byron, you have said that to me. I am sorry; I need more than that.

Mr Byron—You also asked me what we have done in relation to other audits that have been done recently.

Senator McLUCAS—I want the detail of what actions CASA took following each of the four audits. It might be something that you want to take on notice, but we have talked very generally, Mr Byron, for a couple of years now and very unsatisfactorily, in my view. Now I am asking for the detailed actions that CASA took in relation to the full audits that have operated on Transair, and I think it is a very reasonable thing to ask.

Mr Byron—For the audits conducted up until 2004, I will have to take on notice exactly what action CASA has taken. In relation to audits conducted from late 2005, we have obviously indicated that in May we entered into an EVU and, as a result of the company's response to issues in relation to the EVU, we have subsequently issued a number of show cause letters against the operator.

Senator McLUCAS—When were they issued?

Mr Byron—We issued a show cause notice on 14 August and a supplementary show cause notice on 29 September. In the interest of completeness in answering your question, I can tell you that on 24 October we cancelled the AOC.

Senator McLUCAS—Is the fact that you have cancelled the AOC public information?

Mr Byron—No.

Senator McLUCAS—Why not?

Mr Byron—Under the provisions of the legislation, once we take a decision to cancel the AOC, the operator has an automatic stay of five days under the legislation. Within that five days, it has the option to apply to the AAT for a further stay. I am advised that the operator has told us that it intends to apply to the AAT.

Senator McLUCAS—The five days have now expired; it is now the 30th. Is it five working days?

Mr Byron—Five working days.

Senator McLUCAS—The five working days have not yet expired, but they will appeal to the AAT?

Mr Byron—We have been told that that is what they intend to do.

Senator McLUCAS—That is what you have been advised. Thank you for that information. Please take on notice, Mr Byron, that I want a list of all actions that were undertaken by CASA following each of the four audits, and also in that list I would like an understanding of all actions that Transair undertook. Basically, you told them to do X. I want to know if they did it. If they did not do it, I want to know what action CASA undertook following that. And I wonder if you could you table a copy of the EVU?

Mr Byron—In terms of the actions that CASA took as a result of the audit, I will certainly take that on notice and give that to you.

Senator McLUCAS—Thank you.

Mr Byron—In terms of the detail of the EVU, I will just need to get advice as to what our legal position is on that.

Senator O'BRIEN—Doesn't the act say that you have to publish the detail? I use the term 'the detail' because that is what is in the act?

Mr Byron—I am advised that what the act says is to publish 'the details', not 'the detail'. What our interpretation has been is that we provide a summary of it rather than word by word.

Senator O'BRIEN—Instead of the details, you provide a summary of the details?

Mr Byron—A summary that specifies what the detail is. If you do not mind, I am happy to take that one on notice and discuss that with our people. We believe we are acting in accordance with the requirements of the act.

Senator O'BRIEN—Does the act say anywhere that you shall not publish the actual enforceable voluntary undertaking?

Mr Byron—I might ask Dr Aleck to respond to that one.

Dr Aleck—The act requires that CASA publish the details of the undertaking. Our interpretation of that does not mean that we are to republish the entire EVU, the entire document, and that it does not include background reasons, justification, prefatory material that may be relevant but not specifically related to the actual terms of the undertakings.

Senator O'BRIEN—Thank you for that, Mr Aleck, but the question I am asking is: does anything in the act require that you not release the EVU?

Dr Aleck—No, but my understanding—

Senator O'BRIEN—Why can we not have it?

Dr Aleck—Because I believe that we would not be authorised to publish the entire EVU unless the act permitted us to do so. That is the constraint under which we operate.

Senator O'BRIEN—Is that because the act is silent; you do not have permission to publish it?

Dr Aleck—The act not silent; the act expressly says that we are to publish details. Our understanding would be that, to the extent that we are expressly advised or required to publish details, that would expressly mean that we are not meant to publish more or anything different to that. If it meant for us to publish the entirety of the EVU, then the act would say so.

CHAIR—Go on! Is that what you really think? Or did someone advise you that that is what you ought to think?

Dr Aleck—No, I think that is a fairly conventional interpretation of the legislation. If the legislation meant for CASA to publish the actual EVU, it would say 'the EVU shall be published,' and we would be happy to comply with that requirement.

CHAIR—I am one of these poor creatures who lives in a very black and white world. I do not have the complications of grey.

Dr Aleck—I appreciate that. We would run the risk of exceeding our authority if we did more than the act permits us or directs us to do.

Senator McLUCAS—What happens when you do not achieve your authority? Did you take advice before you published these 15 lines to ensure that that complies with your obligations under the act?

Dr Aleck—The details of all of the EVUs we have entered into have been published. We did not seek external advice, if that is what you are asking.

Senator McLUCAS—I think Mr Byron has explained that this just to give an indication to the travelling public that there is a problem. It is certainly not the intent to give people an understanding of the nature of it, because the publication that is on the website gives no understanding of the nature of the extent of the problem.

Dr Aleck—I think you are right. I think the intent is to provide information to the public that an enforceable voluntary undertaking has been entered into with a particular person. The details refer to the specifics of the undertaking, not the reasons or background. It would seem to me that there are two objectives. One is probably a disincentive on the part of an organisation to want that published.

CHAIR—I appreciate that. No-one would want to sign up to a, as it were, voluntary thing, if they knew—

Senator O'BRIEN—But they say the details are going to be published.

Senator McLUCAS—It is in the act.

Dr Aleck—The Australian Competition and Consumer Commission, and formerly the Trade Practices Commission, has a similar process. It was that process that ours was modelled on. The idea is to create an incentive not to get on that list and also if the public sees that an

EVU has been entered into with a particular organisation then they can go to that organisation and say, in this instance, 'Before I fly with you, I would like some more information about this' and then make their own judgement about what they are going to do.

CHAIR—But you publish the outcome and not the construction of why that outcome came about; in other words, you do not attach it to the reasons. So if you were flying with them and about to step onto the plane, as it were—and I have no idea what the EVU says but whatever it says—surely you might ask yourself, 'I wonder why they have got them doing that.' You would say, 'I wonder why.' You would not have the answer, so you would be no further in front other than to say they have been told to make sure the pilot has one head, two legs and two arms or something.

Dr Aleck—I suppose there would be a number of responses to that. One response certainly would be to question the operator if you were involved with them. Another might be to go to CASA's website and find out a bit more about what enforceable voluntary undertakings—

CHAIR—I guess the average passenger would not know that any of this is happening anyhow. It is like question time in this place—no-one watches it.

Senator HOGG—How many of the travelling public, before they embark on a flight, look up the CASA website? I am in and out of planes all the time and, let me assure you, I certainly do not do that. Give me some idea.

CHAIR—Can I ask you a question which may not go to the flow of where you are at, Senator?

Senator HOGG—That is all right.

CHAIR—Who is responsible for seeing that the pilot who flies the aircraft is qualified to fly the aircraft?

Mr Byron—On a daily basis?

CHAIR—Yes.

Mr Byron—The operator.

CHAIR—I understand that human failure was part of this crash scenario. Would that be fair to say? I further understand that the pilot who was in the co-pilot's seat was not qualified to be in the seat because he was not qualified for the instrument landing in that plane.

Mr Byron—No, my understanding is that he was qualified to operate as co-pilot on the airplane in instrument conditions and visual conditions. He was qualified to operate on the routes that the aircraft had, but he was not qualified on the instrument approach being conducted on that day as they elected to do at the end of the flight.

CHAIR—If the pilot next to him had dropped dead, where would that have left him?

Mr Byron—Then he should not continue with the approach; he should go and land somewhere else. Presumably they had alternative fuel on that day—I would need to check that—because of the weather conditions. He certainly would be competent to fly the aircraft to another location and conduct another type of instrument approach. My understanding is that he would have had an instrument rating; therefore he would have been competent to fly a different sort of instrument approach.

CHAIR—But the plane was well off the beam that day.

Mr Byron—It was actually on the beam but it was much lower than it should have been, definitely.

CHAIR—So they were reading the readouts too slowly?

Mr Byron—I will not do the ATSB's job for them. I will get into trouble for that.

CHAIR—That is fair enough.

Mr Byron—But the aircraft was lower than it should have been on that stage of the approach, without question.

CHAIR—So there was an element of human failure?

Mr Byron—The ATSB will tell us that.

CHAIR—I am sure they will.

Mr Byron—From my experience, that has to be a possibility.

Senator McLUCAS—Mr Byron, you said you would need to take advice about whether you can table the EVU. How long will that take?

Mr Byron—I think what it comes down to is an interpretation of the act. I would need to consult with my colleagues to see what process we would use to actually test what we have interpreted as the requirements of the act. Certainly it would not take more than a couple of days.

Senator McLUCAS—So we could expect that by Wednesday you could make a decision one way or the other?

Mr Byron—Could we say by the end of the week, because I have no idea of what legal advice we are going to need to seek on this?

Senator McLUCAS—All right.

Senator O'BRIEN—If it is produced here, I do not understand how you would say that is against the provisions of the legislation.

CHAIR—We could receive it as confidential evidence.

Senator O'BRIEN—No, we cannot. But it would be received under parliamentary privilege here. I do not understand how it can be beyond power for you to produce it here.

Mr Byron—While my colleagues are consulting on that, I would like to add that I understand what you are asking for. I understand what you want. In the past, and certainly when I came to this organisation, there were assertions made that CASA was a little bit heavy-handed and not fair with the people it was taking action against. The pendulum everyone had alleged meant that CASA was not dealing with people that it had problems with in a fair manner. Under any of this type of enforcement action, whilst we are not driven by the requirement to be fair first of all—we are driven by the safety requirement, as I have indicated; and we have taken safety action—on the other hand, we have an obligation in dealing with people in the industry to at least make sure we are acting within the legislation

and we are fair. I understand what you are asking for, and from my point of view if we are able to give it to you then I am quite happy to.

Senator McLUCAS—Thank you for that, Mr Byron. Why was the AOC cancelled?

Mr Byron—Fundamentally because of the inadequacy of the company's response to the requirements of the EVU and the inadequacy or the inability of it to respond to the show cause notices.

Senator McLUCAS—We will do this in the other order.

Mr Byron—While we are on the subject of the show cause notices, Mr Gemmell has a correction to make.

Mr Gemmell—I would like to just made a correction to some information we gave you. In a response we told you the date of the supplementary show cause notice was 29 September. In fact it was 26 September.

Senator McLUCAS—Thank you. What was the first show cause on 14 August about? What were the issues in the show cause notice?

Mr Byron—There is quite a bit of detail in that. I will need to take that on notice. In summary, it is what I have said. We were not satisfied with the way they were progressing with the EVU so we issued them a show cause notice.

Senator McLUCAS—I think we indicated to CASA that we would be asking questions about Transair. I thought you would have brought the file.

Mr Byron—I have briefing notes. I will ask my colleagues if we have more detailed information here with us.

Senator McLUCAS—The question is: could you indicate to the committee what the issues were in the show cause notice of 14 August?

Mr Murray—There were many issues in the show cause notice. They were largely the same issues outlined in the EVU. The show cause notice was issued as a result of the EVU requirements not being satisfied. As Mr Byron has already mentioned, the broad picture is one of management's systemic oversight of the company and a significant number of maintenance issues.

Senator McLUCAS—Of the seven undertakings, which ones were not complied with?

Mr Murray—I do not have the specific detail on that available at the moment, but I am very happy to take that on notice and will supply that.

Senator McLUCAS—Could you give us an indication of the areas of noncompliance? Was it that they were not reporting within the timeline that the EVU said they would, or was it that they were not actually completing the work?

Mr Murray—One of the aspects was that they were not meeting the timeline of the EVU; and there were other aspects, such as the quality of the work. I recall, for example, that amendment of the operations manual was a particular issue. The quality of the amendment of the operations manual was not appropriate to meet the required needs. Those are examples, but I would have to take the rest of the detail on notice.

Senator McLUCAS—Could we have a copy of the show cause notice?

Mr Murray—Certainly, I have no problem with producing a copy of the show cause notice, or indeed the supplementary show cause notice, if we are in fact allowed to do that.

Senator O'BRIEN—This committee has been supplied with just such documents.

Mr Murray—I am advised that we almost certainly can and we would be pleased to provide it at the same time as the other documents.

Senator McLUCAS—Why the delay? Senator O'Brien has indicated that this has happened before. What is the difference with Transair?

Mr Murray—I am not aware of that, but I will defer to my colleagues. I do not think that there is a delay; I think it is just a matter of practicality, but we would be pleased to provide copies of the show cause notices.

Senator McLUCAS—Our time is very important. I understand that the process now is that the five days are still on foot and then there will be an application to the AAT. My understanding is that Transair can still operate whilst that process is undertaken. I am sure that my constituents would like to know what Transair has been asked to show cause about. It is a reasonable question for us to ask for a copy of the show cause notice and the supplementary notice.

Mr Murray—I will have to defer to my colleague for a legal opinion. My understanding is, in lay terms, that a show cause notice is an allegation and, again in lay terms, the fact that it is going through the AAT means that is being appealed by the company.

Senator McLUCAS—Yes, and I am sure my constituents will understand that, but they have a right to know what the allegation is, given that they have not had a copy of the EVU to any extent at all.

Mr Murray—If I may just add a little to Mr Byron's comments on the EVU earlier on, my understanding is that the purpose of the EVU is twofold, as my colleagues have said, but also that that which goes on the CASA website is designed to be a summary and is designed for ease of understanding by lay people, whereas perhaps publication of the detail of the EVU would mean that it would be less understandable. When I say the 'detail' I mean all of the detail. I can recall certain aspects, which perhaps a lay person simply would not understand the significance of.

Senator McLUCAS—My constituents are pretty good at understanding that. That is a point of judgement and I do not know that the act does say 'details'—plural.

Senator HOGG—Why could not both be published, the summary and a link to the full EVU? What is preventing that?

Mr Murray—It is probably fair to say that in the past, to my knowledge, we have published summaries in the current form, and the question has never arisen. Therefore, the assumption has been that the summaries have been satisfactory.

Senator HOGG—Given my question, what is stopping the process technologically to publish both a summary and a link to the full document if people desire to go to the full document?

Mr Byron—I understand the desire of the committee to have access to the detail. We will look at that very carefully and, if we can do it, we will certainly do it.

Senator HOGG—That still does not answer my question. What is the difficulty? We are not dealing with a technological difficulty here, are we?

Mr Byron—No.

Senator HOGG—Is it a policy?

Mr Byron—Yes.

Senator McLUCAS—The EVU was agreed to on 4 May; is that correct?

Mr Byron—Yes, that is my understanding.

Senator McLUCAS—Why did it take until 14 August for there to be a show cause notice?

Mr Byron—That would come down to the issues that Mr Murray has described in terms of the way in which the company has responded to the requirements of the EVU. Mr Murray has pointed that there were issues of substance but also issues of timing.

Senator McLUCAS—The EVU runs for six months, but it took three months for non-compliance to be identified with the EVU?

Mr Byron—The purpose of the EVU is to give the organisation a chance to fix the problems, and clearly the judgement of our air transport operations group was, at that time, that that was the point at which there was demonstrated inability to comply.

Senator McLUCAS—You will understand that I have a lot of difficulty when I hear that this company has been given the chance to fix problems that have been identified since November 2001. To be frank, I do not know how the families of the 15 people who are dead are going to cope with that. Did they provide a weekly update of their compliance—a weekly report—as they are required to?

Mr Murray—Initially, I understand that they did.

Senator McLUCAS—For how many weeks?

Mr Murray—I do not have that detail available at the moment.

Senator McLUCAS—Could you provide that for me?

Mr Murray—Certainly.

Senator McLUCAS—Did they comply with the three documents that they had to comply with on 3 July?

Mr Murray—I am not aware of that level of detail.

Senator McLUCAS—Could you provide that on notice, too?

Mr Murray—Certainly.

Senator McLUCAS—There is another issue I need to get an understanding of. Mr Byron, you have indicated that you are going to tell me what actions CASA took following each audit. I want to know what similar elements were identified in each audit. In my view, if there

were consistent non-compliance with certain elements, that information has to be presented to the committee. Do you understand the issue that I am going to?

Mr Byron—I understand what you are asking for and we will do that.

Senator McLUCAS—Thank you. I would also like to get an understanding of which aircraft owned by Transair were involved, particularly in terms of the maintenance schedule. There is a proper term for that. There is a schedule of maintenance and I want to know which particular aircraft were found to be non-compliant. I also want to know which aircraft the unlicensed maintenance person worked on. Is that possible?

Mr Byron—We can provide you with the answers to those questions on notice.

Senator McLUCAS—Is it possible? By looking back over the audits, can you identify which aircraft—by their signature—the unauthorised maintenance person worked on?

Mr Gemmell—We believe we can. We will have a look through our records and they should be good enough to be able to give you that information.

Senator McLUCAS—Thank you. Mr Gemmell, in May last year you told us that the February 2005 audit was clean-bill-of-health stuff, and you said:

... there was a range of things found but nothing serious or significant

Given that the EVU identified audit findings that identified ongoing compliance and structural problems, continuing areas of non-compliance with CASA regulations and a failure to maintain appropriate organisation under the Civil Aviation Act, do you agree that is nothing serious or significant?

Mr Gemmell—I have looked through the results of the audit done in 2005. There were a number of requests for corrective action that had been raised on those. I looked through those and did look at their seriousness. They were not significant. They were issues. They were non-compliances. They were not of great safety significance but they do add to the fabric of an organisation having ongoing difficulty complying with all the requirements that exist. When you add that together with subsequent information that suggests they are having problems complying with all their requirements, that is what has led us to the action at the moment. We do believe that they are having fundamental systemic problems.

Senator McLUCAS—Since November 2001.

Mr Gemmell—It is not at all unusual for us to go into any organisation, particularly of this size and of this nature, and find non-compliances of various forms. If they are of a significant safety concern, we will get them actioned immediately, but there will be a whole bunch of other things where they are not complying correctly with the rules, and not doing things correctly—the way they should. We continue to follow those through and they fix those up.

One of the difficulties of system problems is that they can fix up what we find out and then we come back a year or two years later and find that they have the same problem again. So for a while we are all happy that they have addressed the problem, and then a while later they have that problem again. And then we start to worry about system problems and managerial system problems, when they cannot fix it.

That is the chain that occurs. It is not obvious when we walk in that they will have these problems. They will perhaps simply have a few symptoms. They may be able to address those symptoms, but they will not get at the root causes, and then over time we become aware that they are either unwilling or incapable of dealing with those problems, and then we have to take action.

Senator McLUCAS—Do you understand now why I need to know what were the elements of non-compliance for each of the audits? Can you also understand that I would prefer to have a copy of the audit report—but you cannot provide that to me—so that I can then concur or not?

Mr Gemmell—Yes.

Senator McLUCAS—So that I can make my own judgement about whether or not there has been ongoing non-compliance as the EVU indicates. Mr Byron, in February of this year you told us that you get a summary of deficiencies every month about Transair. Do you recall saying that?

Mr Byron—I do not recall that particular statement. ‘I get a summary.’ If I said that then I said that, but it probably would have been in the context of many other operators that needed to be alerted to me. For different months I get different reports on different operators.

Senator McLUCAS—If you are getting a summary of deficiencies every month, how far back have you been doing that since the accident?

Mr Byron—I have been getting a summary of operators that need to be alerted to me since I started in the job, which is three years ago. The operators that appear on the various summaries change as circumstances change in the industry.

Senator McLUCAS—That goes to the issue of—I forget the terminology for it—this list of people who are not doing very well?

Mr Byron—Fundamentally, yes. In terms of Transair, it is my understanding through the reports that came through to the CEO that Transair, up until the time of the accident, was not mentioned. I can double check that, but that was my understanding.

Senator McLUCAS—I would like you to check that.

