



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Estimates**

(Public)

TUESDAY, 24 FEBRUARY 2015

CANBERRA

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**SENATE**

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**

**Tuesday, 24 February 2015**

**Members in attendance:** Senators Back, Carol Brown, Bullock, Cameron, Conroy, Edwards, Fawcett, Gallacher, Heffernan, Leyonhjelm, Ludlam, McLucas, Muir, Peris, Rhiannon, Rice, Seselja, Sterle, Urquhart, Whish-Wilson, Williams, Wong, Xenophon.



## **INFRASTRUCTURE AND REGIONAL DEVELOPMENT PORTFOLIO**

### **In Attendance**

Senator Cash, Minister Assisting the Prime Minister for Women, Assistant Minister for Immigration and Border Protection.

### **Department of Infrastructure and Regional Development**

#### **Executive**

Mr Mike Mrdak, Secretary  
Ms Lyn O'Connell, Deputy Secretary  
Mr Andrew Wilson, Deputy Secretary

#### **Corporate Services Division**

Mr David Banham, Chief Operating Officer  
Ms Justine Potter, Chief Financial Officer  
Ms Nicole Spencer, General Manager, Policy Development Unit

#### **Infrastructure Investment Division**

Mr Andrew Jaggers, Executive Director  
Mr Andrew Danks, General Manager, Major Infrastructure Projects Office  
Ms Jessica Hall, General Manager, Infrastructure Policy  
Mr Roland Pittar, General Manager, North West Roads  
Mr Alex Foulds, General Manager, South East Roads  
Mr Richard Wood, General Manager, Rail and Intermodal

#### **Infrastructure Australia**

Mr Stephen Alchin, Executive Director, Planning  
Mr Paul Roe, Director, Financing and Funding Policy

#### **Australian Rail Track Corporation**

Mr John Fullerton, Chief Executive Officer

#### **Western Sydney Unit**

Mr Brendan McRandle, Executive Director, Sydney Aviation Capacity  
Mr Peter Robertson, General Manager, Communication, Environment and Legal  
Mr Greg Whalen, General Manager, Financial, Commercial and Operations

#### **National Capital Authority**

Mr Malcolm Snow, Chief Executive  
Mr Andrew Smith, Chief Planner  
Ms Helen Badger, Acting Executive Director, National Capital Estate

#### **Local Government and Territories Division**

Ms Robyn Fleming, Executive Director  
Ms Karly Pidgeon, General Manager, Jervis Bay and Indian Ocean Territories  
Mr Paul McInnes, General Manager, Norfolk Island Reform Taskforce  
Mr Andrew Johnson, General Manager, Local Government, ACT and Regional Development Australia  
Ms Glenda Kidman, General Manager, Norfolk Island and Reconstruction Programmes

#### **Policy and Research Division**

Ms Philippa Power, Acting Executive Director  
Ms Nicole Spencer, General Manager, Policy Development Unit  
Dr Gary Dolman, Head of Bureau, Bureau of Infrastructure, Transport and Regional Economics  
Ms Cathryn Geiger, General Manager, Regional Economic Policy  
Mr James Collett, General Manager, Planning Analysis/Office of Northern Australia

**Office of Transport Security**

Ms Sachi Wimmer, Executive Director  
Ms Pauline Sullivan, General Manager, Transport Security Operations  
Mr Richard Farmer, General Manager, Maritime, Identity and Surface Security  
Mr Steve Dreezer, General Manager, Aviation Security  
Ms Nicole Pearson, General Manager, Risk and International  
Mr Jeremy Thomas, Acting General Manager, Supply Chain Security Taskforce

**Surface Transport Policy Division**

Ms Judith Zielke, Executive Director  
Mr Michael Sutton, General Manager, Maritime and Shipping  
Mr Marcus James, General Manager, Surface Transport Productivity  
Mr Robert Hogan, General Manager, Vehicle Safety Standards  
Ms Donna Wieland, General Manager, Strategic Policy

**Australian Maritime Safety Authority**

Mr Mick Kinley, Chief Executive Officer  
Mr Gary Prosser, Deputy Chief Executive Officer  
Mr John Young, General Manager, Emergency Response Division

**Aviation and Airports Division**

Mr John Doherty, Executive Director  
Mr Jim Wolfe, General Manager, Air Traffic Policy  
Mr Scott Stone, General Manager, Aviation Environment  
Ms Leonie Horrocks, General Manager, Airports  
Mr Stephen Borthwick, General Manager, Aviation Industry Policy

**Airservices Australia**

Ms Margaret Staib, Chief Executive Officer  
Ms Mairi Barton, Executive General Manager, Corporate and Industry Affairs  
Mr Greg Hood, Executive General Manager, Air Traffic Control  
Mr Andrew Clark, Chief Finance Officer  
Mr Mark Rodwell, Executive General Manager, Projects and Engineering  
Ms Michelle Bennetts, Executive General Manager, Aviation Rescue and Firefighting  
Mr Andrew Boyd, Executive General Manager, People and Culture

**Australian Transport Safety Bureau**

Mr Martin Dolan, Chief Commissioner  
Mr Ian Sangston, General Manager, Aviation Safety Investigations  
Mr Julian Walsh, General Manager, Strategic Capability  
Mr Peter Foley, Program Director, Operational Search for MH370  
Mr Neville Blyth, Acting General Manager, Surface Safety Investigations  
Mr Jason McGuire, Project Manager, Operational Search for MH370

**Civil Aviation Safety Authority**

Mr Mark Skidmore, Director of Aviation Safety  
Mr Terry Farquharson, Deputy Director of Aviation Safety  
Dr Jonathan Aleck, Associate Director of Aviation Safety  
Mr Peter Boyd, Executive Manager, Standards  
Mr Gerard Campbell, Executive Manager, Operations  
Mr Peter Cromarty, Executive Manager, Airspace and Aerodrome Regulation

Mr Mark Taylor, Active Executive Manager, Industry Permissions

Mr Adam Anastasi, Executive Manager, Legal Services

Mr Brian Keech, Acting Executive Manager, Corporate Services

Mr Lloyd Petty, Acting Chief Finance Officer

Mr Roger Crosthwaite, Manager, Flight Crew Licencing Standards

Mr Nick Ward, Manager, Airworthiness and Engineering

**Committee met at 09:01.**

**CHAIR (Senator Heffernan):** I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed additional expenditure for 2014-15 and related documents for the Infrastructure and Regional Development portfolio. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has before it a program listing agencies and outcomes relating to matters for which senators have given notice, and the proceedings today will begin with an examination of the Corporate Services Division of the Department of Infrastructure and Regional Development.

The committee has fixed Friday, 17 April 2015, as the date for the return of answers to questions taken on notice. This deadline is longer than the usual timeframe that the committee sets for the return of answers to questions taken on notice. This is to account for the time agreed by the committee for senators to provide written questions to the committee secretariat. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business on Friday, 6 March 2015.

Under standing order 26 the committee must take all evidence in public session. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. 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 the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has also resolved that an officer of a department of the Commonwealth 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.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. Witnesses are specifically reminded that a statement that information or a document is confidential, or consists of advice to government, is not a statement that meets the requirements of the 2009 order. Instead witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document. I incorporate the public immunity statement.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which

the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

I welcome Senator the Hon. Michaelia Cash, representing the Minister for Infrastructure and Regional Development; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Regional Development; and officers of the department. Minister Cash, do you or Mr Mrdak wish to make an opening statement?

**Senator CASH:** I do not have an opening statement.

**Mr Mrdak:** I do not have an opening statement.

**CHAIR:** I will just give notice that yesterday, with the cooperation of Senator Sterle, we did delete some items because it became quite obvious that we were not going to get through the program. There were some distractions of a long nature. It is my plan to assess how we are going at lunchtime today and maybe alter the program consequential to that. I think it would be the wish of the committee that we make sure that—rather than drop them off the end—CASA gets to give evidence before we run out of time.

#### **Department of Infrastructure and Regional Development**

[09:06]

**Senator STERLE:** Is the department aware of when the National Infrastructure Committee of cabinet meets?

**Mr Mrdak:** Yes, as with all cabinet committees, there is a forward agenda of meetings. At this stage, that committee meets at least quarterly.

**Senator STERLE:** What involvement does the department have in these meetings?

**Mr Mrdak:** It is a cabinet committee. The committee is supported through the normal arrangements of the cabinet office. The department provides draft submissions for the minister if there is an item on the agenda which relates to the minister's portfolio. The department provides briefing, assistance and advice to the portfolio ministers who are attending the meetings.

**Senator STERLE:** How many meetings of this committee have been held since it was formed?

**Mr Mrdak:** I would have to take that on notice. I do not have that specific detail with me.

**Senator STERLE:** While you are taking that on notice, can you also advise the dates the committee has held meetings since it was formed?

**Mr Mrdak:** Yes, I will take that on notice too.

**Senator STERLE:** Which ministers are members?



**Mr Mrdak:** The membership of the cabinet committee has been publicly announced. It is chaired by the Prime Minister. The ministers attending the meetings are the Treasurer, the Deputy Prime Minister and the Assistant Minister for Infrastructure and Regional Development. That is essentially the core attendance. Other ministers are co-opted as required.

**Senator STERLE:** Can you tell the committee how many of those meetings Minister Truss has personally attended?

**Mr Mrdak:** To my knowledge he has attended all meetings of the committee.

**Senator STERLE:** Can you tell us how many of those meetings Assistant Minister Briggs has personally attended?

**Mr Mrdak:** To my knowledge, Assistant Minister Briggs has attended all meetings of the committee.

**Senator STERLE:** And the Treasurer?

**Mr Mrdak:** Again, to my knowledge the Treasurer has attended all meetings, but I am happy to take that on notice.

**Senator STERLE:** While we are at it, can you tell us how many meetings the Prime Minister has personally attended?

**Mr Mrdak:** To my knowledge, the Prime Minister has chaired each meeting of the committee.

**Senator STERLE:** How many reports has the committee made to the full cabinet since it was formed?

**Mr Mrdak:** I do not have that information. I am happy to take it on notice to talk to the Department of the Prime Minister and Cabinet to see what assistance I can provide on that.

**Senator STERLE:** With these questions on notice, I know the chair and committee will set a date and time—which we have not but it will not be far away—but if, for any of the easier ones, you can come back and respond after each session, it will take the workload off your department and makes it easier for us. I know that is the way you usually work, Mr Mrdak, so thank you for that. While you are at it, could you tell us on what dates did the full cabinet have a report from this committee on its agenda?

**Mr Mrdak:** Again, I will take that on notice.

**Senator STERLE:** Okay. In a written answer, No. 24, to October estimates—I am talking about market research here—is it correct that the department has spent \$228,000 to date on market testing for livery for the Western Sydney airport project?

**Mr Mrdak:** I will just check those numbers for you. It is not for livery. It involves a range of communications and market-testing tasks, including the development of a community engagement strategy for the community. As you are aware, the development of the Western Sydney airport at Badgerys Creek is a very detailed project for which the community is seeking information. The work involves a consultancy which we have let to a firm to provide services which are more than just livery. It is a whole community strategy of information and the like which will be available, including information which will be available through the environmental impact statement process which is now underway. I will just get Mr Wilson to confirm that number.

**Mr Wilson:** That is correct.

**Senator STERLE:** So the \$228,000 is total? That is the community engagement and everything, not just livery?

**Mr Mrdak:** That is a consultant that we have engaged for a period of time to undertake a range of activities around community information, yes.

**Senator STERLE:** Is that information publicly available—and the break-up?

**Mr Mrdak:** We can certainly provide for you on notice the details of the contract.

**Senator STERLE:** I would appreciate that. Could the committee have the whole break-up: who got what, what it was spent on, how much was livery—

**Mr Mrdak:** Certainly.

**Senator STERLE:** exactly what you talked about. Is that a—

**Mr Wilson:** There was no expenditure on determining livery associated with the project.

**Senator STERLE:** Great. Can we just have a breakdown of the \$228,000 on the market research. Thank you for that. Mr Mrdak, can you indicate whether any of the following acts have been accounted for as delivering savings to industry within the department or its portfolio agencies? I will go to the Omnibus Repeal Day (Spring 2014) Act 2014.

**Mr Mrdak:** No, I do not believe we had any portfolio acts in that omnibus bill.

**Senator STERLE:** What about the Amending Acts 1970 to 1979 Repeal Bill 2014?

**Mr Mrdak:** We will have to take that on notice. I do not believe so, but I will take that on notice for you.

**Senator STERLE:** No worries. While I am at it, what about the Statute Law Revision Bill (No. 2) 2014? I am looking for the nods behind.

**Mr Mrdak:** I will just get the responsible officer to the table.

**Senator STERLE:** Great, thank you.

**Ms Spencer:** Again, we would have to take that particular one on notice. They are all coordinated through the Department of the Prime Minister and Cabinet.

**Senator STERLE:** That is fine. If those bills were passed unamended, that would be helpful too. That was painless. I am finished. I am done.

**Senator EDWARDS:** Can I talk about asset recycling here?

**Mr Mrdak:** Certainly.

**Senator EDWARDS:** Okay, great. Have you had any discussions with the South Australian state government around the asset-recycling scheme?

**Mr Mrdak:** Yes, the South Australian government has been involved in discussions. As you are aware, all of the states and territories signed an agreement in May last year in relation to the Asset Recycling Initiative. South Australia has put an indicative proposal of some asset-recycling options around the further investment in the South Road project arising from its promised disposal of assets.

**Ms O'Connell:** All states and territories have signed the National Partnership Agreement on Asset Recycling. It is administered through the Department of the Treasury. This department portfolio does play a role in terms of providing an assessment on the particular projects that are put forward by the states and jurisdictions. To date, my understanding is that there is one state for which an announcement has been made, and that is the ACT. A number of states have put forward proposals, and we provide some assessments on those proposals.