Mr Byron—Yes.

Senator McLUCAS—There is a term for this list of operators that are not travelling that well. You used it in February this year.

Mr Byron—The name of this changes all the time, depending on how the managers wish to describe it. Probably ‘operators under review’ would be a term that we use quite frequently.

Senator McLUCAS—To my recollection, you indicated to us when we first talked that when this list of people—let us call them ‘operators under review’—first came to you, which was prior to the crash, Transair was on that list?

Mr Byron—We are talking about different things here. I have a monthly report, which is a formal report that comes to me every month. That is on the basis of all the consolidated information that the organisation has on a range of issues, which does include operators that need to be alerted to me—operators have action, pending action or concerns, that type of

thing; operators under review. It is my understanding, and I will double check this, that Transair did not appear on one of those lists.

I think what you are referring to is a draft risk modelling exercise done by part of the organisation. It was an attempt to look at a different way of describing risk, but it certainly was not part of the formal reporting from the compliance part of the organisation to me.

Senator McLUCAS—Could you provide on notice clarification of whether Transair appeared on your monthly report prior to the crash? Then let us go to the operator risk model that we talked about also around that time.

Mr Byron—Yes.

Senator McLUCAS—You indicated to Senator O'Brien that Transair could be one of the operators with the highest risk. Then you seemed to indicate that there was—you used the term—'dummy information' that you were putting into that model. Could you clarify that for us, please?

Mr Byron—Mr Gemmell made reference to that. I might have to ask him to fill in the detail there.

Mr Gemmell—The problem was that we were trialling a new system. What it basically did was pick up some information that we had coming through sources available to us—electronic reports and incident reports that came out of Airservices, information that came out of the ATSB and our own service difficulty reporting system. We were trialling how we would gather that limited collection of information in a more comprehensive way.

We were just trialling a system so we threw it together, put in some dummy information for some areas or fields where we did not have it and then saw how that would produce results. Some of the information was real and some of the other information we just made up, because we were trialling how it would work, what it would look like, what it would throw up and how you might use it.

Does it give you a sensible picture? Does it help you form a picture of risk in the industry or is it just meaningless information that you are playing with? That was the purpose of the trial that we were doing. The fact that it then became available and everyone started to use it as real information and believe that it was the key data that we were using to tell us what the risks were in the industry, was wrong; it was not. We still continued to work with systems and tools to try to gather quite large volumes of information and put them in a form that would help us determine where risk exists and what they might be.

Senator McLUCAS—Can you tell me if Transair was on the list prior to the crash?

Mr Gemmell—Which list?

Senator McLUCAS—The operator risk model.

Mr Gemmell—All operators are on that list.

Senator McLUCAS—Was it thrown up to the top of the list as a company that had a higher level of risk?

Mr Gemmell—That is what the draft document said, but that was not based on real information.

Senator McLUCAS—Let us get to the dummy information. What was dummy information?

Mr Gemmell—I do not know what dummy information was in there. The people who were trialling this new system, where they were not able to access the information, just fed some in. What they were trialling was how it looked—not what the information was but how it looked, how we could access this data and what it told us. We were trying to see whether it actually produced anything useful to us. We saw what one draft document looked like but we have not used it since. So you could work out from that what we thought of what the information was telling us and how valuable it was.

Senator McLUCAS—I would like you to go back and have a look at the earlier version of the operator risk model.

Mr Gemmell—I will certainly try, although I just note that the officers who built that system are not with CASA anymore, but we will see what we can find out about what information was put in there that was less than accurate.

Senator McLUCAS—I would like to know what information was accurate by category. I do not want to know what happens for aircraft X, Y or Z, but the categories of information that you know were accurate and the information that you ‘dummied up’—using your words. Thank you.

I want to go to the issue of human factors management training. I asked in February this year whether this was a breach of regulations, and Mr Byron said that there is no regulatory breach because it was not covered by regulation at the time. Mr Bills from the ATSB was asked the same question by Senator O’Brien, who said:

Does this failure to comply with the operations manual constitute a breach of CAR215?

Mr Bills said:

... it is pretty clear and generally now agreed that, yes, it does.

What is the truth of the matter between on issue?

Mr Gemmell—We went through all of that fairly fully the last go around. The fact is that there is no regulatory requirement for human factors training. The company put that requirement in, in anticipation that it would come. We encouraged that, because at that stage we thought it was reasonably imminent that that would be a requirement. Once they put it in, there is a regulatory requirement that says they are supposed to comply with their operations manual. That is what made it a requirement; it is in their operations manual.

We went through fairly fully the last time the logic of our then enforcing that. We went through why we would or would not enforce that requirement, given that we know it is not a mandatory requirement and that it was done in good faith by the operator. Whilst we may have known it was occurring, we did not enforce that because, quite frankly, if we sought to enforce it they could simply cross it out of the manual, and that would be the end of it.

Senator McLUCAS—That is right. I thought the company had to comply with its operations manual.

Mr Gemmell—That is true.

Senator McLUCAS—This company was not in compliance with its operations manual.

Mr Gemmell—In that respect, no.

Senator McLUCAS—And CASA's response is to say, 'We will not make you comply because you will cross things out'?

Mr Gemmell—It achieved no safety purpose. I went through this with Senator O'Brien. It achieved the exact opposite of the safety purpose that we are trying to achieve. We do not want people to put in their operations manual the minimum regulatory requirement. We want them to operate better than that and at a higher standard if they can.

Senator McLUCAS—You say that it achieves no safety purpose, but can I put to you that sending a message to any operator that 'We're not going to make you do the first thing, and that is to comply with your operations manual' sends a message to the aviation industry that CASA is not going to regulate the issues that you are required by law to do.

Mr Gemmell—I went through this before and made the point that they can write in their operations manual many matters, essentially business, such as, 'You will wear a shirt with epaulettes and the company logo on it.' That is not a regulatory requirement. If they put it in an operations manual—and many do—they are supposed to comply with that. Does it make sense for the regulator then to actually enforce that particular requirement? There is no safety purpose being achieved there, so we tend to be slightly more sensible about it than that, because it is about the safety regulation requirement. This one we know was not a regulatory requirement. We knew that. They had put it in, in good faith, with our support. They had not been able to do it. If we enforce the requirement, they simply cross it out. What was achieved? We interest ourselves in the safety outcomes that occur from these things. We debated this at some length at the last Senate estimates.

Senator McLUCAS—Not to my constituents' satisfaction. I want to go to the question of how CASA and the ATSB interface in the development of the second interim factual report. What is the process that you undertake when ATSB is undertaking that development of its report? What happens between ATSB and CASA?

Mr Gemmell—There is a memorandum of understanding that is available publicly, which sets out the arrangements. But in essence we are a directly interested party, so in that sense we will receive a copy of their draft report and have an opportunity to comment upon it, like any other directly interested party.

Senator McLUCAS—In the preparation of the report—once the ATSB indicates that it is going to undertake this work, what happens? Do they write to you and say, 'Can we have the files?'

Mr Gemmell—I see what you are saying. Yes, there are a number of interactions. We might have quite a significant volume of information that is relevant to their inquiry. For example, in terms of the licensing history and background to the operation, they will write to us and require that. They will often give us a section 32 notice, which covers the Privacy Act issues of us releasing that information to them. Quite regularly they will give us those notices requiring us to provide information—access to the personnel files or the personal files themselves, access to our own files and so on. They will give us those notices and we are

obliged to comply. Beyond that there is a range of information that they can ask for that may not require a section 32 notice. They might want to see something, and/or they might want to have access to some of our experts in terms of a technical matter and we will provide those.

Senator McLUCAS—Is something burning?

CHAIR—It is a moth—bush tucker!

Mr Gemmell—We cooperate with the ATSB. They can ask us to provide expertise and people to work on their inquiries. If they do so, they are working for the ATSB when they are on that inquiry and have confidentiality requirements attached to them.

Senator McLUCAS—Did that happen as a part of this inquiry?

Mr Gemmell—No, I do not think so.

Senator McLUCAS—When ATSB makes that request for information, does it say, ‘Please provide all information?’ What do you get?

Mr Gemmell—It varies. It can be all information relating to aircraft VH, the pilot’s records or whatever. Sometimes it can be quite specific and sometimes it can be quite general. There have certainly been cases where our interpretation of what they wanted has not matched up with what they have wanted and we have had to have a second round. They have said, ‘No. We asked for this and you gave us that. What about the rest?’

Senator McLUCAS—Did that happen with the Lockhart inquiry?

Mr Gemmell—There have been a couple of rounds where they sought information from us. You would have to ask them if that meant that we had not given it to them or just that they found the need to find some more.

Senator McLUCAS—Do you proffer information if you think that it might be relevant to their inquiry or do you wait to be asked for it?

Mr Gemmell—We tend to wait. We do not often have much that might be helpful with the inquiry. They are the ones with the knowledge of the circumstances of the accident, so we tend to be behind the eight ball like everybody else in trying to guess at what is actually going on. If we think that we have something relevant we would supply it, but we would not always know. For example, there might be a technical issue with a propeller that is relevant. If the propeller was an issue for them, we would not necessarily make that connection. But sometimes we would. For example, if we had information with respect to the aircraft type that was involved, then we would make that available.

Senator McLUCAS—Metroliners generally rather than this particular plane?

Mr Gemmell—Yes. Where we know that we have something that is relevant we would make them aware of it, but in the main they are tracking down various paths of trying to find out what went on and they are more likely to know the detailed information that they will need, so they tend to ask us. That is the more common thing.

Senator McLUCAS—You do not just say, ‘Here is everything to do with Lessbrook, TransAir, Wings North?’

Mr Gemmell—We have made it clear that they can have access to all our documents—anything and everything that they want to see that we have. We have voluminous documents that go over periods of time, so it is often not very helpful for us to dump all of our files on them. Plus we have ongoing responsibilities with respect to the operator that we have to service, so we do not tend to dump piles of stuff on them. However, when they ask for it and they think it is important to them, we provide it.

Senator McLUCAS—Would you characterise the relationship between CASA and ATSB in the undertaking of the inquiry as cooperative?

Mr Gemmell—I would hope so. I would be very concerned if I found out it was anything other than cooperative. That certainly was the instruction that we provided to all staff involved, that we had to cooperate with our colleagues in the ATSB.

Senator McLUCAS—There is a lot of information that we have asked on notice. Given the events that you have indicated today—we have got 30 days or whatever the requirements of the committee are—I would very much appreciate it if we could get answers to questions as soon as we possibly can.

Mr Gemmell—I understand your concern. We will do our best to get that stuff to you as soon as we can.

Senator O'BRIEN—You told Senator McLucas that you had not had the issue of a risk profile of TransAir or Lessbrook raised with you before the crash. Did I understand that answer correctly? Is that what you said?

Mr Byron—What I said was that I receive a formal monthly report from different parts of the organisation and it is my understanding, but I will double-check, that TransAir at no time ever appeared on any of the formal management reports given to me, which are the ones that I take notice of.

Senator O'BRIEN—And the airline risk indication document that you received that Mr Gemmell gave evidence about and that had them third from the top, you do not count that as an indication of risk?

Mr Byron—No, it was not a formal, approved document. It was a document under development. As Mr Gemmell has said, as I understand, it had dummy information. It certainly did not form part of a formal report that I would normally take into consideration.

Senator O'BRIEN—You received that, but it was not a document that you could rely on: is that what you are telling us?

Mr Byron—It certainly was not a document I was prepared to rely on, no way.

Senator O'BRIEN—Mr Gemmell, do you stick by the answers you gave to the previous estimates committees when we have asked questions about the history of TransAir and Lessbrook? Is there anything you would like to correct that is on the record?

Mr Gemmell—Not to my knowledge. Senator McLucas asked me earlier, I cannot recall if you were in the room or not, whether or not some answers I gave earlier about TransAir feel so good in the light of the systemic problems that have now caused us to take action. My

basic answer to that was that that is all part of the picture; it may not have been obvious to us then, but it all becomes part of the picture that we are acting on now.

Senator O'BRIEN—But you would have reviewed the *Hansard* and you would have been satisfied with your answers then, knowing the facts as you knew them then.

Mr Gemmell—As I knew them then, yes. I have had the opportunity to correct anything that I think may be wrong.

Senator O'BRIEN—And there is nothing now that you would seek to correct?

Mr Gemmell—No.

Senator O'BRIEN—Mr Byron, in January this year CASA moved to a system of fees and charges for a range of services, some 180 I believe. A review was announced on 31 August. What training has been given to staff concerning this implementation?

Mr Byron—The detailed training I would have to check with my colleagues. First of all, what I can say is that in discussing this issue with management we first of all made clear that there was an awareness of the fact that we were proposing a new round of fees with staff and that we had to communicate that to staff first before we started communicating the proposal to industry. Given that the detailed fees for implementation in 2007 have not yet been finalised—we are just at the end of the consultation period—I think I am on pretty safe ground to say that my understanding would be that there has been no formal training of staff in the implementation of the new fees but that that certainly will occur prior to July 2007.

Senator O'BRIEN—There are no performance standards in place for staff with regard to fee charging?

Mr Byron—We are in the process of developing service standards for all our services which would include issues relating to dealing with fees. Is that what you are after?

Senator O'BRIEN—Sorry, can you repeat that?

Mr Byron—We are in the process of developing service standards for all the regulatory services that we deliver, which would include the dealing with the industry as part of the provision of service and the dealing with the finances.

Senator O'BRIEN—Presumably in developing those performance standards you will develop a way for the charging of fees in accordance with those performance standards and with an expectation of the charging regime that would apply to them?

Mr Byron—Certainly the parameters regarding the way in which we provide guidance and expectations of how our staff would handle it would be that the handling of the money would be part of the package. At the moment we are focusing on the actual timing of the delivery of regulatory services such as the issue of an ASIC and that type of thing. As part of the management activities within areas dealing with charging of fees, it would be my expectation that the details would be there about how we expect them to handle the financial transactions.

Senator O'BRIEN—Is there an expectation that staff will reach a quota of charging—

Mr Byron—No. I certainly have not raised that and it has not been raised with me.

Senator O'BRIEN—Have staff, or will staff, be provided with training in cost recovery, such as what they should charge for and what they should not charge for?

Mr Byron—Yes.

Senator O'BRIEN—Yes they have, or yes they will?

Mr Byron—Yes they will. Before we enter into a new round of fees and regulations, we have already identified the awareness and training of our staff as an important issue.

Senator O'BRIEN—Does CASA provide quotes prior to undertaking a service?

Mr Byron—My understanding is that we issue estimates prior to significant regulatory service activity, but I might ask Mr Gemmell for more detail there.

Mr Gemmell—There are sort of two essential cost recovery means. One is a fixed fee, so it is straightforward; the other one is an hourly fee and, in the main, will estimate the number of hours and therefore the likely fee that we will charge.

Mr Byron—I would like to take this opportunity to introduce to the committee Mr Shane Carmody, who has joined CASA in the last couple of weeks. Mr. Carmody will be having responsibilities across the whole of the organisation related to service delivery which would touch on the areas that you have mentioned. But at the moment Mr Carmody has only been with us for a few weeks.

CHAIR—Where do you come from?

Mr Carmody—From Defence.

CHAIR—Welcome.

Mr Carmody—Thank you very much.

Senator O'BRIEN—What area were you in in Defence?

Mr Carmody—I was Deputy Secretary, Intelligence and Security, for the last two years and Deputy Secretary, Strategy, for the three years prior to that.

Senator O'BRIEN—Could I follow on from my earlier questions by asking: as a comparison does the United States FAA charge for the same services as CASA intends to charge for?

Mr Byron—I would need to take the detail of that on notice.

Mr Gemmell—No, the FAA has a quite different funding. The FAA is quite a different organisation to CASA. For example, it includes the air traffic control function, security and so on. It has quite a different funding model to us and does not charge. If you asked the same question about the United Kingdom though, not only do they charge, but their costs are fully, 100 per cent recovered. The UK is our equivalent.

Senator O'BRIEN—You know why I threw that in. It is because we have aligned our airspace system to the FAA's, so I thought align this with them, but apparently not.

Mr Byron—I thought we were talking about fees.

Senator O'BRIEN—You want the money, but not the system. What is the story? The consultation period closes tomorrow regarding the proposal for 2007 fees announced in

August. What type of feedback has been received, apart from all of the emails that tell me that they are appalled at the level of charges you are going to levy on them?

Mr Byron—I have had feedback passed on to me through our chief financial officer, who did all of the road shows. We had an extensive amount of contact with industry briefings. That feedback is that there is an underlying issue with some sectors of the industry about cost recovery for regulatory services per se, and trying to separate that, which we understand is there and has been there since fees started to be increased, from the particular fees that are proposed to be introduced in July 2007 is a little bit difficult. I have not seen—and I have had a couple of general debriefing sessions—a lot of criticism of individual fees that have been recommended. I do know that the medical fee, for example, is of particular interest to a lot of people in industry, and we are proposing a reduction for the medical fee. Whilst that has been greeted, as I understand it, with a degree of optimism, there have been some sectors of the industry who want to see it come in lower. As a parallel project we have an issue that we are looking at as to whether or not we can effectively delegate that to the designated medical examiners, which would reduce the fee considerably.

Senator O'BRIEN—Which other entities under the Public Service Act and the Financial Management and Accountability Act operate under a cost recovery model?

Mr Byron—We need to take that on notice.

Senator O'BRIEN—Given that that is a change that has occurred since you announced the intention to charge fees and went through this consultation process, is there not a reason that you should now change the approach, given that you are a regulator and not a commercial business?

Mr Gemmell—When I was in the department 10 years ago, they were under the FMA and the Public Service Act, and they had a cost-recovery regime for parts of that organisation. It is not at all—

Senator O'BRIEN—What sorts of parts?

Mr Gemmell—Aviation.

Senator O'BRIEN—What sorts of services were cost-recovered?

Mr Gemmell—If you go far enough, regulatory service fees were charged, air traffic services, where they were provided the department, were charged. There have long been regimes of cost recovery. Many departments of state have areas, or pockets, if you like, of activities where cost recovery is imposed in accordance with where they meet the government's guidelines for areas that are appropriate—

Senator O'BRIEN—Or an element of it?

Mr Gemmell—Or an element of it.

Senator O'BRIEN—In other words, a charge but not necessarily cost recovery?

Mr Gemmell—I cannot comment on whether or not in most cases they fully charge or whether they charge just a bit of it or what they do. But certainly, as I understand it, cost recovery guidelines that are applied to us by the government apply to all other government

bodies and agencies, so we expect it would be quite a few. But I could not tell you off the top of my head who they might be.

Senator O'BRIEN—Can I get an update on the progress of the drug and alcohol testing regime? What has attendance been like at the information seminars, for example?

Mr Gemmell—Yes. Some 38 of these seminars are going to occur around the country. Attendance has been quite good, I am told. Is that a decent enough answer for you?

Senator O'BRIEN—‘Quite good’; is that 10 people or 100?

Mr Gemmell—The attendance is more in the 10s, 40s, 50s. It varies according to location. But the attendance has been good. The interaction, I am told, has been quite good. It is our intention that we will be putting out a notice of proposed rule making, that is, what CASA proposes to be the rules, before the end of this calendar year. That, in fact, goes out for consultation with industry with the intention that there would be some rules coming into effect next year, in 2007.

Senator O'BRIEN—Is there a standard presentation and, if so, can the committee have a copy of it?

Mr Gemmell—There is a standard presentation and you would be most welcome to it.

Senator O'BRIEN—Thank you. Mr Byron, with regard to the development of the regulation, I note that the department in its report recommended, at point (b), ‘Industry be encouraged to participate in the regulatory development process, including by way of participation in the Standards Consultative Committee, the Aviation Regulatory Standards and Service Industry Consultative Body.’ I note also the minister, in the media release of 2 May, said, ‘I encourage the aviation industry to make full use of the consultative processes in place to ensure that the most appropriate form of regulation in an Australian context is achieved.’ Given that the seminars are to convey information, how has CASA sought to consult with the aviation industry rather than just to make a series of presentations?