**Senator EDWARDS:** What are the assets that the South Australian government has talked to you about?

**Mr Mrdak:** In terms of the asset that they propose to dispose of?

**Senator EDWARDS:** Yes.

**Mr Mrdak:** I will just get that detail for you.

**Senator EDWARDS:** You might, while we are just getting that detail, think about this. You say you go through an assessment process. What do you actually assess? Do you provide recommendations for them?

**Ms O'Connell:** In terms of the asset sales, we do not enter into discussions with the jurisdictions about what assets they are selling. That happens with the Department of the Treasury, who are overall responsible for the Asset Recycling Initiative. What we do is an assessment, according to particular guidelines that were set as part of that National Partnership agreement. We do an assessment of the proposed projects that the money is going to be spent on, which is the funding that the federal government is providing in terms of the 15 per cent incentive on top of the asset sales. So ours is not on the proposed assets for sales but on the asset to be invested in, in terms of its strength as an infrastructure asset. That is the advice that we provide to the Treasurer through the Deputy Prime Minister on the Asset Recycling Initiative.

**Senator EDWARDS:** You say you have looked at a number of targets for moneys to be expended in South Australia.

**Ms O'Connell:** As proposed, South Australia has written to the Treasurer proposing some asset sales in keeping with the partnership agreement.

**Senator EDWARDS:** Did they name those assets?

**Mr Mrdak:** I do not think we have the details with us.

**Ms O'Connell:** We do not have it with us, and we do not look at the assets that are proposed for sale.

**Senator EDWARDS:** I understand that.

**Ms O'Connell:** We only look at what the spend is.

**Senator EDWARDS:** Did they name the assets that they were looking at selling?

**Mr Mrdak:** I believe they have, but we do not have the details with us. I will try and get those for you this morning.

**Senator EDWARDS:** It would be great if we could detail those assets. What are the projects that they are proposing for the money to go into in this?

**Mr Mrdak:** The South Australian government's initial proposal is for any asset recycling moneys to be reinvested in the Torrens to Torrens and the Darlington projects to essentially accelerate them.

**Ms O'Connell:** The Darlington project involves the South Road.

**Senator EDWARDS:** Have they not been funded already?

**Mr Mrdak:** They have, and we have some concerns with the South Australian proposal as to whether it meets the government's criteria of effectively driving further productivity and economic reform. The South Australian proposals essentially seek to return to the completion date that we thought had already been agreed.

**Senator EDWARDS:** Wow! So the South Australian government is proposing to sell an asset and use the recycling money on a project that is already funded to pay for something that may not happen.

**Mr Mrdak:** In essence, the South Australian government has indicated there may be some slippage in the program. That has been agreed.

**Senator EDWARDS:** Slippage?

**Mr Mrdak:** In which case, they have indicated that they may be able to return to the original program if the asset recycling funds were available for that project. We have questions as to whether that meets the federal government's intent.

**Senator EDWARDS:** I am sure they are very big questions.

**Mr Mrdak:** They are considerable questions in relation to whether that is an appropriate use of the asset recycling moneys to effectively provide additional funding to a project that the Commonwealth has already provided substantial resources to.

**Ms O'Connell:** I think the guidelines for the asset recycling are clear about it being a new piece of infrastructure. So it is difficult to see that it would fit that criterion.

**Senator EDWARDS:** That clearly does not fit that category. How far is this down the track, because, at first brush, even here in the three minutes that we have been talking, this just does not pass the pub test or the smell test or whatever test you would like to apply?

**Mr Mrdak:** At this stage, as Ms O'Connell has indicated, the South Australian government has written to the Treasurer, putting forward this proposal. We have provided advice to our minister. The Australian government is now considering its response to the South Australian proposal. I think, informally, indications have been made to the South Australian government that we do not believe that that is an appropriate investment for the type of program we have put forward.

**Senator EDWARDS:** So now they are racing around to try and find somewhere else to burn the money.

**Mr Mrdak:** I do not know about that. I think we are waiting to see whether they have other proposals.

**Senator EDWARDS:** Do you remember the \$41 million that they forgot to spend on the electrification of the Gawler train line? They forgot to give you the money back when they did not do it. They actually forgot to tell you that they were not going to do it. Are we going to see a repeat of that?

**Mr Mrdak:** We would certainly hope not.

**Senator EDWARDS:** You have got your eyes on this government in South Australia, have you?

**Mr Mrdak:** It was, as you know, a protracted process to get those funds returned to the Commonwealth. We would certainly not want to see a replication of that.

**Senator EDWARDS:** Yes, because that was just a pea-and-thimble trick, wasn't it? I will be very interested to see what proposals they come up with for the asset recycling bonus. Thank you.

**Senator GALLACHER:** Mr Mrdak, or any of the officers, where does road-tolling fit in the federal sphere on these projects, given South Australia's position on no tolls?

**Mr Mrdak:** Where does road-tolling fit in?

**Senator GALLACHER:** Are you trying to drive road-tolling on these projects?

**Mr Mrdak:** We are not, of itself, trying to drive road-tolling. We are trying to ensure that projects are financed. Obviously, one of the means of financing, particularly a number of large urban projects, is to provide user charges or tolls in relation to that to provide a means of funding the projects.

As you know, one of the greatest issues of governments of all persuasions around the country is, in the future, how we fund some of these major infrastructure projects in the absence of revenue streams like tolls. We do not then otherwise have the revenue streams to support private finance.

**Senator GALLACHER:** Given the South Australian government's position with respect to road tolls—a very broadly supported position—is that a difficulty that is driving this asset recycle.

**Mr Mrdak:** No, the Australian government has never set a requirement that projects be tolled as part of receiving Commonwealth moneys. Clearly, on some projects where there is an advantage and where projects can be funded and financed through revenue means like tolls, we would support that. But it has not been made a mandatory condition of any Commonwealth project assistance.

**Ms O'Connell:** It is fair to reflect that the Productivity Commission reported, in its recent report on infrastructure, that user-charging plays a significant role in funding and financing infrastructure assets. So, clearly, where there is tolling there is an ability to invest in more pieces of infrastructure as a result.

**Senator GALLACHER:** You are saying that if there was road tolling it would attract more investment from the federal government. Is that what you are saying?

**Mr Mrdak:** No, Senator. I think what Ms O'Connell is indicating is that in the absence of revenue streams from road-user charging, it is often difficult for governments to find the funds to invest in the sorts of large-scale urban infrastructure at the costs involved. So in many situations the community is faced with a choice. In the absence of user chargers infrastructure would not be available—certainly in the foreseeable timeframe and in the absence of private financing.

**Senator GALLACHER:** So these projects that we talk about—Darlington and Torrens—will go ahead without road tolling?

**Mr Mrdak:** They are commitments by the governments to proceed with those projects. Yes.

**Senator GALLACHER:** And there will be no road tolling—

**Mr Mrdak:** That does not form part of it.

**Senator GALLACHER:** demanded by the federal government or anybody else.

**Mr Mrdak:** The proposals do not involve road tolls for those projects.

**CHAIR:** We will move on to Infrastructure Investment Division.

[09:23]

**Senator CAMERON:** In October 2014, the opposition asked questions about traffic modelling by RB Consulting for WestConnex stage 2. Do you recall that?

**Mr Mrdak:** Yes, Senator.

**Senator CAMERON:** The work was not finished then. Is it finished now?

**Mr Mrdak:** I will just get that information for you.

**Mr Jagers:** Work is ongoing with that consultant.

**Senator CAMERON:** Work is ongoing. What does that mean? How long has this work been ongoing?

**Mr Mrdak:** The consultant provided an initial report to us, which was subsequently provided to the WestConnex Delivery Authority. That report outlined a number of issues, where our consultant thought there needed to be further work done in relation to patronage forecasts. New South Wales have been undertaking that work. As that work is completed by New South Wales I would expect our consultant will then look at the results of that work and provide further advice to us. We still have that consultant engaged by us.

**Senator CAMERON:** Is that Jacobs SKM?

**Mr Jagers:** No, this is the RB consultant.

**Senator CAMERON:** The RB consultant. But you indicated in your answer to question 93 from October last year that Jacobs SKM were doing additional traffic modelling for the New South Wales government, stage 2.

**Mr Jagers:** If I could clarify, there were consultants employed by the New South Wales government through the WestConnex Delivery Authority. The Australian government has also employed a consultant to provide advice to us on patronage. Our consultant is reviewing the work that has been undertaken by New South Wales.

**Senator CAMERON:** Just let me get this clear. The New South Wales government is doing work on traffic modelling.

**Mr Jagers:** Yes.

**Senator CAMERON:** What model is that? What company is doing that?

**Mr Danks:** We believe Jacobs SKM are continuing to be engaged. There has been some in-house capacity that WestConnex Delivery Authority has been able to generate over time. They have also taken on a bit more of the modelling work.

**Senator CAMERON:** Jacobs SKM are doing that modelling. You indicated they were doing additional traffic modelling. Is this one project they are involved in?

**Ms O'Connell:** No. Perhaps it is easier to explain that the WestConnex Delivery Authority is part of the New South Wales government and is responsible for doing the modelling. What we have done is arrange peer review or scrutiny of that modelling through our consultancy, which raised a number of questions in areas that needed clarification. The New South Wales government has taken those suggestions and comments on board and is revising its current traffic modelling.

**Senator CAMERON:** Who did the Commonwealth modelling?

**Mr Danks:** The Commonwealth has not done its own modelling. It has been peer reviewing the work that the New South Wales government has done.

**Senator CAMERON:** Who is doing the peer review?

**Mr Danks:** RB Consulting is our adviser.

**Senator CAMERON:** When I asked earlier about traffic modelling by RB Consulting and WestConnex too, that is the Commonwealth.

**Mr Jagers:** That is correct.

**Ms O'Connell:** Just to clarify, it is not that RB are doing the modelling, they are peer reviewing it.

**Senator CAMERON:** They are doing the peer review, I think you described it as. They found some issues with the WestConnex or New South Wales government modelling. Is it WestConnex modelling or is it the New South Wales government? I just want to get it clear.

**Mr Mrdak:** It is modelling undertaken by the WestConnex Delivery Authority.

**Senator CAMERON:** On behalf of the New South Wales government

**Mr Mrdak:** The New South Wales government, yes.

**Senator CAMERON:** If we say 'New South Wales government modelling' that would be okay.

**Mr Mrdak:** That is right.

**Senator CAMERON:** RB Consulting raised issues about the modelling.

**Mr Mrdak:** Yes.

**Senator CAMERON:** What were those issues?

**Mr Mrdak:** I will get Mr Danks to provide you with that information.

**Mr Danks:** I will take the actual details on notice. The overall finding at the time was the modelling was sound; however, there are some issues around the edges we needed to work on. The New South Wales government has undertaken to look at those issues and that is what we are currently working through at the moment.

**Ms O'Connell:** I would just add that in terms of peer reviewing of patronage, risk forecasting is a good healthy practice to have. The expectation is that most models should be tested with different, separate eyes and it builds what is basically a better model, as a result. That is the intent and aim.

**Senator CAMERON:** The City of Sydney has also done some modelling; are you aware of that?

**Ms O'Connell:** The City of Sydney?

**Senator CAMERON:** The City of Sydney.

**Mr Mrdak:** I saw media reports this morning of work undertaken by the City of Sydney but we have not had a chance, to my knowledge, to see that work. I will check with my officers—no, we are not familiar with the work that was reported in the media this morning.

**Senator CAMERON:** You are not aware of the City of Sydney modelling that has been done in cooperation with WestConnex or whether it is separate modelling. Are you aware?

**Mr Mrdak:** We are not aware of it. I presume it has been done separately, but I can take that on notice and come back to you.

**Ms O'Connell:** We first became aware of it this morning in the paper report; we have not been asked about it or been involved in it.

**Senator CAMERON:** Will you be peer reviewing the City of Sydney modelling?

**Mr Mrdak:** If the City of Sydney were to put that to us we would be happy to have a look at that.

**Senator CAMERON:** Why do we have the reactive position from the Commonwealth? If there is modelling out there on a multibillion dollar project that we are engaged in, why would you not just have a look at it?

**Mr Mrdak:** We would be happy to. If what is in the public arena is the full modelling, then we would be happy to do that. As you know, sometimes analysis has a proprietary element to it. That would depend on the authorisation of the City of Sydney. They would have to initiate that with us. I presume that following this morning's media reports the WestConnex Delivery Authority would be similarly seeking that detail from the City of Sydney to enable that work to be done.

**Senator CAMERON:** Why would you not be saying to the City of Sydney, 'We have seen reports about modelling; we have skin in the game; can you show us what you have done?'

**Mr Mrdak:** I am very happy to do that. I read the article literally an hour or so ago. We would be very happy to contact the City of Sydney and were they prepared to provide us with the full details we would be happy to have a look at it.

**Senator CAMERON:** Good; that is fine. That is different from what you said earlier. You said if they gave it to you, you would have a look at it.

**Mr Mrdak:** As I said, we are happy to make the approach but, at the end of the day, they have to initiate it, to us, providing us with the level of detail we would require.

**Ms O'Connell:** It is also our expectation that the WestConnex Delivery Authority would be having a look at City of Sydney's modelling as well. We would have a look as well. I am not sure we would go to necessarily the expense of a full peer review, depending on what that initial look revealed.

**Mr Mrdak:** It is important to recognise that our work is around the Commonwealth's loan, our concessional loan arrangement. Responsibility for the full modelling of the project is with the WestConnex Delivery Authority.

**Senator CAMERON:** The loan gives the Commonwealth skin in the game, doesn't it?

**Ms O'Connell:** Absolutely; we have skin in the game in the project.

**Senator CAMERON:** We would have to be concerned about any modelling that has been done that might be in opposition to what is already on the public record or raising concerns about it, surely.