Mr Byron—Certainly there is the opportunity through the Standards Consultative Committee to provide points of view. That is our primary consultative mechanism. In relation to the drug and alcohol testing proposals, there has also certainly been information provided, as I understand, on our website, on which people are free to make comment. The Standards Consultative Committee, though, has proved to be probably the most effective forum for this sort of representation. As to the degree of feedback that we have had, I would have to check on that, but I imagine there would have been some discussion and certainly some comment come back to us.

Mr Gemmell—To track back through the history, the Department of Transport put out a discussion paper on drug and alcohol testing in conjunction with CASA some years ago. It was the first consultation to occur within the industry. From there, CASA actually received advice of a decision by the minister of what was to be implemented. That was published. So, many elements of what is to be done are not now within CASA’s gift of change; they have been advised to us by the minister in terms of what the government wanted as a matter of policy. There are some elements that still have to be pinned down. For example, things like, ‘This shall apply to all safety-sensitive personnel’—you have to be a little more precise about

who are safety-sensitive personnel. Those are the elements where we are now talking to industry to get some feedback on, and we will go out in the NPRM which, itself, is a consultative document. The NPRM will be consulted with through the SCC before release.

Senator O'BRIEN—Was a working group set up under the auspices of the Standards Consultative Committee?

Mr Gemmell—The discussion paper was perused by the department. It was discussed at the SCC, but I do not believe there was a working group on the topic under the auspices of the SCC. We have also had a group from ministry—I do not know what you call those, a working group, advisory group or whatever it is—to advise us on the elements of this issue since we received the government's policy direction.

Senator O'BRIEN—Are you aware that the Flight Attendants' Association contacted a number of CASA staff, including the initial and subsequent project officers, seeking to be included in the consultative mechanism?

Mr Gemmell—Yes. They raised an issue at the last Standards Consultative Committee about that. If you want to follow the process, what we have been in the habit of doing is gathering together a small team of people to help us get our thinking together before we go out to formal consultation with industry.

Senator O'BRIEN—Is that a working group?

Mr Gemmell—I guess you could call them that. We actually call them a small team. That is the same model we use for the development of the maintenance rules suite. Everybody and his dog wants to be on that team, and it becomes not small very quickly. We have found the essence of actually getting it done was to try and keep it small. We did, in fact, form a group of people to help us work through some of the issues to do with the drug and alcohol testing, and the flight attendants were not happy that they were not included in that small team. We still have enough—

Senator O'BRIEN—Which staff organisations were included?

Mr Gemmell—I will take that on notice, if I can. To my recollection, one of their complaints was that it was pretty well airlines, and it was operators rather than staff associations on that group. That was one of their complaints.

Senator O'BRIEN—But there was not a staff organisation group?

Mr Gemmell—I believe that was one of the complaints, yes.

Senator O'BRIEN—Why not?

Mr Gemmell—I could not tell you. I would have to go back and ask.

Senator O'BRIEN—Do these small teams have meetings and supply minutes to the SCC?

Mr Gemmell—No, not generally.

Senator O'BRIEN—You have covered the points we have raised. I will ask just one question, if I may. I want to ask about how advanced the establishment of the Office of Airspace Regulation is.

Mr Byron—At the moment it is not that advanced. We have only had the requirement from the government announced a short time ago. Nevertheless, I have obviously been thinking that if the government wants this up and running in mid-next year, we need to get on with it. The main action that we have taken, as distinct from the department in preparing the legislation, is to start thinking about hiring someone to run the Office of Airspace Regulation. We are doing some preliminary work on that. There is obviously a fair bit of discussion going on with the department about development of the legislation, but that is the extent of it for CASA for the moment. It is early days.

Senator O'BRIEN—Thank you for that.

Proceedings suspended from 6.31 pm to 7.33 pm

CHAIR—I am advised that the minister will be here shortly. He has been delayed for a moment or two. By agreement we will make a start with Senator Carr.

Senator CARR—Could you indicate if the timetable that the minister announced at the last estimates committee for the inquiry into the future governance of Norfolk Island has been met?

Ms Page—It is on track at the moment. It has been explained to you that three pieces of work were commissioned. There is the Grants Commission inquiry. That final report is due to be tabled tomorrow. That work is now complete. There is the ABS study of the private sector on Norfolk Island. That work is complete and has been published. There is the work that the department together with Treasury commissioned from the Centre for International Economics on the effects on the Norfolk economy of extension of Commonwealth legislation. That work is complete and we are in the process of submitting that advice to government. That has not been published at this stage. As you know, we as a department have been getting advice from other departments about the nature of legislation that could or should be extended to Norfolk Island, the issues associated with transitional arrangements and we are in the process of compiling that information with a view to government considering it towards the end of the year. At this stage, yes, we are still on target.

Senator CARR—I understand a cabinet meeting is scheduled on this matter at the end of November. Is that still the case?

Ms Page—There will be a cabinet consideration of it before the end of the year.

Senator CARR—To your knowledge, has there been no proposal to vary that timetable regarding cabinet consideration?

Ms Page—Not that I am aware of at this stage.

Senator CARR—Is it your intention that legislation will be ready for the parliament early next year?

Ms Page—That really depends on what the government decides to do in relation to Norfolk Island. They have asked for further information to enable them to consider governance models and there would be a variety of options open to them. We are simply collating the information to assist the government to make a decision on what it would like to do next.

Senator CARR—Your department has sought advice from all other government departments and agencies regarding the extension, as you say, of Commonwealth laws to the island?

Ms Page—We have.

Senator CARR—Have any departments not been able to provide you with advice?

Ms Page—There might still be some that are outstanding. Is that correct?

Ms Clendinning—They are all in now.

Ms Page—I can think of one that is not, but we are almost there.

Senator CARR—Can you advise the committee which department?

Ms Page—I would prefer not to at this stage because it is subject to the relevant ministers signing off on the advice.

Senator CARR—Has the Department of Communications provided advice to you now?

Ms Page—The Department of Communications has provided us with quite extensive advice concerning issues associated with telecommunications arrangements.

Senator CARR—That is the one that there was the most concern about. Has that now been provided?

Ms Page—They have provided us with some issues that the government may wish to consider. Some of the issues associated with extending Commonwealth communications legislation to Norfolk Island are quite complex.

Senator CARR—Such as a USO?

Ms Page—That is one aspect of it, yes.

Senator CARR—What other issues are there?

Ms Page—There are issues principally around the way in which you would extend a competitive telecommunications regime to Norfolk Island—how you would do that, what aspects of the Australian mainland regime you would pick up and how you would provide for a universal service obligation however structured.

Senator CARR—So you are not aware of any major hold-ups?

Ms Page—I am not anticipating any.

Senator CARR—How many department meetings have there been with the government of Norfolk Island?

Ms Page—The department has not met separately with the government of Norfolk Island. Minister Lloyd has met with the government of Norfolk Island on a number of occasions.

Senator CARR—Has there been one ministerial meeting?

Ms Page—Minister Lloyd visited the island in February of this year, which was a broad series of consultations to announce the government's in-principle policy decision. He then visited the island again in June in connection with the 150th anniversary of Pitcairn settlement on Norfolk Island. He has had a formal meeting with the majority of the Norfolk Island

ministry in August and, as various ministers have visited Australia for business purposes, he has probably had meetings as well. They are the ones that come to mind.

Senator CARR—Have officers met with the ministers of Norfolk Island?

Ms Page—I was present, as Ms Clendinning was, in the meetings in February. We accompanied the minister, who made a formal statement to the legislative assembly. We met with ministers as part of that. We did not attend the June meeting. That was the ceremonial meeting, and the minister attended that with the Governor-General. There was a meeting in Canberra in August, which a number of departmental officers attended. I was on recreational leave but my colleagues attended.

Senator CARR—I understood that Mr Angley chaired a meeting with the Chief Minister and other Norfolk Island representatives regarding the Econtech report. Is that the case?

Ms Page—The consultants, Econtech, to the Norfolk Island government gave a presentation to the department of their findings, and the Chief Minister, the Finance Minister and some officers of the Norfolk Island government were present at that meeting. That is correct.

Senator CARR—When were the Norfolk Island government's 10-point proposals presented to the Commonwealth?

Ms Page—I believe they were submitted at the August meeting.

Senator CARR—Has there been a response to those 10 points in the Norfolk Island option 1 modified self-government model proposal?

Ms Page—The minister has indicated to the Norfolk Island government that he thanks them for the advice that they have provided and he will include that as part of the advice to government.

Senator CARR—He has not rejected any of these proposals?

Ms Page—No, he has not rejected them but at this stage formal decisions have not been made in relation to future governance. He has undertaken, as part of the consultation arrangements with the Norfolk Island government, to ensure that the government is aware of the views of the Norfolk Island government. In addition, he has written to the Chief Minister just in recent days and indicated to the Chief Minister that if he wishes to have a further meeting—he and other members of the Norfolk Island government—Minister Lloyd would be happy to do that.

Senator CARR—I have seen a letter that the Chief Minister of Norfolk Island has been distributing, which seems to suggest that there has been a cooling in that relationship. Is that a fair description of it?

Ms Page—Is this the letter of last week?

Senator CARR—Yes.

Ms Page—It might be useful if I give you some indication of the response.

Senator CARR—Yes.

Ms Page—Minister Lloyd has responded to that letter indicating that he notes concern by Chief Minister Buffett about consultation. In that he has listed the forms of consultation that have taken place to date. He has also given an indication of the various forums, such as the reviews of the Grants Commission, the ABS and the CIE. He has thanked him for facilitating the briefings with Econtech. He has sought further advice on some aspects to do with the Norfolk Island government's current financial situation and he has concluded by saying:

I continue to welcome constructive views from the Norfolk Island government and Norfolk Island community and would be happy to meet with you during November. In this regard I would invite you and the executive members of the Norfolk Island legislative assembly to attend a meeting at Parliament House, Canberra on Thursday, 2 November or in Sydney on Thursday, 16 November 2006. If there are further substantive issues that you would like to raise or should you wish to amend elements of the 10 point plan, would you please provide me with a detailed agenda of the new items that you would proposed to raise. I await your further advice to the availability of you and your colleagues to attend one of the meetings proposed above.

That is signed on 27 October.

Senator CARR—Has there been a response to that letter?

Ms Page—Not as yet.

Senator CARR—You do not know if they are coming?

Ms Page—No, we do not.

Senator CARR—I turn to the Econtech report commissioned by the Norfolk Island government. Has the department had a chance to examine that report?

Ms Page—Yes, we have.

Senator CARR—Can you advise the committee whether or not the department is in agreement with Econtech's analysis and their conclusions?

Ms Page—It is difficult to know what to make of it in its entirety. It is a different piece of work to the work that we commissioned from Acumen Alliance 12 months ago, where what we were looking at, at that stage, was advice on the financial state of the Norfolk Island government. The Econtech work is really what is the revenue raising capacity of Norfolk Island, given a clean slate or the ability to change policy settings, and on that basis Econtech has indicated that they think that with maintenance of Norfolk Island's sustainability levy and an increase in tourists to about 45,000, that would be sufficient to bridge a revenue gap of \$1.6 million. The two obvious comments that we would make are that an increase in tourists to 45,000 people is a large number, given that in the last financial year it was about 28,000. There is a job to do in doing that. It is not impossible, but that is a large ask. The other thing is that the Econtech work was premised upon capital investments that assume an asset base requirement or a funding requirement of about \$25 million. The resurfacing of the airport runway is \$12 million alone, so on that basis roads, hospital, water supply, electricity, police, and all other forms of infrastructure would have to be about \$12 to \$13 million, which we suspect is a bit on the conservative side. In relation to their modelling, we asked Econtech for further advice on the assumptions in their modelling so that we could look further at it. We have not received that yet, so there is not a lot more that we can say about it.

Senator CARR—As I understand it, the model that has been proposed sees an increase of 30 per cent on their tourist numbers from a base line scenario—an extra 10,000 tourists. Is that right?

Ms Page—Last year they had tourist numbers of about 28,000. Projecting forward on current numbers, they could get to 33,000 this year. It is a bit early to tell whether they will get to that. Econtech says 45,000, so you are looking at 28,000 to 45,000 or 33,000 to 45,000, depending on what the base is.

Senator CARR—Would you regard it as a courageous assumption?

Ms Page—Based on the trends of the last couple of years, it seems a fairly high growth rate.

Senator CARR—As I understand it, they are proposing that there be a 20 per cent increase in gross territory product to 2008-09. Is that your understanding?

Ms Page—I am afraid I cannot remember that particular figure, but that may well be the case. The general premise is that if you increase tourist numbers sufficiently—and the thing that we all agree upon is that the Norfolk Island economy is overwhelmingly dependent on the tourism sector—the size of the economy can grow. There is no doubt that could happen depending on changed policy settings and changes in the level of tourists that could be attracted to the island. But from the base at the moment it seems a significant rate increase.

Senator CARR—I understand that additional information has been sought by Commonwealth officers regarding the funding of health, education and welfare. Is that correct?

Ms Page—In relation to?

Senator CARR—The Econtech modelling.

Ms Page—From memory, we sought additional information on what their assumptions were in relation to a range of things, including government expenditure projections, and they are the principal issues underwriting government expenditure.

Senator CARR—I am led to believe that the information was sought and that there was a promise that the information would be provided by 13 October. Have I understood that correctly?

Ms Page—From my memory, at the meeting they indicated that they could do it within a couple of weeks. That would be correct.

Senator CARR—When did that information arrive?

Ms Page—We have not got that information yet.

Senator CARR—How long ago was that?

Ms Clendinning—Some information was provided on 24 October, but not the material that we felt was essential to a true assessment of their report—the modelling.

Senator CARR—What additional information is outstanding?

Ms Page—We would have to take that on notice to give you a detailed answer.

Senator CARR—I am interested in the comments made in Econtech's introduction. A disclaimer on the front page states:

This work has been produced for the Norfolk Island Government (NIG) according to strict instructions. Econtech makes no representations to, and accepts no liability for, reliance on this work by any person or organisation other than the Norfolk Island Government. Any person other than the NIG who uses this work does so at their own risk and agrees to indemnify Econtech for any loss or damage arising from such use.

Ms Page—I understand that is the standard disclaimer. I asked a similar question.

Senator CARR—Is that standard in consultancy reports that you receive?

Ms Page—I have not seen those exact words, but I have made inquiries of other Commonwealth officers who have seen formulations like this.

Senator CARR—I have read a few consultants reports over the years that were provided to the Commonwealth and I do not recall seeing words such as those:

... accepts no liability for reliance on this work by any person or organisation other than the Norfolk Island Government. Any person other than the NIG who uses this work does so at their own risk.

It raises in my mind the question as to the credibility of such a report.

Ms Page—I cannot comment on that.

Senator CARR—Yes, of course. Did it raise in your mind the question about the credibility?

Ms Page—I have not seen a disclaimer in quite those terms before.

Senator CARR—Did you raise the question of the disclaimer?

Ms Page—I spoke to other Commonwealth officers about it. I did not raise it with Econtech.

Senator CARR—In the assessment of the department, is this a realistic document or is it simply a manipulation of the accounts based on unrealistic forecasts?

Ms Page—I do not think that it is a manipulation of accounts. As I indicated to you, it is an attempt to say what level of sustainability the Norfolk Island economy could have in an environment with changed policy settings. It is not an attempt to look at the current financial position of Norfolk Island.

Senator CARR—Can I turn to the current arrangements as you understand them. I understand them, but there are some questions that I would like to pursue with you. I will leave aside the credibility of that report, which I suggest to you is a pretty brave assumption. I have a copy of a document dated 13 October this year from the Norfolk Island government regarding its financial management and I would like to raise with you a number of issues referred to in this report. It is headed 'Administration of Norfolk Island'. It is a memo to the Minister for Finance and members from the Finance Manager, Revenue Fund, 'Financial indicators for September 2006'. I presume one would regard that as reasonably current in the circumstances. Is the department able to confirm that the Norfolk Island current revenue fund is facing a shortfall of 20 per cent?

Ms Page—We have copies of the monthly financial indicators for the month of September, and we understand that is the case.

Senator CARR—Can you confirm that, according to Mr Wilson, the Financial Manager, that at 30 September 2006 the overall budget is in deficit by \$357,000, which is \$354,000 more than budgeted?

Ms Page—That is what the financial indicators show. I sound a note of caution in trying to extrapolate from the monthly indicator. It is very difficult for us to understand what they mean. The Norfolk Island government does not report according to the Australian accounting standards. We can make some conclusions about where they are sitting relative to where they were forecast to be at that time, which is essentially what those indicators show, but in terms of the broader financial position of the Norfolk Island government, it is quite difficult to draw definitive conclusions.

Senator CARR—What I can do is draw a conclusion from what the financial manager told the Minister for Finance on Norfolk Island as of September 2006.

Ms Page—We understand from the September monthly indicators that they have less revenue at this point in time than they thought they had and they have spent more at this time than they thought they would.

Senator CARR—Would you agree that the customs duty is down by \$224,000?

Ms Page—All we can do is take the word of the Norfolk Island government for that.

Senator CARR—Do you think these figures add anything to your analysis of the current financial sustainability of the Norfolk Island government?

Ms Page—It indicates that the Norfolk Island government has had difficulty in arresting their declining position.

Senator CARR—I am troubled by the other difficulties that are faced by the government of Norfolk Island, if this report is to be believed. I would presume it is one of their reports. You would agree that the document that I am quoting from has been quoted accurately?

Ms Page—Yes, I believe so. I am not saying that it is not accurate. It is simply that it is one part of a jigsaw in relation to the overall financial situation of the Norfolk Island government.

Senator CARR—What really worries me is when I read that the financial manager is in fact telling the Norfolk Island government that they do not have sufficient funds in their budget to pay the New South Wales government for the schools provided in the first six months of this year. I quote:

You will note that the actual cash at bank amount of \$746,000 is insufficient to pay the outstanding education account of \$901,000 for the period January to June 2006.

Ms Page—I have a couple of comments. The first is that Minister Lloyd, in his letter that I have just mentioned of 27 October, asked further questions about the Norfolk Island government's ability to meet forthcoming liabilities, as he has done in relation to a lot of his correspondence in recent months, but in a letter that he received from the Chief Minister of 11 August, the Chief Minister said:

I am pleased to provide the assurance that you sought that all financial obligations of the Norfolk Island government and administration continue to be met and all service providers' accounts paid for within the normal timeframes. The revenue fund budget provides for a return to a surplus and the GBE budgets are almost finalised. There is likely to be a substantial improvement in overall GBE revenues, due to the completion of the first phase of the airline operation, with all outstanding Norfolk Jet Express tickets now honoured by the Norfolk Island government.

My memory also is that the Norfolk Island government finance minister was quizzed about the ability to meet the costs of the first two semesters of the payment to the New South Wales government in the Norfolk Island Legislative Assembly recently and he indicated that he anticipated it would be paid by the end of the year.

Senator CARR—I am worried that that assurance was given in August but in September we are told that the revenue fund's overall income is to be at 80 per cent of the approved budget, that is \$641,000 short; customs duty is \$224,000 short; other taxes category, \$48,000 short; FIL is \$41,000 short; the departure fees budget is on target but the land title fees are \$41,000 short; the revenue fund budget from the liquor bond is \$27,000 short; income from the NSL has been budgeted at \$1.2 million and actual cash received at the source on the 30th was \$31,000, so that is substantially short. After expenditure of July and August, the amount available for transfer to the revenue fund is \$20,000. This is substantially in departure from the statements and the assurances given in August. I will ask you this directly: is it the case that a further \$988,000 is due for the payment of the schools in December?