**Ms O'Connell:** Absolutely. We will be looking at it, in the same way that we have gone through a fairly rigorous peer review of the initial work done. If there is any other modelling out there that raises some questions or concerns, we will be having a look at it and will be in discussions with the WestConnex Delivery Authority.

**Senator CAMERON:** You have looked at the New South Wales traffic modelling. Will you be releasing that for the Senate? Can you provide details of your peer review of the New South Wales traffic modelling?

**Mr Mrdak:** I will take that on notice once that work is completed. I do not forecast a situation where we would not be able to provide it, but let me take that on notice and, particularly, find out what the timetable is for that work to be completed. Our interest is ensuring that the Commonwealth loan can and will be repaid in accordance with the proposed loan agreement.

**Senator CAMERON:** That is a bit different from the answer you gave in October last year for question on notice No. 94. You said it was commercial-in-confidence and would not be released. That is the New South Wales traffic modelling.

**Mr Mrdak:** You asked me for our modelling.

**Senator CAMERON:** But your modelling will go to aspects of—you have the new South Wales modelling, do you not?

**Mr Mrdak:** That is correct.

**Senator CAMERON:** I am asking for that to be released.

**Ms O'Connell:** That is a different question.

**Senator CAMERON:** Let us finish on the first one. On notice, you will take the issue of releasing the peer review of the New South Wales traffic. Just to get it clear, you will take on notice the proposition of releasing the peer review of the New South Wales traffic modelling.

**Mr Mrdak:** That is correct.

**Senator CAMERON:** You said you cannot see any reason that it would not be released but you are taking it on notice.

**Mr Mrdak:** We will take that on notice to ensure there is no commercial information that would otherwise be compromised by that release. In principle, I do not see an issue.

**Senator CAMERON:** I want to come to this commercial-in-confidence issue. You have in your possession the New South Wales traffic modelling, and you will not release that based on commercial-in-confidence. Is that right?

**Mr Mrdak:** That material is the property of New South Wales. That would be a matter for them to release that information. To this point, New South Wales has requested that information not be publicly released.

**Senator CAMERON:** Once they gave you that they made a request for it not to be released. There is now a document in the possession of the department. It becomes, basically, a Commonwealth document.

**Ms O'Connell:** No. For all matters in relation to, for example, freedom of information, the originator of the document—the author of it, which is the New South Wales government in this instance—retains the right to make a decision about whether we release it or not. We must request their permission to release it.

**Senator CAMERON:** Would you be in a position to request release for the Senate?

**Ms O'Connell:** We could request the New South Wales government's agreement to release it. We cannot release it.

**Mr Mrdak:** We cannot unilaterally release it.

**Senator CAMERON:** I am just trying to come to the technicalities of this. If we have got skin in the game, we are basically a partner in this project?

**Mr Mrdak:** Yes.

**Senator CAMERON:** So it is partly a Commonwealth project?

**Mr Mrdak:** The Commonwealth is providing a substantial funding contribution, yes.

**Senator CAMERON:** So it is partly a Commonwealth project. You have documentation that goes to one of the key aspects of this project. What is our investment in this project overall?

**Ms O'Connell:** It is \$1.5 billion as a grant fund, and the loan.

**Mr Mrdak:** And the \$2 billion concessional loan.

**Senator CAMERON:** So all up, how much Commonwealth money, in one way or another, is involved?

**Mr Mrdak:** The total, with the loan and the grant, is \$3.5 billion.

**Senator CAMERON:** So we have \$3.5 billion worth of Commonwealth money in this project; you have in your possession, as a partner in the project, New South Wales government traffic modelling. That is the factual situation?

**Mr Mrdak:** We have access to that traffic modelling, yes.

**Senator CAMERON:** My view, and what I am putting to you is: given that we are a partner in the project, given that it is partly a Commonwealth project and given that you have a document relating to a Commonwealth project, then I am seeking release of that document to the estimates committee. You either release it or you have to—you cannot just claim commercial confidentiality. You know that, don't you?

**Mr Mrdak:** Yes, Senator. I am well aware of the orders of the Senate.

**Senator CAMERON:** Are you claiming commercial confidentiality?

**Mr Mrdak:** No, what I was indicating to you was that the New South Wales government has made clear the basis on which we have been provided with the information. I am happy from today to take on notice the question you have asked in relation to the release of the material we have from New South Wales. I cannot at this stage give you a commitment that I will, or can, release that at the moment, but I am happy to take that on notice.

**Senator CAMERON:** We have \$3½ billion worth of Commonwealth money in this project and you are haggling with the Senate estimates committee about releasing one of the key aspects of this project—one of the aspects that could make or break this project.

**Mr Mrdak:** I do not know how you would express our conversation as 'haggling'. What I have indicated to you is that I will take on notice the basis on which the information has been provided to us. I will come back to the committee with advice as to the status of that and New South Wales's view on the release of that material to the committee.

**Senator CAMERON:** Unless you are claiming—unless the minister has to claim—or unless the minister is claiming commercial confidentiality, that document should be tabled.

**Senator Cash:** Chair?

**Senator CAMERON:** That is where you are haggling.

**Senator Cash:** No, Deputy Chair—just to be very clear, because obviously there seems to be, Senator Cameron, a slight misunderstanding. The officers at the table have given a very clear explanation as to why they have taken the question on notice. The question has been taken on notice. They will now go back and do whatever they need to do by way of process to see whether or not they can acquiesce to your request. In the event that they can they have said they will; in the event that they cannot they will provide an explanation. But at this particular point in time, with all due respect, there is no haggling. The secretary has clearly stated that he has taken the question on notice to ensure that he goes through the proper process. That is it.

**Senator CAMERON:** And I am drawing your attention, Minister, to proper process under Senate estimates.

**Senator Cash:** Yes, and proper process is that once that question is taken on notice, Senator Cameron, the question is taken on notice. The officer has taken the question on notice.

**Senator CAMERON:** No. The argument that has been put up is that it is a commercially confidential document. I am indicating that unless you can make that out to the estimates committee, then the document should be tabled.

**Senator Cash:** And the officer has taken the question on notice. He is not at this present point in time seeking to make that out to the estimates committee. He has taken the question on notice. Should you get to that stage further down the track, then your arguments will be enlivened. But at this particular point in time the secretary has clearly stated that he will take it on notice and have a look at it for you.

**Senator CAMERON:** Let me take you to the standing order. It says:

The Senate and Senate committees shall not entertain any claim to withhold information from the Senate or a committee on the grounds that it is commercial-in-confidence ...

That is clear.

**Senator Cash:** That is not the ground upon which the secretary is claiming—

**Senator CAMERON:** Well you did raise commercial-in-confidence.

**Senator Cash:** He raised it but he did not claim it.

**Senator CAMERON:** If you do not claim it, table the document.

**Senator Cash:** That is not how it works, Senator Cameron. You and I have both been here long enough to know that you are entitled to take a question on notice. We do it all day every day in Senate estimates committees.

**Senator CAMERON:** This is not so much a question; it is asking for the tabling of a document. It is not a question.

**Senator Cash:** But the officer has responded that he will take it on notice. It would be improper to release a document that the officer does not have authorisation to release.

**Senator CAMERON:** From whom?

**Senator Cash:** Clearly the officer has already outlined that process.

**Senator CAMERON:** So, Mr Mrdak, are you claiming that with up to \$3½ billion of skin in the game you cannot release a copy of this modelling because the state government is saying it wants it kept secret?

**Mr Mrdak:** What I have said to you is that the state government has indicated that some of the output of their traffic modelling they regard as commercial-in-confidence. I have not made any comment in relation to your request apart from, as the minister has outlined, my view that we can take on notice what can be provided and what will be provided to the committee once I have gone back, as the minister has indicated, and checked the material provided to us by the state of New South Wales.

**Senator CAMERON:** Can that be done today?

**Mr Mrdak:** I will try to do it today.

**Senator CAMERON:** Can that be done by lunchtime today? Can you have one of your people start to look at that now?

**Mr Mrdak:** My officers are here with me this morning. Once we have completed the hearings with the committee we will make contact with the state of New South Wales and start the process. I will endeavour to do



that as fast as possible but it would be disingenuous of me to say I can complete that today. I will make every effort.

**Senator CAMERON:** That is fine, but I just want it clear that I am not asking a question; I am simply asking for the release of a document.

**Mr Mrdak:** I understand that.

**Senator CAMERON:** Then if you are not prepared to release the document you have to give us a reason—you know that.

**Mr Mrdak:** We have been very careful in our response to you, fully understanding that.

**Senator RHIANNON:** Chair, I seek some clarification. All we are asking for is for a document to be released. Is there a time frame here? Normally with other committees they are released fairly quickly.

**ACTING CHAIR (Senator Sterle):** Senator Rhiannon, the secretary has said he will take it on notice. He gave Senator Cameron a commitment that he will do the best he can, without committing. We do not have a set time. Normally this department get back to us ASAP. This department is one of the better ones—although answers to questions on notice can be a bit sloppy, not from the department but from ministers. We do not play this silly game about 'you must be back at nine o'clock'. But I know where you are coming from. Senator Cameron is relaxed; he has asked the question and we will rely on the goodwill of the officers to get back to us ASAP.

**Senator RHIANNON:** Thank you, Acting Chair.

**Senator RICE:** Is this document we are discussing the government's peer review or the New South Wales modelling?

**Mr Mrdak:** I understand Senator Cameron has asked for the New South Wales government traffic modelling that we have. Part of the reason I am being cautious is that it may not simply be a single document. There are outputs of a series of models that have been undertaken and I will need to go back and check. To my understanding Senator Cameron is asking for a copy of the New South Wales material provided to us.

**Senator CAMERON:** Can I clarify that I also asked for the peer review.

**Mr Mrdak:** And I previously—

**Senator RICE:** Have you taken the peer review on notice as well?

**Mr Mrdak:** Yes, I have. I have indicated to Senator Cameron that my intention would be that, wherever possible, I would release the material in the peer review.

**Senator RICE:** But you cannot commit to doing that now, even though that is your document?

**Mr Mrdak:** Again I will take it on notice, simply because I need to check the status of the document and what material it contains.

**Senator CAMERON:** The Commonwealth paid \$25 million to the New South Wales government for planning of the WestConnex project. Has that \$25 million been expended?

**Mr Mrdak:** That is my understanding. I will just check that with my officers. That was paid—

**Mr Jagers:** Yes, the funding has been paid, and my understanding is that that money has been expended.

**Senator CAMERON:** What was that expended on?

**Mr Jagers:** The funding was provided on 7 March 2013 to assist the New South Wales government to advance planning and develop a business case for WestConnex. That funding went into funding the business case in 2013.

**Senator CAMERON:** So it was to develop the business case?

**Mr Jagers:** Yes.

**Senator CAMERON:** Have you seen the concerns of the New South Wales Auditor-General in relation to the business case?

**Mr Jagers:** Yes, I have seen those.

**Senator CAMERON:** Have you or anyone from the federal government raised the issue of the problems with the business case, given that we funded the thing? What have we done about the concerns of the Auditor-General on the business case?

**Mr Jagers:** We have had discussions with the New South Wales government through the WestConnex Delivery Authority. We have talked to them about the findings of the Auditor-General's report. We are involved

in project steering committees in relation to the project, where the issues that have been raised have been discussed. We have talked to New South Wales about the governance arrangements that they have in place, including the WestConnex Delivery Authority board, which is providing oversight of the project. That WestConnex Delivery Authority board has also ensured a number of robust gateways as the project has been proceeding. We have been tracking that process. Of course, we have had discussions with New South Wales about the Auditor-General's report.

**Senator CAMERON:** So we paid \$25 million, and we get an unsatisfactory—we do not have a business plan, do we?

**Ms O'Connell:** There is a completed business case for WestConnex.

**Senator CAMERON:** A business case.

**Ms O'Connell:** Yes.

**Mr Mrdak:** Yes.

**Mr Jaggars:** A business case has been developed and a summary of the business case has been released. A lot of the documents contained within that business case were released to the New South Wales Legislative Assembly.

**Senator CAMERON:** I will come back to this. The \$25 million has been provided, and the Auditor-General in New South Wales has raised these concerns. Ms O'Connell, what have we raised with the New South Wales government in terms of the criticism of the New South Wales Auditor-General? What have we raised with them?

**Ms O'Connell:** We are in discussions with New South Wales on addressing the concerns raised by the Auditor-General. The New South Wales government, I think, has accepted the comments made by the Auditor-General and is putting in place a number of measures to deal with the issues raised by the Auditor-General. We are involved closely with New South Wales in making sure those issues raised are addressed.

**Mr Mrdak:** In essence, if I might add, the Auditor-General, in my understanding, raised questions around the project assurance arrangements that had been put in place inside the WestConnex Delivery Authority, not so much questioning the work that had been done but to ensure the level of detail and the transparency about some of the material that had been provided. My understanding is that New South Wales has accepted those recommendations and the WestConnex Delivery Authority has actually made arrangements—I will check this—to satisfy the requirements of the Auditor-General in terms of those quality assurance processes. They do not go to the heart of the issue of the business plan per se; they go to project assurance quality around delivery mechanisms. That is my understanding.

**Senator CAMERON:** Okay. I am going to come back to this. I have a fair bit to do.

**CHAIR:** Senator Cameron, could we just rest you for a second and give Senator Rhiannon a go.

**Senator CAMERON:** I would rather not. I have not even started. I need another—

**CHAIR:** That is what I am worried about. Some of these other senators have to go to other areas. You are here for a good while, aren't you?

**Senator CAMERON:** I am the same. I am trying to work between committees as well.

**CHAIR:** Righto. But when you get a chance and you want to have a breather and a cup of tea or a gentleman's break, you might just give Senator Rhiannon the call.