Ms Page—I believe so.

Senator CARR—Where is the money to be found in the budget for that, given that they are already \$901,000 short for the preceding six months?

Ms Page—I would have to say that, on the face of it, it looks a significant issue for the Norfolk Island government.

Senator CARR—Has the Australian government been advised that the Norfolk Island government is \$1.89 million short on its payment for education?

Ms Page—We do not know for certain, given the partial information that we have about the position of the Norfolk Island government that they are unable to meet those costs. The finance minister has made statements saying that those costs would be met. I would comment though that it looks as though the Norfolk Island government is in a difficult position in relation to their ability to meet their budget estimates for this year.

Senator CARR—Can it be said that the Australian Federal Police budget has been paid?

Ms Page—We are not aware at this stage of whether that has been paid.

Senator CARR—How much are they short for the payment of the Australian Federal Police?

Ms Page—We do not have that information.

CHAIR—It would be fair to say that this would not be terribly surprising to the Commonwealth, would it? It is certainly not surprising to me.

Ms Page—The Norfolk Island government has a history of paying some of these large bills significantly in arrears, so that is not unusual. The other comment that I would make is that

the work that Acumen Alliance did projected that the Norfolk Island government at the end of 2005-06 would have a deficit in round figures of \$800,000. They had a deficit of \$900,000 in round figures, so the work that we commissioned Acumen to do is not too wide of the mark.

CHAIR—Does this go to the question of whether the place is viable? I do not think that it is, but I would be interested to see what you think.

Ms Page—For an organisation to run deficits over an extended period of time, you would have to question its viability. However, there is always the capacity for any organisation or any jurisdiction to change its policy settings and to raise revenue.

Senator CARR—Or the Commonwealth could change its policy settings.

CHAIR—Would their strategy be that the golden goose will lay the egg, with the golden goose being the Commonwealth eventually?

Ms Page—I could not comment on the thinking of the Norfolk Island government.

Senator CARR—My reading of these accounts suggests to me that the Australian Federal Police have an account with the Norfolk Island government which for June-July 2006 is some \$95,000. Would that be right?

Ms Page—Can we confirm that?

Mr Angley—In the notes to the September tables that you have got, they have got \$95,000 down to be paid to the Australian Federal Police and the note to the table also indicates that they have an outstanding bill of \$28,300 for June for last financial year.

Senator CARR—What is the \$235,500 for employees' entitlements for?

Ms Page—As I understand it, that is the normal provisioning for leave and other employees' entitlements.

Senator CARR—The long-term entitlements is listed separately at \$422,800. Is that \$235,500 on top of the \$422,800?

Ms Page—I believe so.

Mr Angley—By long term, you mean superannuation.

Senator CARR—Presumably. Ms Page referred to the normal arrangements. I am suggesting to you that there are two separate categories on these accounts, suggesting to me that they are in fact being treated—

Ms Page—From my memory, they are not very detailed accounts. It is very difficult to make much of them.

Senator CARR—That is true. What we do know is that there appear to be substantial liabilities in excess of the cash available to pay for those liabilities.

Ms Page—It appears that it is greater than the cash at hand. We simply do not know whether it is greater than the cash reserves of the Norfolk Island government.

Senator CARR—Is the Commonwealth liable for those accounts?

Ms Page—No, it is not.

Senator CARR—Is the Commonwealth effectively a guarantor to the debts of the Norfolk Island government?

Ms Page—Not in any formal sense that I am aware of.

Senator CARR—In what informal sense would the Commonwealth be liable for these accounts to be met?

Ms Page—I would imagine that the Commonwealth may have some moral form of liability, but I do not believe that has been tested, nor whether the government has even considered that.

Senator CARR—Is it right to say that the New South Wales government is owed nearly \$2 million?

Ms Page—It is something short of \$2 million.

Senator CARR—It is \$1.89 million. That is not \$2 million; it is \$1.89 million for schools. I think that is an extraordinary amount of money. In the event that the Norfolk Island government cannot pay that debt, is the Commonwealth liable?

Ms Page—That is something that the government would need to consider. The issue has not arisen yet.

CHAIR—All governments at some stage in their careers get a bit behind for unintended consequences, but what actually happens in a place like Norfolk Island if they cannot pay? Is there such a thing as being insolvent as a government?

Ms Page—Yes. You could be insolvent as a government.

CHAIR—What would happen there?

Ms Page—As I indicated, that has not been tested yet, but the government has already expressed more generally broader concerns—

CHAIR—The fear that I live with is that it might be the subject of a coup d'état and that, Senator Carr being Kremlin trained, he might go over there and want to take the place over.

Senator CARR—Can I suggest that there is a serious problem here in that there is a negative cash position on Norfolk Island at the moment? Would that be a fair description?

Ms Page—As I indicated, the Norfolk Island government is raising less money than it anticipated, is spending more than it anticipated and finished last year with a deficit.

CHAIR—That would not be a problem in the forward estimates because they could cover that, but have they got any way of covering the deficit for the future?

Ms Page—It is fair to say that they would need to change policy settings in order to do that unless there is a change in their circumstances, such as an increase in tourist numbers.

CHAIR—Due to the decline in traffic, because of air fuel costs and a whole lot of other things, are they getting fewer tourists?

Ms Page—There has been a variety of things that have affected the numbers of tourists at least over the last 12 to 18 months following the failure of the airline, Norfolk Jet Systems. It is fair to say that air services are now regular and scheduled. The Chief Minister put out a

media release in the last couple of days indicating a code share agreement with Qantas, so certainly the Norfolk Island government is doing what it can to regularise air services with the aim of providing certainty for tourists.

Senator HOGG—Do we know what cash reserves the Norfolk Island government has and, if so, where are those cash reserves?

Ms Page—Twelve months ago, which would have been the last time we had advice from the Acumen report, they were in the order of \$11 million, but I would like to check that. They are held variously in cash and term deposits by the Norfolk Island government.

Senator HOGG—Do you think they are in term deposits?

Ms Page—I believe so. I am not aware of the way in which those funds are held.

Senator HOGG—That was 12 months ago. When you say ‘12 months’, is that 12 months ago for the financial year?

Ms Page—No. It was November 2005 when Acumen undertook the work for us.

Senator HOGG—There is no more recent assessment of what the cash assets might be?

Ms Page—I would like to take that on notice. I do not recall formal advice on the level of cash reserves.

Senator HOGG—It seems to me that is fairly important, because it may well be that they have run down some cash assets over that period of time.

Senator CARR—I would like to draw your attention to the last page of the documents that are provided in those statements of September. I am sure Mr Anglely has got them there. It has an item there of ‘Cash at the Bank’.

Ms Page—It may not necessarily be the same thing.

Senator CARR—Have they got other cash in the bank? Have they got other bank accounts?

Ms Page—I believe there is a trust account which holds the superannuation entitlements of Norfolk Island government employees.

Senator CARR—We will come to those. That cash at the bank reference that we do know about is at the CBA and Westbank, and a term deposit at the CBA. Are they the cash at the bank accounts that we are aware of, other than superannuation accounts?

Ms Page—I do not know what those refer to and, without seeing the totality of the Norfolk Island government balance sheet as such, which we do not have, it is very difficult to draw conclusions from those numbers.

Senator CARR—My reading of it is that they had \$15 million and a little more in June and they are down to \$11 million in September. Would that be a fair reading of those accounts?

Ms Page—I would prefer not to comment about what they mean in terms of the Norfolk Island government’s situation.

Senator CARR—I am quoting directly from the report.

Ms Page—I appreciate that.

Senator CARR—Have I understood the report correctly or have I got a bodge copy that is incorrect?

Ms Page—The difficulty is that we do not know what the report represents.

Senator CARR—It does say a decline in the better part of \$4 million from June to September in the cash at the bank.

Mr Angley—That might not be a negative act. They may have been spending three months worth of outlays.

Senator CARR—They are not paying their bills.

Mr Angley—They are paying some bills.

Senator HOGG—Which bills are they paying?

Mr Angley—They are paying their wages, for example.

Senator CARR—If that is the case, then you think that there is evidence that the cash reserves are being transferred to pay day-to-day expenses.

Mr Angley—I did not say that. I am saying that a move of cash downwards during the year is not necessarily an indication of a negative situation.

CHAIR—What bills are they not paying?

Mr Angley—They are paying their wages.

CHAIR—What are they not paying?

Mr Angley—Going on the earlier part of the table that Senator Carr was quoting, they presumably have not paid their bill to New South Wales Education Department for the teachers.

Senator CARR—Or the police?

Mr Angley—Or the police.

CHAIR—I will put this in terms of if you were a person over there thinking this over in your head and saying, 'I will not pay them and I will not pay them because we need to keep the wages going and they can wait.' This is the sort of thing that I have to deal with occasionally, mind you. I am trying to draw all of this to a conclusion in my head very quickly. At the end of the day, I am thinking that if the Commonwealth have got their antennae and radar turned on and see this coming and have some sort of a contingency tucked away somewhere, that these blokes would assume that and expect at some stage of the game that Father Christmas is going to come along and wipe the slate clean?

Mr Angley—Picking up Ms Page's earlier comment, we have not done that before.

CHAIR—That is not to say that there would not be a contingency to do that?

Ms Page—We can only take the Chief Minister's statement to the minister at his word.

Senator CARR—There is the question about whether or not the Commonwealth is liable. At what point is the Commonwealth obliged to intervene? If you have a reform program before the government, is it not at that point that these issues come to a head?

Ms Page—The government has already recognised that the sustainability of Norfolk Island is a significant issue. That is why it has asked for this work to be done. You would expect that the government would consider this information as well as other advice.

CHAIR—If they were to proceed to an unknown, never-before-implemented contingency plan, you would want to open their books up completely before you went down that path?

Ms Page—That is a matter for government policy.

CHAIR—Bear in mind you are dealing with a government where a Minister for Public Works won the contract to do public works. It is a very interesting place. As I said when I was there, ‘If you were on the mainland we would probably lock you up.’

Senator CARR—How are the current airline arrangements being paid?

Ms Page—The current airline operates as a charter to the Norfolk Island government.

Senator CARR—Is there any money being transferred from the Airport Improvement Fund?

Ms Page—The Norfolk Island government is required to develop a sinking fund to meet the costs of the \$12 million loan. As I understand it, that is functioning. In relation to the chartering of the airline, at one point the Norfolk Island government was actually making a profit out of those services. I do not know whether they still are, but they have the capacity to do that.

CHAIR—Was that for the upgrade of the airport?

Ms Page—It was for the resurfacing of the runway.

CHAIR—And did the local public works minister win the contract for that or people associated with the minister?

Ms Page—I do not believe so. I think it was Boral that conducted the work.

CHAIR—Who had the head contract?

Ms Page—I do not believe so, but we could look further into that.

CHAIR—It might have been the extension of the runway originally that I am referring to.

Senator CARR—I take it the accounts for the last two years have been audited on Norfolk Island?

Ms Page—The accounts of the Norfolk Island government are audited independently. They are tabled. However, they are not required to be done in accordance with Australian Accounting Standards.

Senator CARR—In regard to the matter I have raised before about the rights and entitlements of public servants, what is the current status of the Norfolk Island public servants superannuation funds?

Ms Page—My understanding is that there are separate statutory arrangements applying to superannuation entitlements on Norfolk Island and they are held in a fund, which is unable to be spent for other purposes.

Senator CARR—Are you satisfied that that is the case?

Ms Page—I believe so. We have not undertaken independent checks of that.

CHAIR—Have we no authority?

Ms Page—We can ask questions, but we have essentially the same ability to interrogate Norfolk Island as we have with other territories.

CHAIR—If, for instance, they did not pay the AFP for a couple of years, and there was a request, ‘Would you please pay the cops’, surely as part of that you would open up the books?

Ms Page—Other Australian territories prepare their accounts in accordance with Australian Accounting Standards and table those accounts. The finances of other Australian territories are less opaque.

Senator CARR—One of the proposals as part of this reform process is to make all accounts consistent with Australian domestic law in regard to auditing. Is that the case?

Ms Page—The government has made an in-principle decision that it would extend Commonwealth legislation unless there was a policy reason to do otherwise. The way in which that is interpreted, or indeed the extent to which the government wants to move on another governance option, has yet to be considered by the government.

Senator CARR—Are you aware of the report known as the *Administration of Norfolk Island: summary report*, 1 to 15 February 2006, prepared by Asset Technologies Pacific.

Ms Page—That is the asset management plan, yes, though I do not believe it has ever been concluded. It has been a work in progress for quite some time.

CHAIR—Does that mean the consultant is still getting paid?

Ms Page—I do not know whether they have been paid, which may be part of the issue.

Senator CARR—Who commissioned this report?

Ms Page—It was commissioned by the Norfolk Island government, but we provided some or all of the funding to assist with the report.

Senator CARR—How much did it cost?

Ms Page—I think we provided \$150,000.

Senator CARR—I have had a look at this report and it tells me that there is a backlog in terms of asset maintenance of \$33 million.

Ms Page—That is an issue which is contested on Norfolk Island, and it is fair to say that that is an issue which has been the subject of quite a bit of discussion between ourselves and the Norfolk Island government. That study was drawn upon by Acumen Alliance in the work that they did for us in November 2005, because there was no other source of information on the asset stock and the work required to upgrade it.

Senator CARR—You paid \$150,000 to commission this report. Is the Commonwealth of the view that that is a realistic assessment of the maintenance backlog?

Ms Page—I think it is probably in the ballpark.

Senator CARR—My reading of the report, and the tables attached to it, which I find particularly interesting, suggests that there is an additional \$110 million required over the next 15 years in maintenance and new capital costs. Is that a reasonable estimate?

Ms Page—I think it gets harder when you start projecting forward, because you get into arguments about what the correct standard of infrastructure for Norfolk Island is. Certainly, many of the residents of Norfolk Island consider that they do not require assets essentially to mainland standards or at a standard assessed by other consultants. There are other issues about what you do and the timing of replacement of particular assets, such as the hospital and what you might replace it with.

CHAIR—What sorts of assets are we talking about?

Ms Page—Roads, utilities, public buildings.

Senator CARR—In regard to the airport it states that the offices and adjoining workshops are not fit for purpose and that the car park is in poor condition. Under ‘Services and equipment’, it states that the fire extinguishers and hose reels have not been installed correctly and require signage and have not been tested and certified. The chemicals were not being stored correctly and appropriately labelled. Material safety data sheets on chemicals being stored on the site were not provided.

If I go to the communications centres, it talks again about emergency facilities—

Ms Page—I would like to correct some earlier evidence. The asset management plan has now been completed and was tabled in the Legislative Assembly, we think, in August.

Senator CARR—We can take it as a tabled document?

Ms Page—Yes.

Senator CARR—It is a completed document and, therefore, it has more authority.

Ms Page—Yes. That is a fair conclusion.

Senator CARR—I am going through this. They say that the baby health clinic and dental clinic are fit for purpose. However, the hospital ward, the hospital storage shed and maintenance sheds are not considered fit for purpose. The hospital, as I recall, was built in 1948. It refers again to a hospital storage shed being in poor condition, that it should not be used for the storage of patient medical records, medical supplies, equipment and storage of sharp containers, unless the building is upgraded. It refers to service equipment and emergency lighting, stating that elimination exit signs and smoke detectors have not been installed, that fire extinguishers have not been tested and installed properly. There is a range of normal public safety issues that one would expect in regard to public buildings.

Ms Page—Yes.

Senator CARR—They suggest that the electricity powerhouse requires substantial repair and redevelopment. The \$110 million, as you say, might be difficult to defend over 15 years.

Ms Page—It is not so much that it is difficult to defend. A series of judgements needs to be made over priorities and the type and level of asset replacement that you might want to make, if and when you wish to consider something such as replacing the hospital. What type and level of facility is appropriate to a community such as Norfolk Island?

Senator CARR—The report says that the airport needs \$20 million in capital upgrades. Is that a fair estimate?

Ms Page—I do not have any informed view on what level of investment should be paid. Clearly, the runway was the most significant issue, and what they could be looking at is further lengthening and strengthening of the runway, which could be required over time.

Senator CARR—Given the importance of tourism to the industry and to the actual industry development on the island, the airport is pretty important.

Ms Page—The resurfacing of the runway, for a number of years, has been the major capital item of work that has been undertaken on Norfolk Island.

Senator CARR—I think this committee has heard on previous occasion that the government of Norfolk Island has sought a deferment on repayments of the current Commonwealth loan.

Ms Page—Yes.

Senator CARR—That is a \$12 million interest-free loan.

Ms Page—That is correct.

Senator CARR—They cannot pay that back?

Ms Page—What they asked for 12 months ago was deferment. The Norfolk Island government did not indicate that they could not pay it. They sought deferment of it for three years.

CHAIR—The response back should be, ‘Where is your repayment schedule? I will defer this, but where is your repayment schedule?’

Ms Page—There is a requirement for the Norfolk Island government to set up a sinking fund to enable the loan to be repaid.

CHAIR—Have you seen the plan?

Ms Page—We are aware that it is to be funded by aircraft landing charges.

Senator CARR—I am going to the issue here about the financial sustainability of the island based on these figures, these reports we now have. This is not a matter of conjecture. These have been published. You say it has been tabled, so presumably the Norfolk Island government has been obliged to accept it. It would not have tabled it otherwise. Is that the case?

Ms Page—I am not aware of whether or not the Norfolk Island government has indicated a view one way or the other on it. We can find that out for you.

Senator CARR—Thank you.

CHAIR—How many people are we talking about? They have their own government and ministers. Is it 1,800?

Ms Page—Something less than that at the moment—1,700.

CHAIR—You would not have to be a rocket scientist to work out what the problem is, would you?

Senator CARR—Thank you. Since you have only given me an hour, and you have been helpful with a lot of comments—

CHAIR—There are other people wanting to ask questions.

Senator CARR—In regard to table 4 on page 4 of that report, there is a series of columns that contain suggestions on what is required for expenditure on an annual basis. The figure for 2005-06 is \$36 million. That is what is required just to maintain the infrastructure. What I read in the report is the moneys available are only \$15 million. Are you aware of those figures?

Ms Page—Of the asset management figures?

Senator CARR—The asset management.

Ms Page—I have seen the drafts.

Senator CARR—They are providing only half the money required to meet the assessments in this report tabled by the government of Norfolk Island, funded by the Commonwealth. They are only providing half the required amount this year for their asset management.

Ms Page—That, as I indicated, formed part of the consideration that Acumen Alliance undertook of the current financial position of the Norfolk Island government. It concluded that it was likely to become unsustainable, according to various scenarios, over the next 18 months to three years, depending on assumptions and policy settings. Part of Acumen Alliance's consideration was not only the backlog of infrastructure but also the ongoing infrastructure replacement cost. That is already an issue the government has considered and is aware of.

Senator CARR—They are providing \$7.5 and \$5 million for the next three years to meet this \$33 million backpay. They are nowhere near meeting what they are required to do. My question to you is: in regard to the assessment by Acumen, which was that the possibility of insolvency was a real likelihood within two to three years, have you now got any evidence, report or suggestions that would lead you to amend that conclusion?

Ms Page—As I indicated to you earlier, the Acumen Alliance prediction for the end of year outcome for the Norfolk Island government was quite close to being accurate.

CHAIR—May I just ask a question, and I will give you a couple of minutes extension. What would be the attitude of the Australian government if someone made a strategic loan to the Norfolk government? Let us just say tomorrow they announced that someone lent them \$50 million for strategic purposes.

Ms Page—Under the Norfolk Island Act, the Norfolk Island government cannot borrow without the approval of the Australian government finance minister.

Senator CARR—I am going to try to stick to the time, but I have a whole series of questions on KAVHA, which I will put on notice. KAVHA would have to be regarded as one of the major assets of Norfolk Island in terms of its tourism industry, its cultural heritage, and I would say for Australia it might be argued to be one of our pre-eminent heritage sites, given its importance to the First Fleet and its international significance. When I read this report that the department has funded, I am told that, apart from the backlog at the moment, there is an additional \$8.2 million required in maintenance and capital costs for KAVHA. I cannot see in any of the reports any suggestion that the Norfolk Island government has any intentions of meeting that requirement. Are you able to alert me to any evidence that the Norfolk Island government is moving to meet that \$8.2 million in maintenance and capital costs for KAVHA?

Ms Page—As I indicated to you, the current financial position of the Norfolk Island government is not entirely clear to us. We are also not aware of their current priorities.

Senator CARR—When I went out to the island, I was treated very hospitably. I was shown around some of the buildings in the KAVHA site. I was given a private tour. What really troubled me was that I saw First Fleet relics being displayed in conditions without climate control. They were deteriorating and rotting away. I am wondering, if these substandard conditions are now quite clearly evident, what action the Commonwealth intends to take to protect those assets.

Ms Page—I think it is fair to say that the Commonwealth government is concerned about the deterioration of a range of assets on Norfolk Island, not only the heritage assets but also those assets that support the community amenity of people on Norfolk Island. It would not have commissioned work from the department if it did not have that broader concern.

Senator CARR—This is not just a matter for the Norfolk Island, this is a matter for the people of Australia. This particular site is of international significance. Does the Commonwealth have any responsibility to ensure the protection of these sites?

Senator Ian Campbell—Specifically wearing my hat as the Environment and Heritage Minister, I think the senator is right; yes, we do, and we do fund the protection of those assets under the shipwrecks—

Senator CARR—Yes, you do, but partially.

Senator Ian Campbell—Partially. As you may well know, we are progressing to a world heritage listing and as part of that we will be putting in place a management plan for the whole area. I think the proper protection and the proper provision for those assets have been a crucial part of it.

Senator CARR—I am happy to see that happen. The question that goes with it is: will the management of KAVHA be part of that reform package?

Ms Page—I cannot comment on what decisions the government might make in relation to the future of Norfolk Island.

Senator Ian Campbell—You can be certain that, because we are progressing to a world heritage listing of that area, it will be of specific interest to my portfolio.

Senator CARR—I am pleased to hear that. Just to confirm in my head, there are no taxes?

Ms Page—There are a series of local taxes, but residents of Norfolk Island do not pay Australian government taxes.

CHAIR—There might be a bit of a lesson in that.

Senator SIEWERT—Following up the questions that I asked on notice last time, in your answer to question No. TLG30, you said that PRL provides an annual environment report to DOA in Western Australia but that DOTARS does not have access to the annual environment report. Why is that?

Ms Page—I think because that is a report to the Western Australian government, but I will ask Mr Yates to answer that question, if possible.

Mr Yates—Could you clarify your question slightly? I am just looking at the response we provided at the moment.

Senator SIEWERT—Have you got question No. 30?

Mr Yates—TLG30, yes.

Senator SIEWERT—In the third paragraph you say that PRL provides an annual environment report to the Department of Industry and Resources in Western Australia under their act. There is an annual inspection carried out, but DOTARS does not have access to that report.

Mr Yates—I think I will probably have to take that question on notice. I am afraid I do not have that level of detail with me.

Senator SIEWERT—While you do, if you could find out if that is normal practice on other leases and across the territories. I believe the states do not provide that information.

Mr Yates—Yes, certainly.

Senator SIEWERT—Then you go on to say that there is a study of the rehabilitation plan being carried out, and you say that will provide the benchmarks for rehabilitation. When will that study be available?

Mr Yates—We had a meeting in Western Australia on 11 October to discuss the draft report. A working group was established, chaired by myself. It had representation from the mine, from the Department of the Environment and Heritage and relevant Western Australian bodies. We went through Dr Mulligan's draft report. We made some minor amendments, mostly to do with clarification. We expect to have that report in the next two to three weeks in its final form for approval by the working party in out-of-session work, at which time it will be available.

Senator SIEWERT—That report will be publicly available?

Mr Yates—Yes. If people were to ask for the report, we would be quite happy to provide a copy.

Senator SIEWERT—Okay. You said two to three weeks, so by the end of November when—

Mr Yates—That is what I am expecting. It does depend exactly on whether the working group members have any further commentary on the report for Dr Mulligan to adjust.

Senator SIEWERT—If one wanted a copy one should write to the department to ask for it?

Mr Yates—Yes.

Senator SIEWERT—I move onto question TLG 31. I have been chasing this for a while, as you can probably tell by the number of questions I have asked on it. The environmental performance audit was paid for by PRL. Then it says that the audit is confidential. Is that also normal practice? Because an audit was paid for by a company it then claims it is commercial-in-confidence and then it is not publicly available?

Mr Yates—I am not able to answer at the moment whether it is normal practice. That is outside of my knowledge. Again, I would be happy to take that on notice and provide you with some advice on that.

Senator SIEWERT—That would be appreciated, thank you. Are there issues that have arisen from that audit that the department is following up?

Mr Yates—This is the audit of the—

Senator SIEWERT—The audit of the environmental performance.

Mr Yates—Not that I am aware of specifically from that. The main focus has been through the work of the working group to achieve a result with the assessment by Dr Mulligan. I am not aware that we have done anything specific in terms of an audit report in that respect.

Senator SIEWERT—Any action that would arise out of that, you think is being taken up out of the broader—

Mr Yates—That is certainly my understanding. The main focus we have been giving is to getting that report finalised because that is cooperative action between all the key players.

Senator SIEWERT—I am jumping back to question 30. The second paragraph of the answer says, 'It is the committee's view that full restoration of functional native vegetation is at least 20 years away.' Is that issue also being covered by Dr Mulligan?

Mr Yates—Yes. That is one of the key aspects: trying to find the right balance of where to put the effort into the rehabilitation, and making choices about whether you attempt to return areas to original rainforest conditions or if you accept that there are certain areas where it is simply not appropriate to try and return to rainforest and that it is better to accept for other uses.

Senator SIEWERT—Is that based on the previous work that has been done where the trial rehabilitation areas are not meeting expectations in terms of rehabilitation?

Mr Yates—No, I do not believe so. It is more an assessment of saying: is it worth putting the effort in attempting to rehabilitate some areas to original rainforest. That is accepting that that would require such a use of resources—I am talking more than just financial resources—that it is better off saying there are areas which you will only take to a certain standard or level which is not the original rainforest conditions. Then you look at areas where you have, say, particular threatened species and that is where you want to focus your efforts on getting that back to as close to original conditions as possible. The advice we have had is that the

rehabilitation projects that have taken place have had a range of successes bearing on different techniques used, and this has been used as a learning process to find out which works best.

Senator SIEWERT—Thank you very much.

CHAIR—Than you for your evidence. You can go home.

Ms Page—All right.

CHAIR—But you have given us an assurance that no-one can make these blokes a friendly loan and take the joint over, as it were? No outsider can lend this government money and—

Ms Page—You would need to talk to Senator Minchin first.

CHAIR—I am sure Senator Minchin will appreciate the nuances of that.

[8.39 pm]

Civil Aviation Safety Authority

CHAIR—I welcome CASA back to the table.

Senator O'BRIEN—Returning briefly to that alcohol and drugs project update, someone has kindly supplied me with the overheads from your presentation. I am a bit curious, because the second page talks about members of a 'working group'. I thought, Mr Gemmell, you told us there was not a working group?

Mr Gemmell—I could not recall whether we called it a 'working group' or a 'small team' or whatever the heck we called it. But if that is what they called it—'working group'—then it is.

Senator O'BRIEN—It is not a departmental working group. It has the Airports Association, Aerospace Aviation, Airservices Australia, Cobham Flight Operations and Services, Flight Training Adelaide, Pearl Aviation, Qantas and Regional Airports Association.

Mr Gemmell—Yes, that is the group that I referred to—the small team.

Senator O'BRIEN—You talked about a 'small team'.

Mr Gemmell—Yes. A 'small team' approach was how we describe it. In that case they must have called it a 'working group'. That is fine; it is the same concept. But it is a group of people to help us move the project along. You then asked whether there were any staff associations on it. My recollection was that there are not because that was what the Flight Attendants Association complained about at the SCC.

Senator O'BRIEN—And you said there were not any minutes?

Mr Gemmell—I think you asked were there any minutes reported to the SCC and, no, it is not a reporting line like that. As to whether or not there is any record of those meetings, there may well be, but they are not reported to the SCC as—

Senator O'BRIEN—Can you check that?

Mr Gemmell—I certainly can.

Senator O'BRIEN—Can we see copies of the minutes if there are any?

Mr Gemmell—I am sure you can, yes.

Senator O'BRIEN—Apparently TransAir are saying that they are still flying. Why would they be saying that?

Mr Byron—We issued a notice on 24 October that we were cancelling the AOC. Under the provisions of the legislation, they are entitled to an automatic stay, which they are exercising—the five days. Provided they make application to the AAT, my understanding is that they are entitled to a further stay of the CASA decision. They are able to continue flying, because we have to work under the arrangements where they can seek a stay through the AAT.

Senator HOGG—The lodgement of the application to the AAT gives what further stay?

Mr Gemmell—It can be up to 90 days.

Senator HOGG—Up to 90 days?

Mr Gemmell—It is really intended to be up until the time the AAT considers, if you like, the merits of the case. CASA—

Senator HOGG—But there would be an obligation on the AAT to hear that expeditiously, given the circumstances, one would trust?

Mr Gemmell—That is a matter for the AAT, but you would hope so.

Senator HOGG—Yes.

Senator O'BRIEN—I understand that ICAO has determined that, from 23 November 2006, signatory states can introduce a new type of pilot licence called a multi-crew pilot licence, which has been abbreviated to an MPL. The standard allows as little as 10 hours actual flight time with the remainder, making a total of 240 hours, to be undertaken in a flight simulator. But under the rules that currently apply in Australia, flying hours are 250 actual flying hours, of which there can be 100 hours as pilot-in-command and 150 hours as pilot-in-command under supervision. Is that a correct recital of the current situation?

Mr Byron—In relation to the MPL, no, I do not believe that is correct. My understanding is that the recommendation for a procedure as endorsed by the ICAO multi-crew pilot licence is to permit a multi-crew pilot licence to be issued with far more than 10 hours actual flight time in the aeroplane. I believe that that 10 hours refers to command or solo flight time. I will need to check the detail, but I believe the ICAO proposal is approximately 70 hours of flight time, with the balance of up to 240 hours being able to be made up in an accredited simulator. Certainly, this is a procedure that has been worked through ICAO for some time. It was made public back in 2005. The ICAO document, which authorises it internationally from 23 November, gives member states the option to take it up. I have just been corrected in terms of the total aircraft time. It is not 70 hours, it is 40. The 10 hours, I believe, relates to command or solo flight time. That is the ICAO standard that they are asking member states to assess.

Senator O'BRIEN—The current situation in Australia is 250 hours with 100 hours pilot-in-command?

Mr Byron—Approximately, yes. Of course, the training system that exists in Australia, which you have outlined the summary of there, is designed to produce a pilot for a different sector of the industry effectively. It is designed to produce someone with a commercial

licence who is capable of operating an aircraft on charter-type operations with a commercial licence; normally such pilots have pilot-in-command. There is, naturally, quite a degree of emphasis through that training on command flying. A lot of that is done solo, through the training program. Indeed, to make up the normal hours for a commercial licence, a candidate would normally spend quite a bit of time flying, gathering command hours, normally in a single-engine aircraft, between getting their private licence and when they do their commercial licence. But it is aimed at producing a competent single pilot who can operate on their own in command. The multi-crew pilot licence concept is quite different. It has not been proposed to totally replace existing pilot licence requirements.

Senator O'BRIEN—Does the decision by ICAO oblige Australia to introduce these types of—

Mr Byron—No, it does not oblige us to do it. But, certainly, there is a significant amount of activity internationally to implement this type of licence to produce pilots who, ideally, would be better prepared to operate as a first officer in the right-hand seat of an aeroplane. I am aware from my time in looking at this in the regional airline sector in the industry that Europe at the time, particularly Germany, was producing a lot of pilots through the old licensing system of 240 hours, most of it in small aircraft, and they were putting them in the right-hand seat of regional jets, and that type of thing. They found that they were not ideally prepared for that environment. There was a big push from Europe, particularly Germany, to produce a licence that better tailored the requirements of the industry but also produced someone with the competencies to operate a modern turbine aircraft as a first officer, not as a command pilot. I think that is the big difference. The multi-crew pilot licence does not prepare someone for command operations when they gain the licence.

Senator O'BRIEN—Has a decision been taken to introduce an Australian version of the multi-crew pilot licence?

Mr Byron—No, we have not taken a decision to definitely introduce it. We are certainly considering it, which is what we would do with most ICAO proposals.

Senator O'BRIEN—I note the CASA media statement of 17 October states:

Civil Aviation Safety Authority has started work on developing regulations to introduce a multi-crew pilot licence.

Further, it states:

CASA will undertake a comprehensive consultation process with the relevant sectors of the aviation industry in developing the regulations to introduce the new licence.

That really does suggest the decision—

Mr Byron—There is an expectation that we will do it, and that is my expectation. But the final decision about what constitutes the training for this has not been decided. The approach that we are taking is that we need to consult with industry. That process has already been undertaken through the standards consultative committee. There has been quite a lot of dialog there. My understanding is that the standards consultative committee, apart from one or two dissenting views, was very much behind CASA looking at this seriously, which is why we are taking the steps of looking at drafting of regulations. My expectation is that we would

introduce a system. The detail of it, I think, is the sort of stuff where we need to be talking to people who may have a dissenting view, and I am certainly prepared to make sure we do that. It may change slightly in complexion from what has been recommended by ICAO, but we are putting a little bit of effort into that over the next year. A lot of it relates to talking to industry.

Senator O'BRIEN—It sounds like it is pretty much a fait accompli?

Mr Byron—I think that until it is done, it is not done. My expectation is that it will happen. But, like anything, you wait and see what the views are. If someone can present a properly articulated safety case that demonstrates that there are serious problems with it, we will certainly look at that and we will look at it very seriously.

Senator O'BRIEN—You are going to go through a full and complete consultation process, thorough and rigorous, and conduct a full safety case, are you?

Mr Byron—We are not going to do a safety case in relation to this. We are going to go through a consultation process. At the moment, ICAO has come up with a model. There is quite a lot of detail that sits behind it. A lot of work has been done by the ICAO Flight Crew Licensing Panel, which started in 2005. For the first time it addresses the issue of competencies. I had a look through the syllabus of training a little while ago, and there is quite a lot of background information there. We will want to see what industry thinks about the detail, so we will be consulting.

Senator O'BRIEN—How much is it going to cost you to justify the resources to develop the regulations of the amendments to the civil aviation advisory publication, which I note is a 210-page document?

Mr Byron—We are doing this sort of stuff with different regulations all the time. I have not costed that specifically. But it is an issue that—

Senator O'BRIEN—We are in cost-recovery mode. Who is going to pay for it?

Mr Byron—That is part of our core function. We will be paying for that out of our ongoing activities.

Senator O'BRIEN—What is the urgency in Australia leading the world on this form of pilot training?

Mr Byron—We are certainly not leading the world. As I understand it, the Europeans are leading the world. The Europeans are already at the stage of post-consultation, putting out their notice of final rulemaking. We are at the stage now of having a look at the ICAO information and wanting to talk to industry in detail about it.

Senator O'BRIEN—Your media release of 17 October states:

Safety research over many years has indicated that failures in teamwork are a major contributor to airline accidents. One reason is that in traditional methods of training pilots emphasise independence and individual skills.

Are there any Australian examples where failure in teamwork has occurred?

Mr Byron—I am sure there are. We could review ATSB reports to look at that sort of thing. Internationally, there are many examples that I have researched over the years where crew coordination issues have been a factor. I think this is a good example. There has been a

system in place for 50 years. Everyone makes the assumption that that is the only way of doing it. The aviation industry has moved on. The aviation industry, the safety authorities and research organisations have certainly identified the need for pilots to be trained to operate as part of a crew from the beginning. This proposal from ICAO—and certainly as proposed through the Europeans—is seen to address that issue on the basis of providing first officers with the competencies to do the job of a first officer. At the end of the day, it comes down to whether someone can accumulate and demonstrate the correct competencies at the end of the training. There has been quite a bit of research done. In fact, in broad terms, from what I understand, there has been fairly positive uptake on this internationally and throughout different sectors internationally. I have looked at a number of articles in various aviation journals that see this as a positive step, but obviously with the caveat that we need to check the detail as we review it prior to its implementation.

Senator O'BRIEN—Can you specify any examples where Australian trained pilots have been involved in serious incidents where a failure in teamwork has been determined as the cause, not just in Australia but anywhere in the world?

Mr Gemmell—Many things were found in respect of the incident with QF1 in Bangkok, for example. There were elements of a lack of coordination between the pilot and the copilot in that case. It was certainly an incident. Thankfully, no-one was killed or injured.

Senator O'BRIEN—You are saying that QF1 was in some way—

Mr Gemmell—Lots of things lead to accidents like that, but you will find a lack of crew co-ordination as a contributor to that incident.

Senator O'BRIEN—That is the official finding, is it?

Mr Gemmell—The ATSB report on QF1 has been available, I think, since 2001, so you will find it there. You will find other contributors to the incident in there as well.

Senator O'BRIEN—How many incidents have occurred where either of the pilots have been incapacitated necessitating the remaining pilot to take sole control?

Mr Byron—We would need to look at the safety data on that. We can look at that if you like.

Senator O'BRIEN—I would appreciate it if you could give us those figures for Australia and for the rest of the world. Presumably, it is all part of the justification for the system.

Mr Byron—We can certainly do it for Australia.

Senator O'BRIEN—Mr Byron, I have no doubt you would have been aware that this issue was going to be closely examined at some time today. In fact, the department contacted my office last week and was told by a member of my staff that there was great interest in this aspect of aviation safety. Are you aware of that?

Mr Byron—I was aware, but not in terms of relevant accident information. That certainly was not passed on to me. It was more along the lines of what the history of the proposal was.

Senator O'BRIEN—Surely these are the sort of things that you have been thinking about as justifying introducing such a dramatic change in—

Mr Byron—Yes. Certainly from my background in the aviation industry, without putting my finger on specific examples tonight, I have researched many accidents and many trends where crew competencies in crew coordination have been called into question. It is, I think, an issue that will probably be addressed at a conference on human factors that is occurring in a couple of weeks. It has certainly been a topic for discussion at human factors conferences that I have attended in the past.

Senator O'BRIEN—The media statement that CASA put out on 17 October said that in Australia there will be a requirement for up to 70 hours flying training in aircraft out of 70 hours total flying time. Where does that figure come from?

Mr Byron—That would be a figure that our people have proposed, which may well be an amendment to the figure that I quoted of 40 hours. I can ask—

Senator O'BRIEN—You started with 70 hours, and then you gave us 40. The 10 hours was wrong. The press release says 70—

Mr Byron—Ten is wrong.

Senator O'BRIEN—The press release says 70. You are not sure?

Mr Byron—Ten is wrong, certainly. I might get Dr Edkins to give the detail. He handles this.

Dr Edkins—My understanding of the current ICAO requirement as proposed for the multi-crew pilot licence is for 40 hours actual flying time in an aircraft with 240 hours total aeronautical experience. That experience can include simulator time, obviously, as well. The current ICAO requirement is 40 hours actual aircraft flying time, but a total of 240 hours.

Senator O'BRIEN—Where does the 10 hours come into it?

Dr Edkins—Of that 40 hours, 10 hours is considered to be solo or command time, as Mr Byron has indicated.