**Senator CAMERON:** I will try to get through this as quickly as I can. Mr Mrdak, are you aware of Minister Truss's answer to Mr Albanese's House question on notice No. 555, dated 30 January 2015, where the minister indicated that payment milestones for WestConnex are yet to be determined? I assume that you assisted with that answer.

**Mr Mrdak:** I am aware of that answer, yes.

**Senator CAMERON:** I assume that information is correct. It is only three weeks since the minister's answer.

**Mr Mrdak:** That is correct.

**Senator CAMERON:** Can you list what the milestones are that we are supposed to be achieving.

**Mr Mrdak:** Certainly. I will ask my responsible officers who have been working on this project to answer.

**Mr Foulds:** The milestones will be determined once the project proposal report has been received from New South Wales. A draft has been received and is currently being assessed. The milestones that are—

**Senator CAMERON:** I am sorry to interrupt you, but I just need to understand. You do traffic modelling. You do a business case. What is a project proposal report? Where does that fit?

**Mr Foulds:** Under the national partnership agreement between the states and territories and the federal government, and under the act, there is the requirement for projects to have a proposal report put to the federal government for approval. That proposal report details essentially business case information on a project. Once approved, the project is then approved under the National Land Transport Act and is eligible to be funded. The funding is then made against a range of milestones. Those milestones are agreed between states and territories by project.

**Ms O'Connell:** It is really a technical document solely in relation to release of Commonwealth funds. It is not for the general project like a business case is. It is just for the release of Commonwealth funds.

**Senator CAMERON:** It might be a technical document, but surely we do not do it for nothing.

**Ms O'Connell:** No, that is right. I am just pointing out that it is specifically related to the Australian government funding, not the project overall.

**Senator CAMERON:** So you are saying, Mr Foulds, that before the funding is released we have to have the project proposal report. That project proposal report includes the business case. Does that have to be an approved business case?

**Mr Foulds:** It does not necessarily include the business case but it is informed by the business case. It is provided by the state or territory concerned. The format for the project proposal report is outlined in the national partnership agreement and in the notes that accompany that. Every state and territory applies that. They provide the project proposal report in accordance with that document.

**Senator CAMERON:** To use layman's terms for this, they are checks and balances for the Commonwealth's investment in a project to make sure things are going okay.

**Mr Foulds:** It certainly includes checks and balances.

**Senator CAMERON:** We do not have a final business case, do we? The business case is still being done, isn't it?

**Mr Foulds:** The New South Wales government made clear late last year that they are updating the business case to include the northern and southern connectors and the commitment by New South Wales to look at a new harbour tunnel. As a result, they are conducting that work to update the business case. That is due to be presented to the New South Wales government sometime mid this year.

**Senator CAMERON:** Before the money goes in, are we complying with all the issues around the project proposal report? Are we satisfied that we have met all of our legislative requirements before handing money over?

**Mr Foulds:** We will provide advice to the minister based on that project proposal report.

**Senator CAMERON:** No, that is not what I am asking. I am asking whether the department is satisfied that the legislative requirements under the Land Transport Act are being met in relation to this project before money is spent.

**Mr Foulds:** That would be part of the advice.

**Senator CAMERON:** What do you mean 'that would be part of it'. This is not advice to the minister; this is the estimates committee of the Senate trying to make sure that Commonwealth money is spent appropriately. This is not about advice to the minister; this is about your responsibility to advise the estimates committee of the proper expenditure of estimates.

**Mr Mrdak:** To cut to the chase—

**Senator CAMERON:** I am very unhappy about this. Can you tell me where this is heading?

**Mr Mrdak:** The department's view is that the project is proceeding and is in accordance with the national Land Transport Act.

**Senator CAMERON:** That is your formal position?

**Mr Mrdak:** Yes.

**Senator CAMERON:** It would have been nice to have that response first up. How much has the Commonwealth paid to the New South Wales government for WestConnex so far?

**Ms O'Connell:** The Commonwealth government, consistent with its election commitments, has provided \$500 million to the New South Wales government for WestConnex. And the \$25 million previously talked about from some years earlier—that was planning money; I am excluding that. I am talking about the money to construct.

**Senator CAMERON:** What are the projections for expenditure this year by the Commonwealth? How much money are you handing over to the New South Wales government this financial year?

**Mr Jaggers:** We are projecting \$250 million this financial year.

**Senator CAMERON:** I want to come back to the milestones. You are saying milestones are in place?

**Mr Foulds:** The milestones which have been discussed and will be agreed are along the lines of completion of the concept design for a particular stage, awarding shortlisting of expressions of interest, commencement of work. And then there will be some others which will be developed—when a definitive piece of work is completed; it might be a bridge, a culvert or a particular period. Those will be developed with an expenditure profile, so that when that milestone is reached at that point the funds will flow for having achieved that milestone.

**Senator CAMERON:** But you indicated some are still being developed.

**Mr Foulds:** The project is a 10-year project. The first construction project is the M4 widening, which is due to commence construction in April this year. The detailed milestones for that project will be worked out once the PPR is finalised. It is along those lines.

**Ms O'Connell:** There are three full stages of it. Stage 1 is obviously the first stage to get going. There has been a contract awarded for the M4 widening and there are milestones associated with that. The difficulty is that the project is a long-term project and there will be milestones set for stages 2 and 3 later on, but stage 1 is clearly underway with a contract set for the M4 widening. With the contract established for the M4 widening, the actual physical construction work will be starting very soon.

**Senator CAMERON:** Do you have the milestones for stage 1?

**Ms O'Connell:** I think Mr Foulds has said that we have some milestones suggested by New South Wales and we are in discussion with them to finalise those milestones.

**Senator CAMERON:** So you have not finalised milestones even for stage 1?

**Mr Foulds:** No, we have not.

**Senator CAMERON:** You have not finalised milestones and you have paid \$500 million to this project without milestones. How does that comply with the government's obligations under the act?

**Mr Mrdak:** The act is triggered by virtue of the processes we discussed earlier with project proposal reports and the like. The government had an election commitment and, in the budget process last year, took the decision to make an advance payment.

**Senator CAMERON:** This is an election commitment, is it?

**Mr Mrdak:** There is a government commitment to provide funding for this project. In the budget last year the government made the decision to make a payment of \$500 million to New South Wales.

**Senator CAMERON:** The government made a decision to pay \$500 million without any milestones being in place?

**Mr Mrdak:** They did so to accelerate the project to provide underlying funding—

**Senator CAMERON:** No, just answer the question. The \$500 million has been paid with no milestones in place. Is that correct?

**Mr Mrdak:** Milestones, as under the act. That is correct.

**Senator CAMERON:** So the act has not been complied with? You told me earlier that the act had been complied with.

**Mr Mrdak:** No. The act has been complied with. The government has made a budget decision to make a payment to the state of New South Wales for this project.

**Senator CAMERON:** How can the act be complied with, if there are no milestones?

**Mr Mrdak:** The act specifically relates to a certain process by which the project proceeds. The act has been complied with. The government, through a separate budget decision, decided to make a payment to the state of New South Wales.

**Senator CAMERON:** What was the basis of this extra funding? I am not asking you what advice you provided government, but was there advice to government on the expenditure?

**Ms O'Connell:** It is not extra funding. That \$500 million paid is part of the government's overall commitment of \$1.5 billion in grant funding for WestConnex.

**Senator CAMERON:** It is the political commitment, isn't it?

**Ms O'Connell:** It was an election commitment of the government to fund \$1.5 billion for WestConnex. The \$500 million was a commitment made in the budget last year—consistent with the election commitments—and the objective was to expedite the major delivery of the project.

**Senator RHIANNON:** Is it stage 1 and stage 2, or just stage 1?

**Mr Mrdak:** It is for the overall project.

**Senator RHIANNON:** I am talking about the \$500 million.

**Mr Mrdak:** It goes to the whole project. Senator Cameron, you asked: was there advice? Yes, there was advice provided.

**Senator CAMERON:** Okay. I can assume that the advice was that you should comply with the act, but never mind.

**Senator Cash:** You should not assume—

**Senator CAMERON:** I can certainly assume a lot of things on this. \$500 million has been handed over with no milestones in place. That is the bottom line.

**Ms O'Connell:** We did have an MOU in place with New South Wales prior to the payment. The MOU specifically goes to the project, the delivery arrangements and the funding arrangements. An MOU was put in place with the New South Wales government prior to the funding being provided.

**Senator CAMERON:** Who determined that the payment would be made?

**Mr Mrdak:** That is a decision of the government.

**Senator CAMERON:** Who had responsibility for signing off on this \$500 million from within the government?

**Mr Mrdak:** It was undertaken as part of the budget process.

**Senator CAMERON:** So the Treasurer?

**Mr Mrdak:** At the end of the day, senior ministers and the Treasurer.

**Senator CAMERON:** So the Treasurer signed off on a \$500 million commitment of federal government money, based on an election promise, without any milestones?

**Ms O'Connell:** With an MOU in place.

**Mr Mrdak:** As Ms O'Connell indicated, the MOU is designed to support the progress of the project and to bring it forward, and the M4 widening is the first stage of that.

**Senator CAMERON:** Is that MOU a public document?

**Mr Mrdak:** I do not think so.

**Ms O'Connell:** I do not think so.

**Senator CAMERON:** Can you table the MOU?

**Mr Mrdak:** I will seek to table the MOU. I will take that on notice.

**Senator CAMERON:** What is in the MOU? Tell us about the MOU.

**Mr Mrdak:** As Ms O'Connell indicated, it basically sets out the nature of things like the establishment of the delivery authority, the way in which the project will progress and the operating arrangements for the Commonwealth provision of funding.

**Senator STERLE:** If there are no commercial-in-confidence issues, what is the trouble with tabling it now, Mr Mrdak?

**Mr Mrdak:** I do not have a copy with us.

**Senator STERLE:** Is Ms O'Connell passing you something? Have you got it, Ms O'Connell?

**Ms O'Connell:** No, Senator. It is just a note giving me the date and the general description of what is in it. It is not the MOU itself.

**Senator STERLE:** For the purposes of Senator Cameron's questioning, could we have that tabled within the next couple of minutes? Is it in the back room there?

**Mr Mrdak:** I do not think we have it with us, Senator. I will seek to do that. Again, I will take that on notice and I will seek the advice of the minister in relation to its tabling.

**Senator CAMERON:** I would just like to backtrack a little bit. How much was the 2014-15 payment again?

**Mr Mrdak:** At this stage we have made no additional payments above the money that was paid last financial year. That \$250 million is a forecast based on achievement of the milestones, which we anticipate shortly resolving, for the next stages.

**Senator CAMERON:** So the \$250 million is based on milestones that we have not got to yet!

**Mr Mrdak:** They are the ones that Mr Foulds described to you earlier, which are now at finalisation. They include the M4 stages 1A and 1B milestone deliveries. Once that is achieved, we will then make further payments.

**Senator CAMERON:** So this has not been a normal process under the act; this is a process that has been done by political decision.

**Mr Mrdak:** Sorry, Senator; I am not sure what point you are making.

**Senator CAMERON:** There is a political decision that has been made to provide \$500 million funding, plus another \$250 million in 2014-15. That is correct, isn't it?

**Mr Mrdak:** There is \$250 million profiled this financial year on achievement of works milestones, and the government has made a payment of \$500 million for the project overall.

**Senator CAMERON:** Without any milestones being in place?

**Mr Mrdak:** With the provisions as per the MOU.

**Senator CAMERON:** But we do not know what it is in the MOU.

**Mr Mrdak:** I have undertaken to provide that to you on notice.

**Senator CAMERON:** This is very unsatisfactory.

**Ms O'Connell:** The practices under the national partnership agreement, with the project proposal report et cetera, are standard practices. It is unusual for anybody to be creating milestones unless there is a commitment to deliver a project. So there is always a commitment in advance by governments to deliver a project and make the appropriate funding available. Then, following that, is the creation of milestones, and the proper work is started to look at the delivery of the project in detail.

**Senator CAMERON:** Are you aware of the speech by Mr Jamie Briggs in relation to milestones?

**Ms O'Connell:** Yes.

**Mr Mrdak:** Yes.

**Senator CAMERON:** Mr Briggs indicated the importance of milestones, didn't he?

**Mr Mrdak:** He does.

**Ms O'Connell:** He does.

**Mr Mrdak:** He has, yes.

**Senator CAMERON:** And that that is a key accountability measure.

**Mr Mrdak:** Yes.

**Senator CAMERON:** So we have handed \$500 million over without these key accountability measures in place.

**Mr Mrdak:** No. As I indicated earlier, the MOU sets out the conditions of the \$500 million payment; and the government, as part of its budget strategy last year, sought to accelerate work on this project and other projects around the country.

**Senator CAMERON:** I have not seen the MOU, but it sounds more like a heads of agreement than an MOU: this is what we will do, we will set committees up, we will do this. It is not a technical milestone document, is it?

**Mr Mrdak:** It goes to the overall scheduling of the program but it does not go to individual construction projects. That is correct.

**Senator CAMERON:** So you would not rely on it for technical accuracy, would you?

**Mr Mrdak:** It is an agreement between two governments to provide funding based on the project progressing. It also includes provisions that, were the project not to progress, arrangements for—

**Senator CAMERON:** Have the issues in that MOU been complied with?

**Ms O'Connell:** Yes.

**Mr Mrdak:** Yes. In our view, they have.

**Senator CAMERON:** Let us see what is in it, until we see if it is worth anything.

**Mr Mrdak:** Certainly.

**Senator CAMERON:** I now go to the New South Wales Auditor-General's report. Do you have copies of it?

**Mr Mrdak:** I do not.

**Ms O'Connell:** We do not.

**Senator CAMERON:** I table the Auditor-General's report. Can we get some copies? Who in the department has read the Auditor-General's report?