Senator O'BRIEN—What document sets this out?

Dr Edkins—This is in the ICAO amendment 167, annexe 1, which is a licensing part of the ICAO standards.

Senator O'BRIEN—So you do not know where the 70-hour figure came from?

Dr Edkins—I would have to take that on notice. I am not quite sure where that figure has come from.

Senator O'BRIEN—Has CASA undertaken any studies to prove the assertion that the skills obtained flying smaller aircraft have no relevance to airline pilot operations?

Dr Edkins—I think it is fair to say that CASA certainly has not undertaken any studies themselves, but certainly accidents and trends indicate that crew coordination or lack of has been a significant contributor to accidents worldwide, particularly in high-capacity airline operations. Therefore, a lot of discussion internationally over the past five years has very much looked at the inadequacy of the traditional way of training pilots in single-pilot operations, flying around the sky in small aircraft, which has very little relevance to the demands of flying in a multi-crew environment.

Senator O'BRIEN—Did anyone consult with the current or previous minister or their respective officers before deciding to proceed down the path of what looks likely to be the approval of the MPL system?

Mr Byron—My understanding was there was an awareness within the previous minister's office that this was a proposal that we were considering. But we certainly did not get sign-off or anything like that.

Senator O'BRIEN—How would that awareness have arisen?

Mr Byron—Probably in discussions about issues that CASA had. I will have to check that out.

Senator O'BRIEN—When would you be able to give us a definitive answer to that question—yes or no, and who?

Mr Byron—I can give you that this week.

Senator O'BRIEN—I would appreciate it, if you could.

Proceedings suspended from 9.04 pm to 9.18 pm

Senator O'BRIEN—What was the formal consultation process taken prior to arriving at the position we are at now, which is that MPLs are considered very likely?

Mr Byron—I will ask Dr Edkins to give you the detail of that. I am aware of the broad nature of it.

Dr Edkins—Let me explain the consultation to date. ICAO produced their standard in September 2006 and released it to the states. As a result of that, CASA then produced a draft amendment for a licence regulation, as well as some advisory explanatory material. That was then posted on our SCC website and discussion forum. We have received some feedback on that and, as a result of that, we are proposing to hold the first inaugural meeting of a working group set up to provide a detailed level of consultation on this issue, and that group is meeting on 16 and 17 November. That process will be ongoing for a 12-month period.

Senator O'BRIEN—Who is on the working group?

Dr Edkins—There are 15 industry members on the working group and those members are from a variety of organisations. I am happy to provide that information on notice, but the working group is made up of some existing members of the SCC and other interested parties. With this particular type of licence, obviously not all members of the SCC are interested in this process. It may not be relevant to their part of the industry, so obviously we have to supplement additional people on that working group other than SCC members.

Senator O'BRIEN—Which members represent the views of pilots?

Dr Edkins—I will just have a quick look at the working group at the moment and try to answer your question. There are a number of representations in that group that represent pilots' interests. Obviously the Regional Airline Association is one group. There are representatives from two major carriers, Virgin Blue and Qantas. Also from flying organisations, a number of flying training providers are on that group as well as the Australian International Pilots Association and the Australian Federation of Air Pilots.

Senator O'BRIEN—Mr Byron, does CASA have a commercial interest in the establishment of the MPL? The reason I ask that is that Alteon have listed CASA as an industry partner in one of their publications on a website.

Mr Byron—We certainly do not consider ourselves having a partnership with any one organisation for the development of a new standard. I am aware that that was included in some documentation. My understanding is we have asked them to remove that. We certainly have no formal arrangement and we certainly have no commercial arrangement with anyone.

Senator O'BRIEN—Do you agree that the travelling public have an interest in something that may influence safety, such as changes to standards of pilot training?

Mr Byron—Certainly.

Senator O'BRIEN—Coming back to CASA's own announcement of 17 October, I am concerned that if I had not raised MPLs in the Senate then CASA would not have made any public comment on this issue until after the regulations had been put in place. Is there a reason for this apparent lack of public consultation on MPLs prior to the matter being raised by me?

Mr Byron—I do not believe that if there were concerns in the broader community about this issue they would not have surfaced through the normal consultation process through the SCC. The SCC does include, as I understand it, a passenger advocate. We have certainly got a considerable number of people from diverse parts of the industry sitting around the table, and if there are any issues that come up they would normally come up through the SCC process. If there was a red flag on a particular issue through that process, that would indicate that we have perhaps got to go and talk more widely about it. Certainly, to date, that has not been the case from the information that has been provided to me.

Senator O'BRIEN—You have talked about the JAA, the European jurisdiction, doing some work on MPLs. Has work commenced in the United States?

Mr Byron—Has work been done in the United States?

Senator O'BRIEN—Yes.

Mr Byron—I know that the Americans are looking at it. I am not aware of the degree to which they are looking at it.

Senator O'BRIEN—Are you aware of the extent of consultation that the European JAA has undertaken with regard to the possible introduction of an MPL?

Mr Byron—I asked that question and the answer that I got is that the Europeans have moved to a further stage where they have issued, or are about to issue, a notice of final rule making. So my assumption, knowing the European system, is that they would have gone through some form of consultation process. What they did with the comments made I am not sure, but I know they are certainly moving ahead of us on this one.

Senator O'BRIEN—I am not aware of the latter step you talk about, but I have here a 134-page document prepared by the European JAA that summarises comments from their members following consultations. Have any of your officers viewed that document?

Dr Edkins—Yes, they have.

Senator O'BRIEN—Comment No. 189 by the Aircraft Owners and Pilots Association of Sweden says:

The thing to be considered is the impact on flight safety when reducing the actual numbers of pilot in command actual flight time. How could 70 to 100 hours of command time experience be replaced or be...airmanship? Also, a first officer may be a first in command shortly after the exam indicates that incapacitation . . . The hours of the pilot in command gives commander skills in terms of decision making, control of aircraft systems, management . . . Training, of course, is important but actual experience is to be considered. During the last years there have been some loss of control accidents. In this respect, is it wise to reduce the actual amount of flying hours? What will happen if the actual numbers of time in aircraft is reduced? In terms of flight control skills will it have impact on future pilot skills when it comes to aircraft handling?

I presume this is the translation from Swedish. How would CASA respond to those sorts of concerns?

Dr Edkins—I think it is fair to say that those sorts of issues have the potential to be raised through our consultation period that CASA is about to embark on through its industry forum that it set up.

Senator O'BRIEN—I thought it was interesting that since 1947 the Swedish have had a total of 10 fatal aviation accidents and 86 deaths. We have had 34 and 267 lives lost. So it is not an unsafe jurisdiction, given it is obviously a smaller one.

Mr Byron—I think drawing comparisons between different regimes and their accident rate is a fairly careful exercise. We need to be cautious about making direct comparisons. What I know is that there is a genuine concern among the safety specialists in the industry and those that support the industry relating to human factors/crew coordination accidents. If it is possible to reduce the incidence of those problems, which occur quite regularly, through a competency based program that trains people to operate in the environment in which they are intended to operate then we have to look at it.

Senator O'BRIEN—I think you said, Mr Byron, that CASA has not chosen to fast-track the MPL. Is that fair comment or have I misinterpreted you?

Mr Byron—In the sense that we have not come up with the regulations now and it is not about to happen in the next month or so, no, we have not fast-tracked it.

Senator O'BRIEN—If that is the case, why is the change not being subjected to CASA's CEO directive 016 of 2004?

Mr Byron—I might ask Dr Edkins to give a bit more detail on this. Fundamentally this is an issue related to a regulatory standard that has been through significant international scrutiny and has been endorsed by the International Civil Aviation Organisation—so there certainly has been a significant amount of work done on this—rather than something that is home grown.

Dr Edkins—Mr Byron is correct. Essentially CASA's normal process is to produce a discussion paper on a concept such as this, but in absence of that the international community over the last five years has extensively debated globally the concept of the new multi-crew pilot licence. CASA feels that the discussion has occurred internationally with a number of

relevant parties and it has produced some material which is really a copy of the ICAO material that has already been in the public forum for some time.

Senator O'BRIEN—You have not determined that, because of that, you are going to fast-track it?

Dr Edkins—No. We are certainly not fast-tracking it. As I said, we have produced some material for discussion through the SCC and through an associated working group that has been set up. Over about a 12-month period we will go through consultation on that material and, if we need to make amendments and changes, we will do so.

Senator O'BRIEN—If there is no change to the regulations, is it possible for an MPL course to be run now which would result in the issue of a qualification?

Dr Edkins—Certainly a trial course can be run. There is no problem in running a course as long as it is approved by CASA, and CASA has yet to approve a training course.

Senator O'BRIEN—So, as of now, no trial course can run which would lead to a qualification.

Dr Edkins—As it currently stands CASA has not approved any training course for an MPL.

Senator O'BRIEN—There is a news release of 24 October from Alteon stating that in preparation for Alteon Training's multi-crew pilot licence beta test in Australia, four instructors, members of Airline Academy of Australia, will complete their training at the Galvin flying school at Boeing Field. Once back in Australia the four will be training the first cadets at Alteon's MPL program beta test in Brisbane. Is it the case that the beta course is programmed to commence in Brisbane next month?

Dr Edkins—No. My understanding from Alteon, from meeting with them as recently as last Wednesday, is that they are proposing to commence their course on 2 January.

Senator O'BRIEN—When did they make that decision?

Dr Edkins—My understanding from the meeting last Wednesday is that that is when CASA was told of their new time line. That is also assuming that CASA is happy with and approves the first module that Alteon has presented to CASA. It is dependent on that approval.

Senator O'BRIEN—When would those jet ready first officers be ready to begin airline orientation?

Dr Edkins—My understanding is that, if the course does start in January, it will be about a 15-month period of training.

Senator O'BRIEN—How does this course commence prior to the 12-month consultation you have talked about and lead to a qualification at the end of it?

Dr Edkins—CASA has taken the position that a sensible and cautious approach to this is to agree to a trial, assuming that the curriculum is to the satisfaction of the authority. That trial will assist the consultation process in determining whether this concept could in fact work. There is no guarantee that CASA, of course, will provide a multi-crew pilot licence at the end

of that training. That depends on the consultation process, the way the course is run, whether the course is a competency based course and those sorts of things.

Senator O'BRIEN—So individuals are undertaking this course with no guarantee of a qualification at the end. Is that how we should understand it?

Dr Edkins—Correct.

Senator O'BRIEN—And they know that.

Dr Edkins—Certainly that has been communicated to Alteon. At the end of the training period they may choose to have their country of origin issue a multi-crew pilot licence. My understanding is that the students are foreign—some are from China and some are from India. So, if CASA was not ready or willing to issue a licence at the end of the training period, they could apply to their country of origin.

Senator O'BRIEN—They can do their training here on the basis that, if we do not approve it, someone else might approve it without regard for the fact that they had had no input into the course.

Dr Edkins—That may be the case.

Senator O'BRIEN—You must have an extreme amount of confidence for Alteon to set up training here in Australia. I find it hard to believe that Alteon have not got some understanding that they are very likely—almost certain—to have this course approved.

Dr Edkins—I think it is fair to say that CASA feels that this is a learning experience for industry and for the authority. As I said, the consultation process may require changes to the trial and indeed the curriculum as the consultation process ensues.

Senator O'BRIEN—Is this beta test training that we are talking about paid training provided by Alteon?

Dr Edkins—I am not aware of the commercial arrangements.

Senator O'BRIEN—When did CASA obtain a copy of the proposed Alteon syllabus, if you do have it?

Dr Edkins—We have received the first module, which I think is called the core module. I am not able to find the exact date of when that was provided, but we can certainly provide that on notice.

Senator O'BRIEN—Has there been any consultation between CASA and anyone regarding the content of the syllabus?

Dr Edkins—Certainly with Alteon there has been. There has been a number of communications back and forth and some requirements to provide additional information.

Senator O'BRIEN—But with nobody else.

Dr Edkins—There have been issues raised with us through the Australian & International Pilots Association and the International Federation of Air Line Pilots Associations through correspondence to Mr Byron, and we have answered that correspondence.

Senator O'BRIEN—Did they see a copy of the syllabus or did they just hear about it and contact you? I am unclear as to why they would contact you in that context.

Dr Edkins—No. Their concerns are not directly related to the content of the Alton syllabus, which they obviously are not party to.

Senator O'BRIEN—So in your consultation will those with whom you consult see the syllabus?

Dr Edkins—Certainly the framework of the syllabus and those sorts of details will be made available to the group as that consultation process ensues.

Senator O'BRIEN—When is the first meeting of this consultation group scheduled?

Dr Edkins—On 16 to 17 of November.

Senator O'BRIEN—Ultimately who will the group report to—CASA or the minister?

Dr Edkins—In the way the group is set up, it is part of the SCC process, so it reports through to the flight crew licensing subcommittee, which is an established subcommittee of the SCC, and the chair of that flight crew licensing committee in turn reports to the head of the SCC.

Senator O'BRIEN—Can this group recommend that Australia not adopt an MPL?

Dr Edkins—Certainly the group, through its deliberations, can come up with anything they see is appropriate.

Senator O'BRIEN—You would expect they would finalise their process in about November next year.

Dr Edkins—The consultation process that we have planned takes us towards the end of next year.

Senator O'BRIEN—Is it a 12-month trial or not? You are implying it might be shortened.

Dr Edkins—It is a 12-month consultation process, but there is a 15-month trial that Alton is conducting, just to clarify that.

Senator O'BRIEN—Should we understand that there will be no final decision until at least the 12-month consultation is concluded?

Dr Edkins—That is our current plan.

Senator O'BRIEN—What might change that? The minister has told the public there will be this 12-month process. Are you saying that might not be the case?

Dr Edkins—I do not anticipate that 12 months to run. That certainly is the plan that we have communicated through to the SCC. The explanatory material that underpins that process can be modified and amended during that process.

Senator O'BRIEN—Senator Abetz, on behalf of the minister, said that:

... no changes to current licensing arrangements will take place during the trial period and the 12-month consultation period will ensure that CASA is well placed to take into account any suggested improvements.

That is a pretty strong commitment to a 12-month period.

Dr Edkins—Yes. I agree with that.

Senator O'BRIEN—I would like an assurance from CASA that that will be adhered to or an explanation of the circumstances in which it might not be adhered to.

Mr Byron—I will give an assurance that certainly that will be the case. Through the consultation process with the group we will make sure that any issues, any concerns of detail are addressed quite rigorously.

Senator O'BRIEN—Thank you for that. Mr Byron, can you advise the status of the dispute with Mr Clark Buttson and Polar Aviation?

Mr Byron—In answering that question it would probably be useful for me to point out that as a result of ongoing dialogue with Polar Aviation the company was reissued with an AOC on 30 September without any restrictions. This followed significant scrutiny of the operator, significant changes to the way in which the operator was working, some changes to the key personnel and verification by officers that were independent from the office that had been dealing with the organisation in the past.

Senator O'BRIEN—What is Mr Buttson's position?

Mr Byron—I understand he has a commercial interest in the organisation but he is the owner, not the chief pilot. I took a particular interest in this one over the last eight months or so and I was aware of the concerns of the organisation. I was certainly aware of the position that our officers had taken, and I thought it quite appropriate that with the nature of the concerns that we had it independently checked. I went back and checked the detail of the original audit results from 2004 that raised concerns. I had a look through it and I was quite clear in my mind looking through the reports that these were issues that needed to be dealt with seriously. They needed to be taken in an appropriate manner by the organisation. One of the criticisms that CASA had had in the past was the way in which they were handled with the organisation.

Certainly around the middle of this year, from my observation, there was a significant shift. The organisation appointed a different chief pilot who, on the basis of the independent checks done by other CASA officers, was a positive change in the organisation, and that was reflected in the reports done by CASA officers. I have at about this time a letter from the local office where one of the inspectors was wanting to make sure that the new chief pilot was aware of the issues. It says:

... I wanted to ensure that you are completely aware of the key safety and compliance issues that CASA is aware of in your organization. Each of these issues add to the Safety Risk level of your company and therefore should be addressed with a degree of urgency

It goes on to give what I consider a considerable amount of information in making sure that the new chief pilot was on the right track. As a result of that, the information I have is that a lot of the issues that existed before have been resolved. There are some outstanding issues relating to the operations manual. I am advised that it is appropriate that these be dealt with and I believe they are in the process of doing it. As a result of those changes and what seems to be a pretty positive working relationship between the CASA office and the organisation, they have now got an unrestricted air operating certificate.

Senator O'BRIEN—When are they due another compliance audit?

Mr Byron—I will need to take that on notice.

CHAIR—I actually think you have done a bloody good job over there.

Mr Byron—Thank you.

Senator O'BRIEN—You are satisfied that the relationship between Polar Aviation and the Perth field office has been re-established in a positive manner.

Mr Byron—I just read you a piece of correspondence from the field officer in the Perth office to the chief pilot, which I could not couch in any other terms than a positive relationship.

Senator O'BRIEN—Thank you for that. I am ready for Airservices, thank you.

CHAIR—Goodnight boys.

Mr Byron—Goodnight senators, till we meet again.

CHAIR—For the girls that are going to leave, sorry. You can stay and watch the rest if you like.

[9.44 pm]

Airservices Australia

CHAIR—Welcome. If you would like to make an opening statement now would be the correct opportunity to do so. No doubt we will, after your opening statement, move to questions and probably there will be a few on Solomon Islands and other places.

Mr Russell—I am sure there will. Thank you. We are in the business at the moment of remaking Airservices. It has occurred in the last 12 to 15 months. A lot of effort has gone into it, particularly in terms of our governance, our safety systems, financial business systems and, dare I say it, including accountability of our managers. Our annual report was tabled in parliament last Thursday and provides further detail. The process of remaking the business is ongoing and there is a lot more to do.

CHAIR—There you go. Is that it? God bless you.

Mr Russell—Thank you.

Senator O'BRIEN—We have seen the Auditor-General's report into the irregularities of the payments to the Solomon Islands under the air space management contract which was tabled recently. There is also a Solomon Islands auditor report into the matter, which is much more fulsome about who received what payments. Can you please provide the committee with a full explanation of the circumstances of these events?

Mr Russell—The history of this issue is that an agreement was reached with the Solomon Islands government in 1998 for Airservices to provide upper air space management services to the Solomon Islands, and it was renewed again in 2003 from memory. During the time of the operation of the contract some years after it initially began, the then organisation received a series of requests—somewhat naively perhaps taken in good faith,—through who we believed to be authorised persons, both ministers and senior public servants of the Solomon Islands, to make payments to third parties that were outside the strict terms of the original contract. It was the wrong thing to do. We agree with the recommendations of the ANAO. We

provided assistance to the Solomon Islands Auditor-General in terms of the production of the report. I think the recommendations and the whole episode highlight, in my view, the need for a restructure and a reform of the Airservices business.

Since the report and the draft recommendations became known to us we have taken action to implement a compliance system; some further training of our staff who are involved in international activities; more robust contract management and controls within our finance group that separate authorisation and function separation as well as regular internal audit reviews. It has been a salutary lesson to the organisation and one that we naturally regret.

Senator O'BRIEN—Why so soon after the commencement of the contract were staff so willing to ignore the contract provisions as to how money should be paid?

Mr Russell—That is a very good question. I think, as I say, they naively thought they were being helpful. I might say that we have been particularly careful to ensure that there was no evidence of criminal intent on behalf of our employees. We made available on several occasions all of the information that became known to us to the Australian Federal Police, who conducted those investigations and have written back to us to tell us that there was no evidence of any criminal activity on behalf of any Airservices employees.

CHAIR—The money went to where it was targeted? It did not get lost, any of it, on the way?

Mr Russell—I cannot give you that assurance in detail: \$2.2 million of the money was made available to third parties at the request of, as I say, people who the management at the time thought were authorised to request that those payments be made.