**Mr Mrdak:** My senior officers at the table.

**Senator CAMERON:** Mr Jagers and Mr Foulds, you have read the Auditor-General's report?

**Mr Foulds:** I have read the executive summary. I have skimmed the rest of it and I have read a brief provided by one of my staff on it—a detailed brief.

**Senator CAMERON:** Mr Jagers, have you done any better than that?

**Mr Jagers:** Similar to Mr Foulds.

**Senator CAMERON:** Similar. So the senior officers of the department have a copy of the New South Wales Auditor-General's report that is critical of aspects of this project that we are putting \$3½ billion into, and all the department can do is read the executive summary and skim the document? What is going on?

**Ms O'Connell:** That is not what they said.

**Mr Mrdak:** I do not think that that is what my officers answered.

**Senator CAMERON:** That is exactly what they said. You can go back and look in *Hansard*. Your officers said they had read the executive summary and skimmed the document.

**Mr Mrdak:** And they had received a detailed briefing note from officers who had been through the full document.

**Ms O'Connell:** Absolutely.

**Senator RHIANNON:** When you say detail—

**Senator Cash:** You may allow officers to represent their evidence to the committee. I am sure that we all understand what the officers have said, as opposed to having them verballed.

**CHAIR:** Mr Mrdak, do you need to make an explanation or a clarification?

**Mr Mrdak:** I want to clarify. I think that Mr Foulds's evidence was that officers of my department have read and analysed the Auditor-General's report in detail, for which he has been provided a detailed briefing. He has also explained to the committee that he has personally read the executive summary, skimmed the report, and received that detailed briefing from his officers.

**CHAIR:** Okay, so is that at odds with what Senator Cameron—

**Senator Cash:** I think it is being fair.

**Senator CAMERON:** The only thing it is at odds with is credibility. Here we have the senior officers of the department who have a New South Wales government report which is highly critical of aspects of this project, and we have the decision makers reading the executive summary, skimming the document and getting a report.

**Senator Cash:** That is an interpretation of the officers' evidence, which, I would put to you, is an unfair interpretation based on the evidence.

**CHAIR:** Minister, that is called the colour and movement of estimates. You have to interpret the colour and movement. I could add a lot of colour and movement if we need to, on the day!

**Mr Mrdak:** While I accept that it is colour and movement I will not accept any criticism of the thoroughness with which my officers operate.

**CHAIR:** Absolutely.

**Senator CAMERON:** Mr Mrdak, sometimes you have got to accept criticism. And sometimes you have to be a bit realistic about what is happening.

**CHAIR:** Excuse me, Senator Cameron. Order!

**Mr Mrdak:** I am always happy to accept criticism. In this situation you have impugned my officers and I am not going to accept that.

**Senator Cash:** Exactly, Chair.

**Senator CAMERON:** If you think I have impugned your officers because they have read the executive summary, bad luck.

**Senator Cash:** Can we talk about the NBN now, in terms of whether Senator Cameron sat in the communications estimates hearing—

**Senator CAMERON:** Let's get back to where we are going.

**Senator Cash:** and asked questions about the former government's failure to expend taxpayers' money properly. It was \$43 billion, \$44 billion and came in at \$73 billion.

**CHAIR:** Order! Thank you very much. I wish they would turn the bloody television cameras off. Then we could have a real go! Could we just get back to what this is supposed to be all about. And can we lower the bullshit and the political point-scoring and let's just get to business.

**Senator CAMERON:** Hear that, Minister! Is the Sydney Motorways Project steering committee still in existence?

**Mr Foulds:** No, the Sydney Motorways Project office no longer exists. It is now the WestConnex Delivery Authority, and that is the board that oversees the delivery of the project.

**Senator CAMERON:** The project steering committee was to develop the business case.

**Mr Foulds:** Correct.

**Senator CAMERON:** That has now been handed over—

**Mr Foulds:** To the New South Wales government at the time. And then the New South Wales government in October 2013 established the WestConnex Delivery Authority, which is chaired by Mr Tony Shepherd. That board oversees the WestConnex Delivery Authority, which now is responsible for the delivery of the motorway.

**Senator CAMERON:** Ms O'Connell, you were on that committee, weren't you?

**Ms O'Connell:** That is right—not on the WestConnex Delivery Authority but on the steering committee.

**Senator CAMERON:** Yes, on the steering committee. How many steering committees did you personally attend?

**Ms O'Connell:** I would have to take that on notice, but quite a few during the early development of the business case.

**Senator CAMERON:** Can you provide details of where and when that steering committee met.

**Ms O'Connell:** Certainly. To my recollection they all met in Sydney, in the offices of RMS.

**Senator CAMERON:** Are there minutes of those meetings?

**Ms O'Connell:** Yes.

**Senator CAMERON:** Are they publicly available?

**Ms O'Connell:** No.

**Senator CAMERON:** Can you provide the estimates committee with those minutes.

**Ms O'Connell:** The owner of the minutes is the New South Wales government. I will undertake to ask them if they will release them for this committee.

**Senator CAMERON:** You were a member of the committee.

**Ms O'Connell:** Yes.

**Senator CAMERON:** You would have copies of the minutes.

**Ms O'Connell:** Yes.

**Senator CAMERON:** You are a member of that committee because of your position as deputy secretary of the department.

**Ms O'Connell:** Yes.

**Senator CAMERON:** These, in my view, are government documents, and we are entitled to see those government documents. I am not going to through the same arguments again. We have been through this. I assume you will take it on notice.

**Ms O'Connell:** I will.

**Senator CAMERON:** Let me tell you that I believe that these are government documents and they should be tabled. The secrecy on this project should be ripped apart. The department should not be assisting the secrecy over this—



**Senator Cash:** Chair, I think that is an unfair reflection on the department. Senator Cameron, you have clearly articulated that it is your opinion that the documents are able to be released and, whilst I respect your opinion, the officials have taken it on notice to ensure that proper process is followed to ensure that if the documents are released there are no repercussions.

**Senator CAMERON:** Ms O'Connell, did you attend the 16 July meeting that endorsed the WestConnex business case as complete?

**Ms O'Connell:** On 16 July in 2014?

**Senator CAMERON:** In 2013.

**Ms O'Connell:** In 2013? I would have to take that on notice and get back to you. I would say that the steering committee has been superseded for quite some time now, probably over a year since the steering committee got to the point of the business case, and then it has been handed over to the WestConnex Delivery Authority.

**CHAIR:** Senator Cameron, just by way of fairness, I am going to pass shortly to some other people who would like to ask questions and then come back to you. So make this your last question, and we will move on.

**Senator CAMERON:** Ms O'Connell, can I draw your attention to page 20 of the Auditor-General's report, where it says that a business case overview was presented. Do you see that?

**Ms O'Connell:** I have page 20 in front of me.

**Senator CAMERON:** On 16 July 2013. That does not jog your memory?

**Ms O'Connell:** I would have to check. I was involved in the development of the business case and the steering committee meetings. You are asking me about a specific meeting on a specific date.

**Senator CAMERON:** Yes.

**Ms O'Connell:** I want to go back to my diary records and ensure that I did attend and indeed look at the minutes.

**Senator CAMERON:** So you are telling me that you cannot remember? This is a meeting that the Auditor-General felt he had to document, and it was a meeting where a decision was made to accept a business case, and you cannot remember?

**Ms O'Connell:** I am questioning the specific date. I am not questioning that we were involved in the development of the business case and that as that business case was developed we provided comments and, indeed as this reflects here, that the steering committee endorsed the business case. We did do that. I cannot tell you right now whether that was the 16 July or 17 July.

**CHAIR:** Anyhow, you will go back and check.

**Senator CAMERON:** I will come back to this.

**Ms O'Connell:** I will go back to look at my diary for 2013 and check which date it was in July.

**Senator CAMERON:** Chair, can I ask your indulgence. I have a range of questions—

**CHAIR:** Yes, I realise that.

**Senator CAMERON:** on the business case and on this Auditor-General's report that I am really keen to—

**CHAIR:** I saw the amount of paperwork you carried in.

**Senator RHIANNON:** We all have lots of questions.

**CHAIR:** It is just that people were starting to nod off.

**Senator Cash:** Just before Senator Cameron finishes—

*Members of the committee interjecting—*

**CHAIR:** Order!

**Senator Cash:** I need to put something into perspective, given the line of questioning that Senator Cameron has followed. The committee should not forget, Senator Cameron, that the former government—your government—actually committed \$1.8 billion to this project. Our commitment is only \$1.5 billion.

**Senator STERLE:** Chair, on relevance. This does not assist. Point of order, Chair.

**CHAIR:** Yes. Point of order.

**Senator STERLE:** It does not assist, when senators are lined up patiently waiting—

**CHAIR:** Well, do not take the bait.

**Senator STERLE:** and the minister wants to engage in cheap political point scoring.

**Senator Cash:** I do not want to engage. I just wanted to—

**Senator STERLE:** We have moved on from that.

**CHAIR:** Order! Order!

**Senator STERLE:** and I would ask Chair for you to ask the minister to dutifully respect the—

**CHAIR:** The culture of this committee is that a lot of bait gets chuckled out.

**Senator STERLE:** We will just stir it right back.

**CHAIR:** Do not take the bait.

**Senator STERLE:** They will come from everywhere, and then you will have Macdonald in here, and then all the nutters will follow—

**Senator RHIANNON:** Can I start?

**Senator STERLE:** and then it will be an absolute embarrassment to all those poor buggers out there who have to sit there and listen to this rubbish.

**Senator RHIANNON:** Last night in the public forum in Sydney, hosted by the WestConnex Delivery Authority, the head of the authority, Mr Dennis Cliche, stated that the documents, such as the project's business case and traffic modelling, were being reviewed by Infrastructure Australia. I understand from earlier responses to questions that the traffic modelling is being reviewed, and you have acknowledged that. Is it also the case that the project's business case is being reviewed by Infrastructure Australia?

**Mr Mrdak:** Yes, my understanding is that Infrastructure Australia has recently completed an assessment of the business case as it stood. My understanding is that Infrastructure Australia recently published its analysis of that business case, but I will ask Mr Foulds to outline again, because as he indicated in his earlier answer, the New South Wales government and the WestConnex Delivery Authority are looking at some additional options for the project, which are necessitating a review of the business case. I think, Mr Foulds, that that is correct, isn't it?

**Senator RHIANNON:** Could I just ask some other questions that could come into the response. I was interested in how long you were reviewing the documents, in when the review will be completed and in whether it will be made public? Could we start with that please.

**Mr Foulds:** The New South Wales government announced that it was reviewing the business case for the WestConnex project to take into account the potential for the northern and southern connectors. Those northern and southern connectors, it appears, have a lot of demand. Those could actually be achieved and be economically viable. The business case is, therefore, being reviewed by the WDA. That business case is due to be provided sometime around midyear to the New South Wales government. As for it being made public, the New South Wales government has not made any decision or communicated that at this stage.

**Senator RHIANNON:** Mr Cliche's comment last night was that it was being reviewed by Infrastructure Australia. So I take from your answer that it is not being reviewed by Infrastructure Australia.

**Ms O'Connell:** No, it is being reviewed by Infrastructure Australia, and Infrastructure Australia has completed its assessment and review.

**Mr Foulds:** The current business case has been reviewed by Infrastructure Australia. The current business case is also being reviewed to take into account the potential change scope of a northern and southern connector and the fact that—

**Senator RHIANNON:** By Infrastructure Australia?

**Mr Foulds:** Infrastructure Australia, I am sure, will review that when it is provided to them, but it has not been finished yet by New South Wales.

**Senator RHIANNON:** So this is a second review. In your earlier answer you said that it would be finished by midyear, and you say that then it comes to Infrastructure Australia?

**Mr Foulds:** I would imagine. You can ask Infrastructure Australia.

**Senator RHIANNON:** When you say 'imagine', is that a yes?

**Mr Foulds:** Well, I would expect so.

**Ms O'Connell:** Yes.

**Mr Mrdak:** We would expect that would be the case, yes.

**Senator RHIANNON:** Why do you say you expect? That means that there is not a clear process.

**Mr Foulds:** Well, it is the normal course of events.

**Mr Mrdak:** It is the normal course of events if they have updated the business plan. I say that because it will depend on whether the New South Wales government decides to proceed with changes to the design, the reference design, which includes the additional connectors that Ms Foulds has outlined. If they do that, and therefore change the business plan, then they will put that to Infrastructure Australia.

**Ms O'Connell:** I think that Infrastructure Australia has assessed the current business case for the three-stage WestConnex project. They have.

**Senator RHIANNON:** Is that public?

**Ms O'Connell:** Yes.

**Mr Foulds:** Yes, it is on the website, and it also says that the core benefit cost ratio is very positive, and that is why they have rated it as threshold.

**Senator RHIANNON:** From your answers today, as well as from previous estimates hearings, we are hearing again about the hundreds of millions of dollars from the Commonwealth to the New South Wales government, but you have been unable to verify the numbers that have been presented. If that is incorrect, can you explain whether the figures relating to the number of jobs created by WestConnex and the traffic analysis have been independently verified? On the two issues of jobs and traffic analysis, have the figures been independently verified and where?

**Ms O'Connell:** The role of Infrastructure Australia is to assess projects. They have assessed the business case of WestConnex, and that has now been made public. That was not the case, probably, when we met earlier and at the time of our answers to earlier questions on notice, but it is now the case that Infrastructure Australia has assessed the project, has looked at the business case and has published its six-page assessment of it. They have rated it as threshold and with a core BCR of 1.8 to one—that is, a benefit cost ratio of 1.8.

**Senator RHIANNON:** But it does not include the number of jobs that are going to be created?

**Ms O'Connell:** I would have to ask Infrastructure Australia if they assessed the jobs. They are appearing later this morning, and we can ask them then to what extent they looked at job numbers. But their main role is looking at the benefit cost ratio of the project.

**Senator RHIANNON:** If you are putting it out there in the public domain you would try to put forward a positive presentation, and jobs would be a selling point.

**Ms O'Connell:** It is not IA's role to be selling the project. Certainly the New South Wales government has talked about the number of jobs.

**Mr Mrdak:** And certainly the Australian government's commitment to this project is very much based on the employment as well as the long-term productivity this project will provide.

**Senator RHIANNON:** What we are trying to pin down is where you have verified those job numbers and those traffic numbers. We are still not hearing that that is what has happened.

**Mr Mrdak:** In working with the WestConnex Delivery Authority my officers have confidence in the jobs projections. At the end of the day, there is a relatively standard formula which operates around levels of expenditure for projects like this and multipliers for job creation. In our involvement with the delivery authority, we would be comfortable with the job projections that have been provided.

**Ms O'Connell:** We do think the job projections are reasonable. We have also looked at the traffic modelling. Part of IA's assessment would have been based on looking at the traffic modelling as well, so they have assessed the traffic modelling.

**Senator RHIANNON:** Mr Mrdak, you used the words 'comfortable' and 'confident'. Ms O'Connell, you used the word 'reasonable'. Have you done modelling to demonstrate that these figures are correct? Is there something behind your use of these words?

**Ms O'Connell:** We have done a detailed assessment of traffic modelling. We have raised some questions, as we talked about earlier, about getting peer review of the traffic modelling. Those questions have been answered. We are confident about the traffic modelling because that underpins the business case—absolutely we are. That is now being looked at by IA, who have come out with an assessment that is again strongly supportive, and the traffic modelling would very much, in detail, underpin that assessment. In terms of the jobs numbers, obviously, in terms of investing in WestConnex, it is going to create very significant numbers of jobs. The New South Wales government has made a statement about the number of jobs. We would concur with that statement. The jobs number is an estimate—it cannot be an absolute detailed assessment of numbers. But it is, in our view, a reasonable job estimate number.

**Senator RHIANNON:** Coming into this project we have had a background of urban motorways in Sydney that in terms of projected figures have been very problematic. The figures for the Eastern Distributor have been highly discredited; the Cross City Tunnel goes belly up twice; you would also know what has happened with the Lane Cove Tunnel. When you come into these projects and you are looking at the investment potential and how it all stacks up, are there lessons that you have learned from those previous projects?

**Ms O'Connell:** Absolutely. We have done a lot of work in this area, including producing quite a significant document that looked at some of the optimism bias in patronage risk forecasts to date. You have mentioned a number of specific projects where there has been significant optimism bias in the projection of patronage risk. We have worked with all jurisdictions in terms of being very open about the sorts of studies we have done, what they have shown, and how to avoid that bias in the future. We have produced a public document in relation to that optimism bias that lists quite a number of significant issues and how that can be better dealt with. In relation to WestConnex, not only has there been a detailed patronage model done by New South Wales and scrutinised by the WestConnex Delivery Authority, and they have had assistance and expertise in developing that model, but we have also scrutinised that model and engaged somebody else to help us with some peer review of that model and raised a number of questions about it and sought answers on those questions and refinements to some of its assumptions. I have to say they are all based on a model—it is not a precise science but you can certainly get much better forecasting from patronage risk modelling, and we have played a strong hand in advancing Australia's expertise in that area.

**CHAIR:** I want to go to the modelling, because these are pretty serious questions. Have you ever tramped on an ant bed, to see the activity of the ant bed when you trample on it? They just go mad. Can you explain to me why, in the modelling, in the future there needs to be a CBD? You get lots of people now who go to a central office and who send an email to the desk next door that they could send from home or wherever. You get lots of people working in the bush who have a job in Sydney and do it remotely. In the modelling of the human species' behaviour for 50 years time, do you really think all this infrastructure in a CBD, containerised, is going to be necessary?

**Mr Mrdak:** There are two trends happening in our cities, and not just in Australia but globally. We do have some disaggregation of employment, but we have actually seen much higher levels of job creation in the CBDs of the major cities as we transition to a service economy. That has been accelerated—

**CHAIR:** That is because people are living there.

**Mr Mrdak:** It is that, but also a lot of the job creation is actually taking place in the CBD area. And it comes back to aggregation economics and those sorts of issues, where you find that firms deliberately choose to go back to CBDs, and we have seen that happening in all three of our east-coast capital cities.

**CHAIR:** Which is why the kids cannot run down to the park and kick a football. Best of luck to the human species.

**Senator RHIANNON:** Just getting back to WestConnex, will additional traffic modelling work be undertaken in-house by the WestConnex Delivery Authority? And will that be provided to you?

**Mr Jaggers:** Additional traffic forecasting work is happening within the WestConnex Delivery Authority and using their consultants. We expect to receive the outputs of that model and will have those outputs considered and reviewed by our expert consultant in the area.

**Senator RHIANNON:** When will that be concluded?

**Mr Jaggers:** I think that work is ongoing. I would expect a further report from New South Wales within the next two months.

**Senator RHIANNON:** Will that be made public?

**Mr Jaggers:** I do not believe it will be made public.

**Senator RHIANNON:** Will you make public any of your assessments?

**Ms O'Connell:** We have already said that we will take on notice whether we will be able to make our peer review of the traffic modelling done by New South Wales available to the committee.

**Senator RHIANNON:** I just want to go back to the issue of payments. The \$500 million of the 1.5 has been paid. We will leave the \$25 million aside for the moment. At what stage are you expecting to make the additional payment? Can you explain the process there?

**Mr Mrdak:** As we outlined earlier, at this stage we have a cash flow forecast at \$250 million for the balance of this financial year, but, as Mr Foulds has indicated, that will be dependent firstly on the settling of the project proposal report and then the milestones and the achievement of those milestones.

**Ms O'Connell:** The projected cash flow for the project is, as the Secretary said, \$250 million in this financial year, in 2015-16 a further \$450 million and in 2016-17 a further \$300 million. That is for the grant component, and there are separate arrangements in place in terms of drawing on the loan for stage 2. But that is a loan different to the payments under the grant.

**Senator RHIANNON:** How many staff of Infrastructure Australia, Infrastructure Investment and indeed the department are now working for the WestConnex organisation?

**Ms O'Connell:** None.

**Mr Mrdak:** We do not have staff with the WestConnex development authority. My officers participate in meetings as part of the steering committee and the like.

**Senator RHIANNON:** No, the question was about people who were staff members of the department and have left and are now working for WestConnex.

**Ms O'Connell:** I am not aware of any.

**Senator RHIANNON:** Could you take that on notice?

**Mr Mrdak:** We are not aware of any departmental staff who have been working for us who are now with WDA.

**Senator RHIANNON:** But can you take it on notice?

**Ms O'Connell:** Yes, certainly. Just for clarification, the WestConnex Delivery Authority is a New South Wales government entity.

**Senator RHIANNON:** I did come in a little bit late, so maybe you covered this. I was after more information about the \$25 million—what it actually covered.

**Mr Mrdak:** Certainly. We did cover it briefly. It essentially provided the development funds, with New South Wales, for the development of the initial business case for the project and enabled New South Wales to set up essentially the project office, which now forms part of the development authority.

**Senator RHIANNON:** Could you provide a bit more detail? I mean, \$25 million is a lot for a project office.

**Mr Mrdak:** Essentially it funded the initial development of things such as what goes in to a business case, the concept design, the traffic modelling—all the work that feeds in to the development of a business case.

**Senator RHIANNON:** At that stage, going back to the response Ms O'Connell gave when I asked about the experience you hopefully have drawn from the other controversial urban motorway projects, did that come in to any of this \$25 million?

**Mr Mrdak:** Certainly the expertise and some of the work we have done fed into the project office, which I think it was called at that stage.

**Ms O'Connell:** That is right.

**Mr Mrdak:** Our contribution to the work that was being done at that time also built in what we regard as best practice for modelling and also some real-world experience of what actually has happened in Sydney in relation to traffic growth.

**Senator RHIANNON:** Is that looking at the concept of induced traffic and what that means for surrounding areas?

**Mr Mrdak:** Yes, it does. The traffic modelling does include, as it should these days, the impact of new developments such as this on induced traffic.

**Senator RHIANNON:** Is that then about how you modify what you need to do to surrounding roads? Does it go to that point where it is not actually the motorway project but there is a flow-on effect that needs to be managed?

**Mr Mrdak:** Certainly in the design of this project New South Wales is looking at issues, and Mr Foulds can give you more detail, such as the impact on connecting roads and decisions taken, such as which roads will or will not connect to the motorway and how local traffic will be handled in scenarios or how that then feeds in to the motorway and then what your off ramps do in terms of local traffic impact. They are all factors that are taken into the concept design. Alex, do you want to comment further?

**Senator RHIANNON:** I will just ask another question, and maybe it can come in to your response. In undertaking all that, have you considered any route alterations? Is that something you feed in to what you get from the New South Wales government and WestConnex? And have you considered the impact that might have on the cost, house acquisitions and that sort of thing? I am trying to see where that analysis of induced traffic and

local traffic conditions goes in terms of the feedback you give to the New South Wales government and WestConnex.

**Mr Foulds:** The responsibility for the planning of the project essentially lies with New South Wales, as you know.

**Senator RHIANNON:** Yes.

**Mr Foulds:** In looking at and reviewing their traffic modelling, we would not be seeking to advance a particular route over another, but we would, rather, be working with them to understand why a particular route was favoured over another and asking questions: why should it go there; why not there? But the answer is usually a result of analysis that has been done, and as part of that business case development. So, you have induced demand, where—

**Senator RHIANNON:** Perhaps I could just ask you to clarify: are you saying you are looking only at the options the government and WestConnex present to you, like route A or route B? You are not saying, 'Why don't you go there?' That was not really clear from your answer.

**Ms O'Connell:** We would ask questions. The New South Wales government put together a business case based on a reference design. In the end, the final design is a result of post-tender arrangements in terms of looking at how that design can be optimised. So, it is not a single point in time; it is an iterative process, and we have involvement in that iterative process. And we certainly ask questions about options that were looked at, why they were discounted, why certain options were preferred, what that does in terms of benefit-cost and traffic modelling and all those sorts of things. It is not that we come to the position—and this is what Mr Foulds said—with a preferred route in mind and say, 'This is what it should be.' We come to it with knowledge, questions and a point of discussing and ensuring that options are explored with the New South Wales government.

**Senator RHIANNON:** Is it correct to assume that therefore once you get into the complexity of the project then proposals could be put forward, or options could be put forward, that result in a change in route and different house acquisitions and different flow-on effects?

**Ms O'Connell:** Absolutely, and that commonly does happen. It has happened in the NorthConnex project, where, as a result of the tender design, there was a slight change. These are not fundamental changes to the overall route, but when it comes down to individual blocks and where an entrance to or exit from the tunnel exists, that can be adjusted in accordance with—

**Mr Foulds:** And New South Wales does work very hard to look at the property impacts. When there are impacts that they can reasonably avoid, they take a lot of trouble in trying to do that.

**Senator RHIANNON:** Getting into some of the specifics, have you modelled, or has the material you look at modelled, an extension of stage 1 to the CBD or stage 2 to Port Botany?

**Mr Foulds:** If by that you mean the Sydney gateway—because currently stage 2 is from the Beverly Hills area through to St Peters interchange; that is the current scope for WestConnex stage 2. And then there are some enhancements in and around that interchange, and from 2019 there is the possibility of the gateway, which is a direct connection to Sydney airport and Foreshore Road at Port Botany. The modelling of that is underway, but I have not looked at that in recent times, so that work is still happening.

**Senator RHIANNON:** Has it come to you yet, or are you still waiting for it?

**Mr Foulds:** Not any final version, and I could not be more specific, because I simply cannot remember. The work on the Sydney gateway has not been completed.

**Senator RHIANNON:** Could you take on notice what work on the gateway—and by the way, the word 'gateway' is confusing for people from New South Wales; there have been so many different versions of this—

**Mr Foulds:** There is an overview document that New South Wales has provided on stage 2, which actually has a very clear map of what will happen under stage 2, the St Peters interchange, and then, separately, how the gateway will look and how it would be a connection directly to the airport ring road and down to Foreshore Road.

**Senator RHIANNON:** Is that public?

**Mr Foulds:** Yes, it is absolutely public.

**Senator RHIANNON:** That is the map—

**Mr Foulds:** It is actually a book of maybe 20 pages. It is hardcover.

**Senator RHIANNON:** Yes, it has the big map.

**Mr Foulds:** Yes. And the map does show, through colour, what is going to happen by 2019.

**Senator RHIANNON:** As a question on notice, what I am also trying to understand is where it is up to with you, with the stage 1 and stage 2 gateway—whether you have that information yet to review or when you expect to get it.

**CHAIR:** Perhaps you could put the rest of your questions on notice, or come back to them.

**Senator RHIANNON:** Okay.

**Senator SESELJA:** There are a couple of road projects I want to ask about, and I am not sure whether these have been covered. Majura Parkway: can we get an update on what the expected completion date is? And I have just a few questions around some detail on that.

**Mr Foulds:** I know it is due for completion in mid-2016. That is the final, with the bridge crossing over the Murrumbidgee. Let me just look it up, but: earlier, the road will be open from the Federal Highway through to basically just beyond Costco—

**Ms O'Connell:** But the project is tracking well.

**Mr Foulds:** Fairbairn Avenue—down to Fairbairn Avenue—mid this year.

**Ms O'Connell:** It is on budget, and it is tracking well in terms of achieving its time lines.

**Senator SESELJA:** You said that the first stage will be open between the Federal Highway and Fairbairn. When is that?

**Mr Foulds:** Mid this year.

**Senator SESELJA:** And it is on track for the mid-2016 completion, is it?

**Mr Foulds:** Yes, it is.

**Senator SESELJA:** And a final part of that will be the—

**Mr Foulds:** That is the crossing of the Molonglo where that bridging is happening. Any time you drive to the airport you will see it. When that bridging is complete, it will then join to the Monaro Highway. That should be finalised by mid next year.