CHAIR—Yes. I understand that. Some of this, of course, is the naivety of dealing with a different culture. Obviously, without being too perverse, some of these governments have a different culture to ours. What I am really asking is: as far as you know, none of it ended up in anyone's pocket that has any relationship to the government.

Senator O'BRIEN—You cannot say that.

Mr Russell—The Solomon Islands government? I cannot give you that assurance.

CHAIR—No.

Senator O'BRIEN—Indeed, the auditor from the Solomons suggests that it did.

Mr Russell—We have seen those recommendations and, as you say, there is more detail from the Solomon Islands end in terms of where that money went.

CHAIR—What I am asking is: were the people that handed the money over given any encouragement other than an instruction to hand the money over?

Mr Russell—Encouragement in terms of an inducement or anything like that, no. From our viewpoint, the people who once worked for us in these circumstances were not. I should perhaps quote from a letter that we received from the Australian Federal Police on 4 July. In fact, we had two letters from them. One was in early May. We found some further documentation, and for completeness sake that was sent to the AFP for further examination. The final letter from the AFP on this issue concluded that:

The new information does not alter the status of the previous investigation and that the information supplied does not provide evidence to support the offence of bribery of a foreign official pursuant to the Criminal Code Act 1995.

Senator O'BRIEN—Will the Australian or Solomon Islands court have jurisdiction if this matter proceeds to litigation?

Mr Russell—I cannot definitively answer that. I have seen indication that there has been some suggestion that some action will be taken further from the Solomon Islands end. We have not had any further information or contact on that issue.

Senator O'BRIEN—Have you sought legal advice concerning Airservices position if the Solomon Islands government decides to take legal action to recover the \$2.2 million or some part thereof?

Mr Russell—Political advice?

Senator O'BRIEN—No, legal advice.

Mr Russell—Yes, we do have some legal advice to that effect.

Senator O'BRIEN—Are you expecting such an action?

Mr Russell—I think it is up to the Solomon Islands government. I make the point that we have cooperated throughout and we have provided a lot of the documentation that ultimately allowed the Solomon Islands Auditor-General to produce the report that was produced. We have not had any contact. Are we expecting any? I will have to wait and see.

Senator O'BRIEN—Are you satisfied that the payments were not diverted for any type of nefarious purpose?

Mr Russell—As far as we know, we have accounted for all of the payments that we made to the third parties that were involved. What happened to that money subsequently? I cannot give you guarantees that it did not go into the wrong hands.

Senator O'BRIEN—What procedures have been put in place to ensure that this type of event does not happen again?

Mr Russell—I have reported in detail to the board audit committee—and in fact the board of Airservices is largely a completely different board to the one that oversaw this issue. The issues go to the matters that I answered a moment or two ago. In particular, we have implemented a compliance system. We are putting in place and training people in anti-bribery guidelines for overseas activities to ensure that there is no suggestion that this could occur and training all our employees who travel overseas, which I guess lifts their knowledge of this issue to ensure that they are well aware of the code of ethics that the organisation now expects. There are a number of other issues that go to that matter of enhancing our auditing, ensuring there are separations of sign-off between the contract officers who are responsible from the financial management of the business and, frankly, better management oversight of these sorts of operations.

CHAIR—Do they render an invoice?

Mr Russell—The system has been to date that we collect the money from the international airlines that fly through Solomon Islands airspace. The system to date has been that we remit

that money, less our fee, and then we provide the Solomon Islands government with a monthly report on the financials.

Senator O'BRIEN—Have the relevant staff been counselled regarding their actions?

Mr Russell—The relevant staff in Airservices no longer work for the organisation. We have completely revised the business development group of the company, and the staff who were involved no longer work there.

CHAIR—When you remitted the money to the Solomons government—

Mr Russell—Yes.

CHAIR—and \$2 million of it went off somewhere else—

Mr Russell—\$2.2 million.

CHAIR—was there an invoice? What paperwork was provided that they should send the \$2 million to wherever it went?

Mr Russell—There is a series of requests signed by various ministers and permanent secretaries, and as you look through the—

CHAIR—What? 'Dear sir, would you please send me \$175,000? Thank you very much. Kind regards.'

Mr Russell—I can provide some detail on this. There is quite a lot of it, regrettably.

CHAIR—I do not want too much.

Mr Russell—No, but there are letters signed by people who, on face value, you would have expected were authorised to sign it, requesting that money be paid to a particular account or for a particular project in the Solomon Islands. As I look back over the signatories, they changed frequently, but all were in positions of being appropriate ministers and appropriate permanent heads.

CHAIR—But it did not say what it was for. It said, 'Would you kindly,' in the most polite language, 'send some money to this account? Yours sincerely, Joe Bloggs.' It does not say for 10 hours at \$50 an hour or something. It is just 'send the money'.

Mr Russell—Yes. It was words to that effect. Perhaps I might just ask—

CHAIR—I might send you blokes an account.

Mr Russell—It will not be as easy this time around, I can assure you. Can I ask Mr O'Callaghan, who is our General Manager, Audit and Assurance, who regrettably knows more about this subject than he ever wanted to, to just expand on that answer?

Mr O'Callaghan—The instructions that came from the Solomon Islands were not to pay the money to themselves, they were to pay nominated expenses that they had incurred. For example, it was to pay their membership fee of the Pacific Aviation Safety Office. So the money was actually sent to a specific third party.

CHAIR—So they did specify a purpose for the money.

Mr O'Callaghan—They did. As is documented in the ANAO report, sometimes it was to cover student expenses, so it was to pay educational authorities.

Senator O'BRIEN—Have all staff in contract management positions received the training you talked about in relation to the new arrangements and their expectations about anti-bribery guidelines and the like?

Mr Russell—Yes, they have, and that training is ongoing.

Senator O'BRIEN—Has Airservices audited any other contracts to ensure these type of payments have not been made on any other occasion?

Mr Russell—We have reviewed all of our international arrangements to ensure that there is nothing of this sort involved. I can give you an assurance that it is not the case.

Senator O'BRIEN—I placed a question on notice on 15 June this year which requested details of some of Airservices overseas activities. It is question number 2024. As of today it remains unanswered, I believe, 134 days after being asked. When am I likely to receive an answer?

Mr Russell—If you give me a moment, I will make an inquiry.

Senator O'BRIEN—It is regarding DFS Deutsche Flugsicherung.

Mr Russell—I have a copy of the question in front of me. It starts with DFS. That is right, is it not? I am told that it was sent to the Department of Transport and Regional Services today as part of the process of an answer being placed in *Hansard* through the minister's office.

Senator O'BRIEN—Is there a reason that it took so long?

Mr Russell—Reading the documentation, there was quite a lot of work that needed to be done. It was not just about DFS.

Senator O'BRIEN—No. It is not just them.

Mr Russell—There are a number of other contracts that I must tell you I have been particularly careful to make sure we answered precisely. But I do apologise for the delay.

Senator O'BRIEN—You have an answer now that you could table?

Mr Russell—Yes. We are happy to do that.

Senator O'BRIEN—Thank you. I appreciate that.

Mr Russell—Sorry for the delay.

CHAIR—Do Airservices provide like services to other countries that have, shall I say, the same beads and bangles sort of outlook on life?

Mr Russell—No. We are working in a number of countries throughout the Asia-Pacific. The only other upper airspace work that we do is for the Republic of Nauru. It is a similar contract in terms of the management of upper air space, although over the period the number of overflights over Nauru airspace, and then by Air Nauru—the other major carrier is Air Pacific—have been either the subject of payment direct to the Nauruan government by Air Nauru, which subsequently went into receivership, or Air Pacific, who had a waiver on those fees being paid by the Nauruan government until February last year. So we have only collected a relatively small amount of money, and there are and have been no requests for any third party payments.

CHAIR—They, of course, have had the unfortunate experience of Mr Adrian Powell, so they are probably very familiar with him.

Mr Russell—I am not terribly familiar with him, but I think I do not want to be.

CHAIR—He did quite a good job on them.

Senator O'BRIEN—In relation to China, Mr Russell—

Mr Russell—Regarding the tabling of that question with respect to our overseas contracts, I just need to have that cleared by the minister's office, but I will ensure that we expedite it for you and that it gets to you soon.

Senator O'BRIEN—At our May hearing you told us that Airservices was keen to develop the very good linkages you have with China, and you referred to your experience with the Olympic Games. What discussions has Airservices had with the Beijing Olympic Committee or the Chinese government about the provision of air traffic control for the Olympics?

Mr Russell—I made a trip to China in December. At that time we had a series of meetings with the Air Traffic Management Bureau, part of the Civil Aviation Authority of China, and we had some preliminary discussions at that time about how the airspace around Beijing would need to be altered to be able to manage the traffic flows during an Olympic period. I had also had some experience operating airports for the last two summer Olympic Games, in Sydney and in Athens, and the Chinese had some interest in that as well. There has been ongoing discussion with them. We expect some further work will come out of it at some stage, but there is nothing at the moment.

Senator O'BRIEN—So there has been no agreement, memorandum of understanding or the like entered into?

Mr Russell—We have had a number of memoranda of understanding in effect with the Chinese, but specifically with respect to the Olympics nothing further has come of that issue. We have signed just recently a contract with the Air Traffic Management Bureau of China for the training of Chinese air traffic controllers throughout China, including Beijing, in English proficiency, and we have the first group of those controllers working their way through a course that started, from memory, about a month ago in Melbourne, and a series of them will now be ongoing over the next 12 months.

Senator O'BRIEN—What is the value in terms of such an agreement?

Mr Russell—I would need to check, but it is in the order of about \$600,000 to \$650,000. We are doing that in conjunction with RMIT in Melbourne.

Senator O'BRIEN—How long has the agreement to run?

Mr Russell—It has begun. There is a series of courses. I would need to check the details to be sure, but I will get those to you.

Senator O'BRIEN—RMIT is a partner in the venture?

Mr Russell—Yes, it is. Like many Australian universities there are particularly good contacts with countries such as China.

Senator O'BRIEN—What role has Airservices played in the development of Chengdu international airport?

Mr Russell—We have had some discussions with Chengdu airport and a potential financier in terms of Macquarie. There have been some proposals put to Chengdu, but no further action has occurred from the Chinese viewpoint. Throughout China a lot of these larger regional cities—they are certainly very large regional cities by our standards—are working to improve the infrastructure of their airports and they are looking for foreign participants in that process. We are not in the financing business, but we are in the business of air traffic management and the development of airside procedures. So that was our interest, but nothing further has come of it at this stage.

Senator O'BRIEN—What about Shenzhen Baoan International Airport?

Mr Russell—I am not familiar with those details, but there have been wide-ranging discussions throughout a number of parts of China. To this stage nothing has come to contract stage, apart from the English proficiency issue which I mentioned to you.

CHAIR—So if you go into the business of doing the business for these other airports, what do you do with the profit?

Mr Russell—It is classed as non-regulated income by the company. We have a completely separate set of accounts for what we call 'other commercial revenue', and this falls into that category. The other side of it is regulated revenue, which comes from our airline customers, and we are accountable for its expenditure.

CHAIR—If all this happened, what would you do with the first part that you mentioned?

Mr Russell—I would use it to reinvest in the business.

CHAIR—You would not give everyone a bonus.

Mr Russell—There is an opportunity in this business to develop our other commercial revenue, to use the profits to reinvest in the company in business ventures like the one we have got with Honeywell.

CHAIR—It is pretty innovative, I guess—and congratulations. Say you make \$5 million or \$50 million—I have no idea what you make—is there the capacity within the guidelines for you and others to get a \$1 million bonus or something?

Mr Russell—Me?

CHAIR—Yes.

Mr Russell—I wish there was, but no. It does not work like that.

CHAIR—So you cannot dole it out by way of—

Mr Russell—No. As part of the regulated side of our accounts this year, our annual report to parliament shows we paid government \$98 million in dividend and in tax and we made an after-tax profit of \$93 million. The money that was left as a result was about \$38 million for reinvestment in the business. On the other side of it we have an opportunity in the non-regulated side of our business to develop overseas business opportunities and business opportunities in Australia.

CHAIR—Where are the rewards to the people that develop it? Do they just go home feeling better?

Mr Russell—They continue to be employed and they are paid a performance bonus based on their performance during the year.

Senator Ian Campbell—Then they get poached by Macquarie.

Senator O'BRIEN—What relationship does Airservices have with the Beijing University of Aeronautics and Astronautics?

Mr Russell—We have a memorandum of understanding with Beijing university. They are keen for us to set up some training activities in China, but nothing further has come of that particular discussion so far.

Senator O'BRIEN—We come to DFS Deutsche Flugsicherung. What are the details of the agreement that you entered into with DFS?

Mr Russell—It was a memorandum of cooperation, from memory, with DFS. They are our German counterpart and they are regarded as being probably in the top five or six air navigation service providers in the world. They have a very strong reputation, and they control airspace in a critical part of Europe and also in countries associated with it in terms of the Netherlands and others. We saw an opportunity to use their reputation. They saw a similar opportunity with us to develop some targeted opportunities for us in the Gulf states and we are working on that process. In fact, we have a mission program to go to the Gulf in early December.

Senator O'BRIEN—Are they doing any work with you in China?

Mr Russell—No, not at the moment, although they have indicated some interest.

Senator O'BRIEN—Has the Australian Embassy in Beijing facilitated any direct contact for Airservices with the Chinese government?

Mr Russell—We have had a good working relationship with the embassy. When I was in Beijing in December I met with Ambassador Thomas, who came to a function that we organised and introduced us to quite a lot of people in China. Both they and Austrade have indicated that they are willing to help us with some of our ongoing activities up there.

Senator O'BRIEN—Has the ambassador hosted any functions involving Airservices?

Mr Russell—He attended the function I referred to during the visit that I made up there in December.

Senator O'BRIEN—Who paid for that?

Mr Russell—We paid for it. He hosted it, if you know what I mean.

Senator O'BRIEN—Yes. Are there any specific contacts that have been facilitated by the ambassador?

Mr Russell—None that I am personally familiar with. I think generally they have been very helpful to us and in particular Austrade.

Senator O'BRIEN—Can you take that question on notice and find out?

Mr Russell—In terms of the contacts that the ambassador has made?

Senator O'BRIEN—That have been facilitated by the ambassador.

Mr Russell—Yes. I am happy to do that.

Senator O'BRIEN—It appears Airservices' relationship with China is growing. Is that a fair assessment?

Mr Russell—I think it has been a long-term one. We have had technical contact with the Chinese going back to the early 1990s and obviously we would like to see it grow. We think, along with the Indian market, these are the two large developing aviation markets in the world and we have expertise that we know would be useful to them. The development, for instance, of the satellite augmentation landing system called GBAS is something of great interest to the Chinese, particularly in some of the weather conditions that they have in some of their airports in western China. So the short answer to the question of whether I see it growing is yes, but carefully. I think it goes to the nature of the relationship with China. It takes time.

CHAIR—Do you have people, as it were—consultants—out there spotting opportunities for you?

Mr Russell—We have had in the past with China. We have decided that we will do that more directly ourselves from this point. It may lead to the in-country location of a representative. We have put a regional manager into the Gulf, in Dubai. We put him there a couple of months ago. You really have to have a presence there to understand what is happening in the market. We are at a point where we need to make a decision about what we will do with China.

Senator O'BRIEN—How much has it cost the organisation so far to chase business in China?

Mr Russell—I will have to take that on notice. I am happy to do so.

Senator O'BRIEN—The business gain to date is the \$600,000 to \$650,000 joint venture with RMIT?

Mr Russell—Yes. There have been others. Again, I will give you a more complete answer to that issue.

CHAIR—If there are spotter fees, will you include that in the cost?

Mr Russell—Yes, we will.

Senator O'BRIEN—It would be good to get a breakdown of those costs.

Mr Russell—I will certainly do that.

Senator O'BRIEN—Overall, how much does Airservices spend each year chasing business around the world? Can you put a number on it?

Mr Russell—It is fundamentally the cost of our business development group. Not counting a domestic component related to the production and sale of aeronautical information material, I would have to count the numbers but there would be in the order of 14 to 20 people who comprise the overseas element of that group. Additionally, we have a number of people in our

future direction group who are overseeing the development of our relationship with Indonesia and Papua New Guinea, and we do that on what we call a neighbourhood basis.

Senator O'BRIEN—Is it possible to get a breakdown of the costs of this section of the business—salaries, travel, legal costs, et cetera?

Mr Russell—I can do that, yes.

Senator O'BRIEN—Senator Heffernan partially covered this, but does Airservices pay incentives to staff in the business development group when you gain new business overseas?

Mr Russell—We do not pay incentives. Our salary packages across the organisation are performance related, so there is an element at risk. It is no different whether you work in the business development side of the business or another part of it. There is no special consideration given to people who work in those areas.

Senator O'BRIEN—So how much of the salary is up for grabs?

Mr Russell—We see this as an opportunity to grow the business but to do it carefully over time. There has been a lot of learning and some mistakes made over the years. We have gone into this fairly blurry-eyed and optimistically. I have been at pains to focus the organisation and bring a more commercial edge to it, and it is taking time.

CHAIR—What is the max compared to the base rate that the performance can be as a percentage? We see them where they are 500 per cent, if you know what I mean.

Mr Russell—I have just had a note handed to me, as they say: up to 29 per cent of senior managers' salaries are what we call at risk. It depends on a number of performance criteria whether that gets paid or not and what amount gets paid.

Senator O'BRIEN—In May you suggested revenues generated from your overseas business are in the order of \$30 million per annum. Is that number still accurate?

Mr Russell—It is a little more. We finished the year on about \$35 million. A reasonably substantial amount of that revenue is in fact revenue from the sale of aeronautical publications as well. It is not just purely international operations. We have also been involved in the airport lighting installation business in places such as Sydney Airport, so it is not all overseas activity.

Senator ADAMS—You may have heard me before asking questions about the Jandakot airport and the proposal to relocate it, so these questions are just about the safety issues.

Mr Russell—I did hear it, and we are very well aware of the Jandakot issue. I anticipate you are going to ask a question about safety.

Senator ADAMS—Yes, I am.

Mr Russell—I would ask our General Manager, Safety, Jason Harfield, to take those questions.

Senator ADAMS—Would you consider that Jandakot airport airspace is unsafe with regard to its proximity to Perth airport?

Mr Harfield—In a word, no. It is no different from the airspace configurations that you have with Sydney and Bankstown airports or Adelaide with Parafield airport. It is no

different. There is no doubt that there are some operational complexities associated with the airport, but it is nothing that is not managed.

Senator ADAMS—Will the arrival of the new Airbus 380 into service from Perth Airport cause Jandakot airport to close?

Mr Harfield—It would be too early to speculate, but I would say no. With the airbus at the moment, there is work being done on the weight turbulence that comes off the aircraft. At the moment what is proposed and the distance for an arrival into Perth with Jandakot airport is within those tolerances. However, there will be other ways to get it to actually work. I would say that the A380 in itself would not close Jandakot airport.

Senator ADAMS—Is it true that Jandakot airport has nearly reached its movement limit and that there is no room for expansion?

Mr Harfield—From our point of view for air traffic that is not the case. It is one of the busiest airports in Australia at the moment movement wise, but there is still capacity for extra movements from an air traffic service point of view. I could not comment from the infrastructure point of view.

Senator ADAMS—I was going to ask you about the plan that is there for the fourth runway, but obviously nothing is happening in that respect.

Mr Russell—We are well aware of development plans and master plans of the major airports, particularly where we operate throughout Australia. We are also aware of the public discussion in Western Australia about this airport. It was our view that a fourth runway at Jandakot would make sense in terms of the natural development of the airport. I might say that was before the current issue came up so much in Western Australia.