**Senator SESELJA:** I think the chair's question was relevant. From memory, it was a \$288 million project.

**Mr Foulds:** That is correct.

**Senator SESELJA:** And it was half ACT, half Commonwealth.

**Mr Foulds:** That is correct.

**Senator SESELJA:** Are we on track to come in under \$288 million?

**Mr Foulds:** Yes, we are. And the Commonwealth government's contribution is capped.

**Senator SESELJA:** So, if it does blow out, it would be the ACT government's—

**Mr Foulds:** But there is no indication that that is going to happen.

**Senator SESELJA:** So at this stage it will come in under \$288 million. Can you remind me what the benefit-cost ratio for that was.

**Mr Foulds:** It is 3.32 at a four per cent discount rate.

**Senator SESELJA:** There was an issue raised with me by some of the local traders—you talked about Costco, but in and around that area there are a number of businesses—about where the off-ramps will be. Has a final decision been taken on those off-ramps? Where are they likely to be at this stage?

**Mr Foulds:** I would have to take that on notice. I just do not have that level of detail in my head.

**Ms O'Connell:** But I understand that there has been debate about the off-ramps, access roads et cetera, and there will be the access road of the existing road as part of it. In fact, at the moment, you go onto the new road as part of the current traffic flow in certain sections. My understanding certainly is that the off-ramps have been settled and the access arrangements have been settled, whether you are using the current road as an access road or using an off-wrap. We would have to get that detail from the ACT government to tell you what the final design on that is.

**Mr Foulds:** But there is no indication that it is an issue or has not been settled.

**Ms O'Connell:** It has been a subject of debate and, according to our representations made to the ACT government, they have engaged in consultations and come to what I understand to be a satisfactory resolution with the businesses around and it is within the contracted price.

**Senator SESELJA:** Which businesses? There are differing views amongst some of those businesses about whether not just Costco but also the McDonald's and Woolworths area at Majura Park or the new developments that will be further down the road will be benefited. Do the Commonwealth play a role in that or do you just leave it to the ACT to make a decision on where they are going to put things like the off-ramps?

**Mr Foulds:** The ACT transport and municipal services, who are running the project, will be conducting those negotiations with the stakeholders, and they do everything from the rifle range further up through to the airport itself and the access arrangements. We would not normally impose or seek to impose a decision on where a particular element of the road was or where an intersection was.

**Senator SESELJA:** So, even when the Commonwealth are 50 per cent funding, you will completely leave that to the discretion of the ACT government?

**Ms O'Connell:** The things that are relevant to the overall business case include the selection of the route as a transport route. One of the reasons that the federal government is involved in this particular project and it has a high BCR is that it is a heavy-vehicle route connecting from the Federal Highway straight through. They are the fundamental aspects of the federal government's involvement in the project. With the other arrangements around local traffic and how that is handled, provided that there is a satisfactory outcome negotiated by the state or territory government—ACT in this case—we are satisfied because it will not impinge on the overall design or benefit-cost of the project, or its initial connection point or end connection point.

**Senator SESELJA:** You say 'satisfactory'. Is any regard given to whether or not there will be an impact on local businesses depending on where you put those off-ramps? That is the concern that has been raised with me and that is why I am putting to you that some of those businesses feel that they will be disadvantaged if it goes too far past those existing businesses on Majura Road.

**Ms O'Connell:** I think it is fair to say that, with most of the roads we are engaged in, there are differences of view about where the access ramps and those designs should take place. Largely, we leave those to the state or territory government to negotiate and come to a resolution on. We could ask the ACT government where they have landed with those access points and provide that information to you.

**Senator SESELJA:** I would appreciate that, thank you. Briefly going back to WestConnex, there was some questioning on that and I was not here for all of it. Regarding the benefit-cost ratio and the overall benefits, what are the estimated economic benefits to New South Wales at the completion of that project?

**Ms O'Connell:** The benefit-cost ratio is 1.8 to one, using a discount rate of seven per cent. If it was a discount rate of about four per cent, which is one of the tolerances we look, that would have an expected higher benefit-cost ratio. In terms of the other benefits, I will ask Alex Foulds to speak to them.

**Mr Foulds:** In the business case, the anticipated benefits include reducing travel times between Parramatta and Kingsford Smith Airport by up to 40 minutes, halving bus travel times between the inner west and the city, ensuring the environment to create 10,000 jobs during construction, bypassing up to 52 sets of traffic lights, removing 3,000 trucks a day from Parramatta Road, which will trigger the opportunity for neighbourhood revitalisation, improving north-south travel times for public buses, providing the environment for 25,000 new jobs and 25,000 residences to be created over the next 20 years along Parramatta Road and delivering more than \$20 billion in economic benefits to New South Wales.

**Senator SESELJA:** So the jobs you are talking about on Parramatta Road, what is the basis for—

**Mr Foulds:** No, the 25,000 new jobs is for the entire project and the ongoing benefit with the revitalisation of Parramatta Road—basically, the improvement of that environment along Parramatta Road and the 25,000 residences, et cetera. The 10,000 jobs are the construction jobs. They are related directly and indirectly to the construction of the motorway.

**Senator SESELJA:** So the estimate is 10,000 direct jobs during construction but then potential flow-on benefits. Does the urban renewal that comes from taking all of the trucks off, or a lot of trucks off, Parramatta Road lead to planning improvements, more residents living there and different types of businesses—that sort of thing?

**Mr Foulds:** Yes. UrbanGrowth NSW is leading that work on behalf of the New South Wales government. That does precisely what it aims to achieve. The removal of 3,000 trucks and other vehicles from Parramatta Road will allow neighbourhood re-connections and cross-road access, which is currently very difficult.

**Senator SESELJA:** You talk about relieving congestion on existing roads—and, obviously, there are a lot of intangible benefits of people not being stuck in traffic—but what are the economic benefits there in terms of less congestion? I assume that is part of the \$20 billion in benefits?



**Ms O'Connell:** Certainly, travel time savings is part of the economic benefit ratio. It is a significant benefit in terms of reduced travel time for people using WestConnex.

**Mr Foulds:** The principal economic benefit is determined through travel time reliability improvements. This means that you would expect the journey to start at the same time and finish at the same time on every day. There are savings in vehicle operating costs. If you have better flows of traffic, your vehicle will have less wear and tear. When you conglomerate all of that you get the benefit. There are reductions in air pollution, greenhouse gas emissions and noise pollution through the free flow of traffic rather than weaving, stopping and starting. There are reductions in road accidents—a road safety component, and that is monetised. And there are reductions in local road maintenance. If you have taken vehicles from the local roads, then they will, by definition, require less maintenance. So that is a lower economic cost. Also, hopefully, the removal of surface traffic will enable improvements to public transport.

**Senator SESELJA:** Obviously, there is a live debate between the two major parties in New South Wales about exactly the scope of this project. If you were to scale it back, and if you did not do what is there at the moment, presumably some of those benefits would be reduced—there would be less construction jobs and some of that urban renewal may not be possible if you are doing a lesser WestConnex.

**Ms O'Connell:** That is true. In addition, the benefit-cost ratio of 1.8 that I mentioned earlier has been modelled on the full three stages of the project being delivered. So, if the full three stages were not delivered, that would have an impact on the benefit cost. I am unable to tell you what it would be on a different design scenario. The current scenario is \$1.8 billion for all three stages being delivered and that is excluding wider economic benefits. Infrastructure Australia has suggested that with wider economic benefits that BCR could perhaps be about \$2.1 billion. That is modelled at a seven per cent discount rate. Traditionally, we have often used four per cent as a tolerance measure. So at a four per cent discount rate, it would have a higher benefit-cost ratio. So if the design changes, that would change that potential benefit to the economy. I cannot tell you what other design options would or would not be but it would be different.

**Senator SESELJA:** Obviously, it is difficult to say how changes in the design would impact, but you would presume they could impact on that benefit-cost ratio. If you took away a whole stage or significantly scaled back a stage, while you cannot give me the exact cost, the benefits presumably would go down; the benefit-cost ratio would go down.

**Ms O'Connell:** It would be less, and certainly an expectation that the direct jobs would be reduced.

**Senator McLUCAS:** I want to ask about the Cape York regional roads package.

**Mr Mrdak:** I will just get the relevant officers to the table.

**CHAIR:** There is nothing going on about the Victorian tunnel because the election is over.

**Senator RICE:** You haven't given me the chance to ask the question yet.

**Senator STERLE:** Chair, would you like to a \$2 scratchie on that?

**CHAIR:** No, I am just chucking the bait out and they took the bait.

**Senator McLUCAS:** In October when we talked about the Cape York roads package and you advised us that the early works on the Peninsula Development Road were going to be received imminently. Has that advice been received from Queensland?

**Mr Mrdak:** Yes, it has and the government has made a decision on it. I will ask Mr Pittar to give you an update in relation to decisions taken and works that are now progressing.

**Mr Pittar:** The government has agreed funding for the early works package for the Cape York infrastructure package, with early works already commencing on aspects of the Peninsula Development Road

**Senator McLUCAS:** In the 2014-15 year?

**Mr Pittar:** Correct, in the current financial year.

**Senator McLUCAS:** What are those works?

**Mr Mrdak:** We can give you a list. There are 11 projects which involve ceiling and upgrading of works on the peninsula road—the Laura and Archer River crossings concept planning; the Rocky Creek to Culburra project, paving and sealing; south of Sudley area, paving and sealing; Kalinga to Healy, paving and sealing; south of Hahn, paving and sealing over NDRA upgrades; Serraus hill, paving and sealing; south of Morehead, paving and sealing; the main deviation, paving and sealing; Coen south; Archer to Warburton, Rio Tinto boundary works, including sealing works; and the area around Musgrave, paving and sealing.

**Senator McLUCAS:** They are all in the PDR?

**Mr Mrdak:** That is correct.

**Senator McLUCAS:** The original works were for a much broader set of activities. These activities are only on the PDR and that will be the \$18.4 million—is that right?

**Mr Pittar:** As mentioned at the beginning, this is for an early works package. What we are expecting to see come from Queensland by about the middle of this year is a proposal for a fuller package of works, which would involve works other than simply on the Peninsula Development Road. That would involve, for example, works on roads to communities, plus works, potentially non-road-related, in some of the communities.

**Senator McLUCAS:** This early work is the \$50 million from Queensland plus our \$18 million. Is that correct?

**Mr Murnane:** No, it is a much larger Commonwealth commitment to this first stage.

**Mr Pittar:** The first stage involves in the order of—

**Ms O'Connell:** \$107.8 million from the Australian government.

**Mr Pittar:** Plus commitments from the Queensland government, as well.

**Ms O'Connell:** \$27 million from the Queensland government for the early works package. There are further commitments beyond early works, as we have been through.

**Mr Pittar:** So the overall package, including Queensland funding, is for a package in the order of \$260 million.

**Ms O'Connell:** Of which the early works is \$134 million roughly.

**Senator McLUCAS:** How does this interrelate with the work the RDA was doing around consulting on the broader package?

**Mr Pittar:** It relates intimately to that. These works are ones that have been identified through that consultation exercise the RDA in Far North Queensland has been undertaking with the community in Far North Queensland and on the Cape. Through both the Department of Transport and Main Roads up there, and also through the state Department of Aboriginal and Torres Strait Islander and Multicultural Affairs, they have been working closely with communities on the Cape to also look at what opportunities exist for Indigenous business participation, training and education and opportunities to interface with the delivery of infrastructure. As recently as late last week, expressions of interest have been put out seeking input on how providers might link it with delivery of infrastructure and provide opportunities for participation from service providers in that space.

**Senator McLUCAS:** What role does the federal department play in this expression of interest process?

**Mr Pittar:** That is being coordinated through the RDA process you were asking about earlier. We are also liaising with our federal Indigenous affairs people, through the Department of Prime Minister and Cabinet. They also have a representative on that RDA taskforce. The objective is to have everyone inside that process so that we can bring federal and state players to bear to have both the infrastructure programs and the Indigenous affairs programs interlinking as part of that delivery process.

**Senator McLUCAS:** Has the RDA given the federal Department of Transport the report. I remember we had a conversation in October last year, and you indicated it would be early next year. I actually indicated to you that it would probably be after the election, and here we are—it has happened. Have you received the report from the RDA yet?

**Mr Pittar:** My recollection of the conversation we had in October was that we anticipated that we would have the broader business plan by the middle of 2015. What we expected to have now was the project proposal report for the early works package on the Peninsula Development Road, which would allow the works to go ahead. What we also have now, as you have seen, is the expression of interest for service delivery around training and education and around business development. That is happening. What we are also seeing now is the EOIs going out for actual delivery of the infrastructure on the Peninsula Development Road. Those things are happening to allow that delivery. We have also seen delivery before the wet season on some of the works already on the Cape road.

So that RDA process has resulted in the project proposal reports that we need in order to allow decisions of the federal government to release funding to have occurred to facilitate this process.

**Senator McLUCAS:** Who is going to sign off on these contracts that were in the paper on Saturday?

**Mr Pittar:** The Queensland Department of Transport and Main Roads.

**Senator McLUCAS:** Do you have any role in that?

**Mr Pittar:** We do not sign off on the contracts.

**Senator McLUCAS:** Are you involved in any assessment of the applications in any way?

**Mr Pittar:** We assess the broad project proposal report and provide advice to government.

**Senator McLUCAS:** Can I get a copy of the project proposal report? Is that a public document?

**Mr Pittar:** That is not generally a public document. We can take that on notice.

**Mr Mrdak:** We will take it on notice.

**Senator McLUCAS:** Could I also get the list of projects for the early works, with figures on how much is allocated to each?