Senator ADAMS—Thank you very much. I just wanted to clarify those issues. As a senator, with constituents right throughout Western Australia and a lot of people flying aircraft, there are lots of problems going on and I just wanted to be clear what the issues were.

Mr Russell—We met with the Royal Aero Club of Western Australia based in Jandakot only a couple of months ago. In fact, we had a public meeting which a couple of hundred people came to to talk over some of the issues. Clearly, this was a major one.

CHAIR—Did you get the impression that they wanted Jandakot to stay where it was?

Mr Russell—We got the distinct impression.

CHAIR—Is this what you call an exercise in greed and not need?

Mr Russell—I got that impression as well.

CHAIR—Are there any further questions? I regret to inform you that you can go home.

Mr Russell—Thank you.

CHAIR—We will have Regional Services and then we might all go home.

Mr Mrdak—I would like to answer a question. Senator O'Brien, very early this morning, on corporate 2007 asked a question in relation to the employee expenses in the Office of Transport Security. Given that they have gone home, perhaps if I could just read it into the *Hansard*: At the time of the 2006-07 budget, the direct employee expenses for the Office of

Transport Security were estimated to be \$25.7 million. In 2005-06 the actual outcome was \$25.6 million—one less on the books.

[10.29 pm]

CHAIR—Are there any questions on regional services?

Senator O'BRIEN—I am going to ask some questions initially about regional partnerships. Given that there has been a significant underspend in 2005-06 in the Regional Partnerships program, what is the compelling reason why the committee of ministers refused to provide Regional Partnerships funds to the Mackay Riverside Aquatic Park?

Ms Page—I will get Ms McNally to talk about the end-of-year result for 2005-06 first.

Ms McNally—The figure for the annual allocation for 2005-06 was \$84.7 million. Of that 2005-06 expenditure, the overall expenditure was \$83.7 million. There was only an underspend against the revised estimate of \$1 million. There were minor delays in some of the payments for several projects, and then with those projects a number of the milestones have been met and payments have since been made.

Senator O'BRIEN—In relation to the Mackay Riverside Aquatic Park, the project had the full support of the local council, state government and local community, with over 70 per cent of funds already committed. Other aquatic facilities, including the one at Nanango, have required 60 per cent of funds from government. Why not fund this project?

Ms McNally—I do not have the specific details on that project. I would have to take that on notice.

Senator O'BRIEN—Were the views of the ACC taken into consideration?

Ms McNally—Yes.

Senator O'BRIEN—What was the reason for not providing Regional Partnerships funds to the Bacchus Marsh equine training centre?

Ms McNally—I do not have individual reasons for the range of projects that were not approved in the last financial year. I would have to take all of those questions on notice.

Senator O'BRIEN—I would appreciate, on notice, if you could give us the full detail for that.

Ms McNally—Yes.

Senator O'BRIEN—And the reason for the decision not to provide Regional Partnerships funds for the Shark Lake Industrial Park in Esperance?

Ms McNally—Yes.

Senator O'BRIEN—A year on from the Senate inquiry into the Regional Partnerships program has there been any plan for a response from the government?

Ms Page—The government's response is pending. It is also fair to say that the government made announcements in November 2005 about a series of program changes, which are effectively the government's policy for the way in which it wants the Regional Partnerships program to work, and we have been progressively implementing those changes.

Senator O'BRIEN—When you say 'progressively', when did it start using them and which ones were taken up and when?

Ms Page—We have got a list of where we are at.

Ms McNally—The ministerial committee was established on 30 November and there have been nine Regional Partnerships committee meetings since that time. A number of projects have also been assessed out of session. We have streamlined the assessment of projects that commenced in the Canberra national office on 13 March, and this change resulted in assessment times being halved. We have put in place the three-year funding contracts for area consultative committees, which commenced on 1 July 2006. The operational budget allocation for ACCs was separated from the Regional Partnerships program as part of the 2006-07 budget. The government has put in place a revised charter for the ACCs and statement of the government's priorities for 2005-06. That occurred on 11 April 2006. We have put in place revised guidelines for the operation of the Regional Partnerships program. They were made available on the Regional Partnerships website from 21 July 2006, which took effect from 1 August. The ministerial committee has been provided with advice on ACC boundaries and comments have been received from a number of ACCs and local MPs. The ministerial committee has agreed to a process of consultation for the appointment of ACC chairs and deputy chairs, which is expected to be complete by the end of this calendar year.

Senator O'BRIEN—How many project assessment processes have you used in the new guidelines?

Ms McNally—How many assessment processes?

Senator O'BRIEN—Yes.

Ms McNally—There is a single assessment team based in Canberra. That assessment team makes assessments against the program guidelines and there are then recommendations made on individual projects to the ministerial committee.

Senator O'BRIEN—How many projects?

Ms McNally—In 2005-06, 545 applications for new projects were received and 445 applications were processed through the ministerial committee in that financial year.

Senator O'BRIEN—How many of those were processed using the new guidelines—all of them, some of them or none of them?

Ms McNally—Only some of them. I would have to take the exact number on notice.

Ms Page—It is fair to say as well that the guidelines do not fundamentally change the broad directions of the program level. What the guidelines do is provide clarity and clearer advice rather than different advice on the way in which the government will make decisions in relation to projects.

Ms McNally—Can I clarify that in the 2005-06 financial year all the applications were against the old guidelines. The new guidelines did not commence until 1 August 2006.

Senator O'BRIEN—Is it now mandatory that applications be developed in consultation with area consultative committees?

Ms McNally—It is not mandatory.

Senator O'BRIEN—Do ACCs make recommendations on all applications to the department?

Ms McNally—Yes, they do.

Senator O'BRIEN—Have assessment guidelines for multiregion applications been developed?

Ms McNally—No. There is one set of guidelines for all applications.

Senator O'BRIEN—Will the government be tabling a biannual statement in the Senate detailing projects approved in the last six months, along with departmental and ACC recommendations?

Ms Page—No, the government is not proposing to do that.

Senator O'BRIEN—Is the government proposing to make any announcement in relation to projects as they are approved?

Ms Page—The government announces projects as they are approved. We have probably got advice on approved projects on our website.

Ms McNally—That is correct.

Senator O'BRIEN—Was the ANAO better practice grants guide used in developing the new guidelines?

Ms McNally—It was.

Senator O'BRIEN—On notice, can you tell us what the differences are between the processes and the better practices grants guide?

Ms McNally—I could not go into their guidelines in detail, but essentially the guidelines changed in respect of setting out more clearly what the assessment criteria are, so there are now seven defined assessment criteria. They clarified the role of the ACCs and the regional officers of the department and the national office. The guidelines also clarified some of the terminology, such as what was meant by 'competitive neutrality' and 'cost shifting'. The guidelines also provided clarification about opportunities for a process review, if applicants chose to query the reason they were not given a project.

Senator O'BRIEN—Did you say that these guidelines are available on the department's website?

Ms McNally—That is correct.

Senator O'BRIEN—Is the ACT government now eligible for Regional Partnerships grants?

Ms McNally—There is no specific reference to the ACT government in the guidelines, but we have written to the ACT government clarifying their eligibility and I am happy to provide that information to you.

Senator O'BRIEN—Does the government now negotiate with each area consultative committee key performance indicators to ensure that they are appropriate to the region?

Ms McNally—The key performance indicators for area consultative committees is separate from the Regional Partnerships program overall. The key performance indicators for area consultative committees are standard to all area consultative committees. Does that answer your question?

Senator O'BRIEN—Yes, it does. In relation to Regional Partnerships grants, are ACC recommendations disclosed to applicants on request?

Ms McNally—Does ACC provide advice about the outcome?

Senator O'BRIEN—When the ACC provides the advice, are the applicants told what that advice is on request?

Ms McNally—They could be, but I am not aware of any actual requests myself. I could look into that for you.

Senator O'BRIEN—Separately in relation to ACCs, are there any plans for the department to review the role of ACC's in regional development to maximise their contribution to regional development?

Ms McNally—The role of ACCs was examined as part of the revision of their charter at the end of the last financial year and one of the aspects of that charter was for them to take a larger role in whole-of-government activities.

Senator O'BRIEN—In relation to the Sustainable Regions Program, is that a continuing program in some respects?

Ms Gosling—It is in the sense that there are two regions that were announced as election commitments in 2004 with appropriations going into 2007-08.

Senator O'BRIEN—But there were no changes to the program guidelines while changes were made to Regional Partnerships?

Ms Gosling—No.

Senator O'BRIEN—Is there any specific reason for that? Was there no relevance in any of the changes?

Ms Gosling—In a sense, the guidelines for the two programs are somewhat different. The focus of the two programs is somewhat different. Sustainable Regions is a targeted program to geographical areas where the government is making an investment in a particular region. The recommendations under the Sustainable Regions Program come directly from the Sustainable Regions advisory committees directly to the minister. The nature of the programs is somewhat different so the process of reviewing the guidelines has not been considered necessary.

Senator O'BRIEN—Will the appointment process for the two new Sustainable Regions advisory committees be made public, along with selection criteria?

Ms Gosling—The appointments of the members of the Sustainable Regions advisory committees is a ministerial decision and the ministers make those appointments.

Senator O'BRIEN—There are no criteria that the department is aware of?

Ms Gosling—Obviously the minister would take into account the range of skills that might be necessary for such a committee, but in terms of the appointment it is obviously ministerial discretion.

Senator O'BRIEN—Do all Sustainable Regions and Regional Partnership projects now require all relevant licences and approvals be gained before funding is granted?

Ms McNally—With respect to Regional Partnerships, in some cases projects are approved subject to those approvals being gained. While they may not be achieved prior to the application being submitted or prior to approval, they are required prior to a funding agreement being finalised. Alternatively, there may be specific milestones in the funding agreement where they are required to get certain approvals before they can proceed and get payments for particular milestones.

Ms Gosling—The process is the same in relation to the Sustainable Regions program.

Senator O'BRIEN—In relation to the Sustainable Regions, have the competitive neutrality procedures been strengthened?

Ms Gosling—Obviously, in terms of how a minister might assess competitive neutrality, the minister may look to the guidelines and the framework for Regional Partnerships, but in terms of the specific guidelines for Sustainable Regions the guidelines have not changed.

Senator O'BRIEN—What about due diligence procedures, including, for example, information as to whether legal action has been or is being taken against applicants?

Ms Gosling—The due diligence process for the Sustainable Regions Program have not changed. I am stretching my memory in terms of the actual amounts, but there is a three-level category in terms of the due diligence that is undertaken, and in some cases legal action pending would be one of the issues that may be considered.

Senator O'BRIEN—How are ministers and their staff to be kept at arm's length from approving projects, for example, in their own electorates? Are any procedures now in place?

Ms Gosling—For either program?

Senator O'BRIEN—Yes.

Ms Gosling—In relation to the Sustainable Regions Program the decisions on projects within the minister's electorate have been referred to another minister within the portfolio for a decision.

Ms McNally—In respect of the Regional Partnerships program, the relevant minister from the ministerial committee abstains from making a decision on those projects, so of the three ministerial committee members if there is a project in one of the minister's electorates it is only approved by two of those ministers.

Senator O'BRIEN—Otherwise is it approved by three?

Ms McNally—Yes.

Senator O'BRIEN—Who now sits on the ministerial committee making final decisions on Regional Partnership projects?

Ms McNally—The Minister for Transport and Regional Services and Deputy Prime Minister, Minister Vaile; Special Minister of State Gary Nairn; and the Minister for Territories and Local Government, Jim Lloyd.

Senator O'BRIEN—Do you know why the Special Minister of State is on the committee?

Ms Page—He was appointed when he was Parliamentary Secretary to the Prime Minister, and the Prime Minister agreed that Minister Nairn could continue his role on the committee in his capacity as Special Minister of State.

Senator O'BRIEN—Is that a specific decision of the Prime Minister?

Ms Page—That is correct.

Senator O'BRIEN—In relation to Regional Partnerships applications, what is the average time now taken to assess Regional Partnership applications?

Ms McNally—The average time for Regional Partnership applications is now 11 weeks for projects that are over \$25,000 and eight weeks for projects under \$25,000.

Senator O'BRIEN—Can you tell us why it took one year for the department to make a decision not to fund the Bacchus Marsh equine training centre?

Ms McNally—The assessment time frames that I just outlined are those that we have achieved since we put in place the central assessment process on 13 March. We spent between 13 March and 30 June 2006 clearing a backlog of outstanding projects that have been in the pipeline for quite a long time, and we have improved our assessment time frames since then. There are some projects that still fall outside the KPI requirements under the program, which is 12 weeks for the over \$25,000 category projects and eight weeks in the under \$25,000 category projects. Often that relates to all the information not being provided when the applicant submits, and we have to follow up and make requests for information. Projects are complex and quite difficult and we undertake viability assessments to ensure that the applicants are suitable applicants for large projects. In some cases, we seek further information about things such as development approvals. Where that occurs we now write to the applicants upon receipt of their application, giving them an indication of when we expect to have the assessment completed. If there are delays as a result of that process, we contact them further and keep them informed until we get the assessment through.

Senator NASH—Just on the issue of the information not coming through from the applicants, which is obviously slowing down the process, do you have a breakdown of figures for those not completed in the KPI time in terms of what percentage is held up by the proponents not having the information through to the departments?

Ms McNally—No, we do not. We tend to deal with those on an individual, project-by-project basis. We do not keep stats on the reasons for individual delays. We keep the range of issues monitored but we do not keep individual stats. With the issue of projects not coming in with all the information, in the last couple of weeks we have been running workshops with area consultative committees. We have talking to them about the sorts of issues that arise that make projects get stuck in the pipeline. We are working fairly closely with the area consultative committees to try to address that particular issue, as well as a range of other issues.

Senator NASH—Is that so that you get all the right information initially, rather than the department having to go back and ask further questions and ask for the provision of further information?

Ms McNally—That is correct. Often they might refer to an attachment and they have not sent the attachment through, so when we send out the letter notifying them that we received the application we let them know then that all the information did not come through. If they send it in within five working days we will still meet our time frames. If it is outside those five working days, there will be delays to the project. It is after those five working days that we start the follow-up.

Senator O'BRIEN—Prior to 13 March, what were the average times for projects over and under \$25,000?

Ms McNally—Over \$25,000 was in excess of 18 weeks and under \$25,000 was in excess of 16 weeks, but with many projects taking longer.

Senator O'BRIEN—Bacchus Marsh took a year; the Shark Lake Industrial Park took six months; and it took 20 weeks for the Mackay Riverside Aquatic Park. Are they examples of the longer times?

Ms McNally—They would be. One of the things that we have tried to do through this process—which gets back to what Senator Nash was talking about—is clarify right up-front that we have not received all of the information. What was occurring previously was that an applicant would submit and there would be a toing-and-froing process while the information was sought or further clarification was sought with the aim of trying to get a good-quality project through the system. But what that resulted in was projects going through long delays while people went and got their information; there was a lot of toing and froing. We have tried to change that process by notifying them that we have received the application, moving straight into assessment and then notifying them that we have not got all the documentation and what we plan to do about that. We have tried to tighten that overall process.

Senator O'BRIEN—How much of the funding allocated to the Rural Medical Infrastructure Fund was spent in 2005-06?

Ms McNally—Nine rural medical infrastructure projects were approved, with a value of \$1.1 million. We have a further four currently being assessed, with a value of \$600,000. That is as at 20 September 2006.

Senator O'BRIEN—This committee heard in May that the \$10 million underspend in the program would be returned to government. Is that still the case?

Ms McNally—That is correct.

Senator O'BRIEN—There looks like there will be 13 projects approved and \$1.7 million spent?

Ms McNally—Of the 14 applications that have been received, one was withdrawn because it was ineligible. With the other four that are currently under assessment there is still a decision to be made about whether they will be funded or not.

Senator O'BRIEN—That is the maximum?

Ms McNally—At this point in time, yes. Although I do know that we have received another one today, which is not in my list.

Senator NASH—Did that go through an ACC?

Ms McNally—I would have to get back to you on that level of detail. Most of the projects do go through the area consultative committee. There are a range of reasons as to why they are sometimes withdrawn. Sometimes they get advice from the area consultative committees that they are probably not going to be suitable, but they decide to have a go anyway. I am not clear that that one is in that category, but that does happen.

Senator O'BRIEN—It is 15 applications that have been received and, of those, nine have been approved to date?

CHAIR—Are those applications public documents?

Ms McNally—Yes. The applications themselves are not available, but the information about the proposals will be up on our website.

CHAIR—Now?

Ms McNally—They should be, yes.

CHAIR—Are you allowed to ask if one is in?

Ms McNally—We put them up at the point when the funding agreement has been finalised.

CHAIR—Is there one for June?

Ms McNally—I will have to check.

Senator O'BRIEN—How many of the applications have been received since the new guidelines were introduced?

Ms McNally—Two.

Senator O'BRIEN—Is the scheme scheduled to finish in June 2008?

Ms McNally—That is correct.

Senator O'BRIEN—Will the Minister for Transport and Regional Services appoint the chairs and deputy chairs for area consultative committees to commence their new terms in January 2007 or will they be appointed by the committee of ministers?

Ms Page—The terms of the government's announcement on this was that the government would appoint the chairs, and the way in which that is likely to be done is that they would formally be appointed by the senior portfolio minister but in consultation with the other members of the committee in the way in which they discuss other aspects of the administration of the program.

Senator O'BRIEN—Are there criteria available that are used in the making of the appointments?

Ms Page—There are criteria.

Ms McNally—We could make that information available for you.

Senator O'BRIEN—Has the review of ACC boundaries been completed?

Ms McNally—That process is still ongoing. The government has received feedback from MPs and senators on the boundary review, and that advice is still being considered.

Senator O'BRIEN—Who else was consulted apart from—I presume you mean coalition MPs and senators?

Ms McNally—Government MPs.

Senator O'BRIEN—Who else? Anybody?

Ms McNally—And the area consultative committees themselves.

Senator O'BRIEN—What consideration has been given in the boundary review to the levels of need in communities covered by ACCs?

Ms Page—The purpose of the review, as announced by the government, was to see whether or not the boundaries still reflected a community of interest and also to examine the boundaries for metropolitan areas. It has not been an exercise based on the demographic issues, other than the question of whether the boundary, if you like, reflects a natural community of interest, perhaps as expressed by local government and other local boundaries.

Senator O'BRIEN—Has any decision on the amalgamation of Melbourne ACC been made?

Ms Page—No.

Senator O'BRIEN—What decisions, if any, have been made regarding the funding increase for Melbourne ACCs?

Ms McNally—There have not been any decisions as yet.

Senator O'BRIEN—Has it been decided not to increase the funding of any particular ACC other than the Sydney ACC?

Ms McNally—No.

Senator O'BRIEN—Have all ACCs been transferred to a three-year funding model?

Ms McNally—All those except for the Sydney ACC and the five Melbourne ACCs.

Senator O'BRIEN—Which ACCs have received a funding increase for 2006-07?

Ms McNally—All ACCs received a funding increase except for those six.

Ms Gosling—There were 48 ACCs that received a funding increase. Two ACCs declined any increase. The Riverina and Peel ACCs both indicated that they were happy with the level of funding that they had. So 48 received an increase and those two remained with the status quo. As Ms McNally said, the other six, pending the outcome of their boundary review, did not receive an increase.

Senator O'BRIEN—What was the average increase for the 48 ACCs?

Ms Gosling—I would have to take that on notice. I would not know the average.

Senator O'BRIEN—I have a heap of questions on notice.

CHAIR—We must have a show of hands, because we will go for another hour unless there is a majority of hands that go up. Hands up all those who want to go home! We will continue on and do another hour!

Senator O'BRIEN—We had better bring some more people back.

CHAIR—I am only pulling your leg; we are going home!

Senator O'BRIEN—I was ready to go on.

Committee adjourned at 11.01 pm