**Mr Mrdak:** Certainly. We can table that.

**Senator McLUCAS:** Ms O'Connell, you talked about \$107.8 million. Is that the early works package?

**Ms O'Connell:** That is the Australian government's contribution to the early works. The Australian government is providing \$107.8 million of an overall total cost of early works of \$134.8 million. The Queensland government is providing \$27 million. That is just the early works package.

**Senator McLUCAS:** The report from the RDA to the federal government will identify other works outside of the PDR proposal. When do you expect to get that, Mr Pittar?

**Mr Pittar:** We expect the full business case by about midyear.

**Senator McLUCAS:** Why is it taking so long?

**Mr Pittar:** Because they are needing to consult and make sure that what they have is robust and effectively represents the views of the community up there.

**Senator McLUCAS:** I had a funding profile for the Cape York regional package showing \$18.4 million in this year, and then 50, 50, 50 and then 40 in the out years. Is that now changed?

**Mr Jagers:** I can give you the profile. In 2014-15 we have \$58.9 million. This is the overall package, not the early works. In 2015-16, \$48 million. In 2016-17, \$50 million. In 2017-18, \$50 million. In 2018-19, \$0.6 million. That is the Australian government contribution to the project profile.

**Ms O'Connell:** What is missing from that for the overall project is the state government profile of the contribution. We have a total for the state government, which is \$52.1 million, but not the profile. That is why there might be some differences.

**Senator McLUCAS:** When did the profile change?

**Mr Jagers:** The profile be more likely to have changed once the business case is received and the final projects and their timing are determined. That is the indicative profile for now. Once final decisions are made on which projects you would probably expect some movement on the profiles.

**Senator McLUCAS:** I may have some other questions to put on notice, but going to the question of day labour for Cook Shire Council. Thank you for your answer on notice to that. The last sentence is 'No project applications for the cited work have yet been received from Cook Shire Council by QRA.' Has that changed?

**Mr Pittar:** Sorry, I could not hear the question.

**Mr Mrdak:** I do not think it has, to our knowledge. But I will check that.

**Senator McLUCAS:** What I am trying to find out is whether Cook Shire has applied to QRA for any of their day labour works following the cyclone last year.

**Mr Mrdak:** Not to our knowledge, but I will check that and come back to you as soon as we can.

**Senator McLUCAS:** The other part of that question is: were any of those works done on roads other than the Peninsula Development Road?

**Mr Pittar:** I do not know. We will take it on notice.

**Mr Mrdak:** I do not think so. I think they were all PDR projects, but I will check that and come back to you.

**CHAIR:** I am going to impose a little discipline now, whether you like it or not. It is time for a break.

#### **Proceedings suspended from 11:10 to 11:24**

**CHAIR:** We will go to Senator Cameron. Is that what we agreed? And then we are going to the birds. That is not sexist, it is bush. Would sheilas be better?

**Senator RHIANNON:** It is not only that you know all this; you know the answers to it.

**CHAIR:** You have to have a bit of fun. We are broadcasting. We will be right without her.

**Senator CAMERON:** Okay, I am in the chair's hands. Ms O'Connell, I think we left off talking about the project steering committee. Did you raise any concerns about the business case in your time on the steering committee?

**Ms O'Connell:** I made contributions in terms of what needed to be looked at and areas that needed to be further explored and analysed in the business case. I raised concerns about, certainly, methodologies for forecasts that were being used. I raised a number of concerns whilst I was on the steering committee and identified things that needed to be clarified or have further work done on them.

**Senator CAMERON:** The traffic analysis was not completed as of 16 July, was it?

**Ms O'Connell:** We are reflecting on 2013?

**Senator CAMERON:** Yes.

**Ms O'Connell:** There was a traffic analysis done at that point in time. It was not as sophisticated as the traffic analysis and traffic modelling that we have been referring to earlier this morning that has been more latterly completed.

**Senator CAMERON:** We have got a concept of a sophisticated traffic analysis. Are there standards for traffic analysis that the department would expect?

**Ms O'Connell:** Yes, there are in broad terms.

**Senator CAMERON:** Did this non-sophisticated analysis meet the standards that the department would require?

**Ms O'Connell:** There was an early traffic analysis, and we raised a number of questions about that traffic analysis and felt that further work needed to be done on it.

**Senator CAMERON:** That is consistent with the Auditor-General's view that there were problems with the underlying quality of the modelling. That is on page—

**Ms O'Connell:** It is in here.

**Senator CAMERON:** Yes, so you understand that point. That is consistent with what you are saying as well.

**Ms O'Connell:** Yes.

**Senator CAMERON:** Despite these concerns by the Auditor-General, despite the poor-quality traffic analysis, did you still sign off on the business case?

**Ms O'Connell:** This is reflecting on 2013 traffic modelling. We now have traffic modelling of late 2014 and 2015.

**Senator CAMERON:** I am trying to understand the process that was undertaken in 2013.

**Ms O'Connell:** Yes.

**Senator CAMERON:** You signed off on behalf of the Commonwealth. Was that your role?

**Ms O'Connell:** Yes. I was participating in the steering committee, so yes, I had a role as a member of the steering committee.

**Senator CAMERON:** You signed off on this project despite the fact that there was poor-quality traffic analysis and modelling and there were a range of issues that you raised. Why did you sign off?

**Ms O'Connell:** I would characterise it as saying that signing off on the business case set out what those issues were in terms of the traffic modelling that underpinned it. It outlined what the case was, and the assumptions as part of it, and there was commitment to do further work on the traffic modelling, and that is a normal process. A business case is a business case at a point in time. So long as a business case outlines what the issues are, what the assumptions are, then it is a valid business case. That business case was yet to receive, obviously, scrutiny from Infrastructure Australia and other bodies who would also see that material.

**Senator CAMERON:** Correct me if I am wrong: isn't one of the key assumptions that you need to make that modelling for the traffic flows? If you are building a road, surely traffic modelling and what that road will take, what it will do, how many cars, how many trucks—surely that is a fundamental part of a business model?

**Ms O'Connell:** Yes, it is.

**Senator CAMERON:** You did not have that, did you, when you signed off?

**Ms O'Connell:** We did have traffic modelling when we signed off.

**Senator CAMERON:** But it was poor-quality traffic modelling, was it?

**Ms O'Connell:** There were a number of concerns about the detail and the methodology that was to be applied. Notwithstanding that, the business case considered not just a single traffic number but a range of traffic numbers so that there was tolerance at the upper and lower ends. The business case reflected that tolerance. There were concerns about whether it was accurate enough to come to a landing on a better and more precise model. Further work has since been undertaken to get to that more precise model. That further work has since been reviewed by Infrastructure Australia.

**Senator CAMERON:** You signed off, on behalf of the Commonwealth government, on a business case when a lot of work still had to be done. The fundamental issue of the traffic modelling had not been satisfactorily completed.

**Ms O'Connell:** No, it was more that we still had some questions about the veracity of the precise detailed traffic modelling—and that further work should be done on that traffic modelling. It was a business case at that point in time.

**CHAIR:** Senator Cameron does it very gracefully—putting words into your mouth.

**Senator CAMERON:** The WestConnex Delivery Authority board has basically taken over the role the committee that you were previously on. Is that correct?

**Ms O'Connell:** That is correct. The delivery authority was established—

**Senator CAMERON:** Why is there no Commonwealth representation on this?

**Ms O'Connell:** The WestConnex Delivery Authority is an entity of the New South Wales state government. It is responsible for actual delivery of the project. We are still involved through membership of a group and briefed regularly on the delivery, but the fundamental delivery of the project—and this is consistent with our usual approach with most state governments and territories—now reverts back to the state. It was the decision, recognising the size and scale of the project, of the New South Wales government to create the delivery authority to deliver WestConnex. We remain involved. We remain a funder of the project. The delivery authority provides reports to us on progress of the project.

**Senator CAMERON:** There is \$3½ billion of Commonwealth money involved here and you get second-hand reports from the authority. You have no-one on the authority that is delivering this \$3½ billion of our money.

**Ms O'Connell:** We do not have anyone on the board of the WestConnex Delivery Authority. We are involved in the project delivery mechanisms underneath the board. That is, if you like, a more active involvement. It is with the organisation that is actually delivering—not just the board involvement.

**Senator CAMERON:** On page 19 of the New South Wales Auditor-General's report, it says:  
The preliminary business case had many deficiencies—  
this is the business case you signed off on—  
and fell well short of the standard required for such a document.

This is the document you signed off on. The report continues:

Further, on our analysis, the business case put to the Government still included some deficiencies that independent Gateway reviews and external assurance arrangements, if they had occurred, should have identified.

You signed off on this business deal, or business case, that had many deficiencies. Why did you not protect the Commonwealth's interests in this by identifying these problems and dealing with them before you signed off on the business case?

**Ms O'Connell:** As the Auditor-General points out, the business case did identify where further work needed to be done. It was a business case at a point in time. I think you referred to it as a 'deal'. There was no deal. It was a preliminary business case, an early business case, for WestConnex. In my view, as an early business case, it also clarified what additional work needed to be done to further refine that business case—as the auditor pointed out. Subsequently that work to develop a final business case has been done.

**Senator CAMERON:** Did you have discussions with the New South Wales government or any of its agencies about the recommendations in the Auditor-General's report?

**Ms O'Connell:** Yes, and there are ongoing discussions with the New South Wales—

**Senator CAMERON:** Who had those discussions?

**Ms O'Connell:** I did with, certainly, the chief executive of Roads and Maritime Services in relation to this, also with the chief executive of Infrastructure New South Wales. Subsequent to that, my officials, who are represented on the project control group within WestConnex, have been involved in analysing the issues raised by the Auditor-General and working with New South Wales on rectifying them.

**Senator CAMERON:** Ms O'Connell, did you read the Auditor-General's report?

**Ms O'Connell:** Yes, I did, Senator.

**Senator CAMERON:** From start to finish?

**Ms O'Connell:** Yes, I did, Senator.

**Senator CAMERON:** That is commendable. How do we now ensure that that \$3.5 billion investment is going to be money well spent, given the concerns the Auditor-General has raised?

**Ms O'Connell:** Senator, there are a number of measures in place: our ongoing involvement with the project; the revised business case—the more updated, final business case—which takes account of quite a number of the issues that were raised. There is also, on the sign-off in the report, a sign-off from the New South Wales government accepting the majority of the recommendations and working towards implementing those. Can I just refer to the overall conclusions of the Auditor on the project. It talks more about the assurance processes that are in place. It says that they are consistent with key principles underlying New South Wales government major projects assurance frameworks and have been effectively implemented to provide sound, independent insurance to the government and project sponsors.

**Senator CAMERON:** But that has to be read in the context of the overall critique, surely?

**Ms O'Connell:** I am reading it from the overall middle part of the executive summary.

**Mr Mrdak:** If I may, Senator, as Ms O'Connell has indicated, the number of outstanding issues and areas of further work have and are being dealt with.

**Ms O'Connell:** And have been accepted.

**Senator CAMERON:** Let me go to that very point, Mr Mrdak. Recommendation 4 in the Auditor-General's report says:

The WestConnex Delivery Authority should develop, by March 2015, a project plan for approval by Infrastructure NSW which:—

in the second dot point—

—provides for the business case to be formally and thoroughly revisited for Stages 2 and 3 of the project as well as any other major changes to the scope.

Has that been done?

**Ms O'Connell:** The WestConnex Delivery Authority are working with Infrastructure New South Wales in relation to that. The WestConnex Delivery Authority have put forward the business case for scrutiny by Infrastructure Australia, which has now been completed.

**Senator CAMERON:** Are you confident that there will be a formally and thoroughly revisited plan that takes into account major changes to the scope? Are you confident that will be done by March 2015, which is only weeks away?

**Ms O'Connell:** Senator, in terms of the WestConnex project and its stages 1, 2 and 3 that has been done, as I have outlined, and has been assessed by Infrastructure Australia. There has subsequently been some additional design elements that have been looked, which we touched on earlier, that have not yet been through the full business case development.

**Mr Mrdak:** In essence, Senator, I think my officer is saying that it may not be completed by March because of the additional work Mr Foulds has outlined to senators, but we anticipate that those business cases will be completed over the coming months, yes.

**Senator CAMERON:** How have you become confident that this will be delivered by March 2015 and that these issues will be dealt with? What is the process that you have undertaken to ensure that?

**Mr Mrdak:** Our officers sit on the project control group. Mr Foulds has already discussed, this morning, some of the additional work that is now happening. I think Mr Foulds might want to reiterate. When I say 'coming months', we are saying by midyear, and certainly by June, that additional analysis of the connectors will be completed, which will enable that final decision to be taken on the scope of the project. Through the project control group and the information we have received through that we are confident that the work is being undertaken.

**Senator CAMERON:** You are confident that the work will be undertaken?

**Mr Mrdak:** Yes.

**Senator CAMERON:** The budget papers said that the concessional loan was to accelerate the delivery of stage 2 of WestConnex.

**Mr Mrdak:** Yes.

**Ms O'Connell:** That is correct.

**Senator CAMERON:** Minister Briggs said that the government was steaming ahead with WestConnex. Is that your understanding? Is it steaming ahead?

**Mr Mrdak:** Certainly the project is moving, yes, Senator.

**Senator CAMERON:** Moving? You are steaming ahead?

**Mr Mrdak:** Work on the M4 widening is about to commence. Work on the subsequent stage 1B, which is the M4 extension, I think, is going out to market or is out to market, and stage 2 is going out to market shortly once the reference design is complete. Mr Foulds may be able to give you an update in relation to the schedule.

**Senator CAMERON:** That is fine. You can give me that on notice. I am interested in a wider point here. The Auditor-General raised these concerns, Ms O'Connell said that she thinks that those concerns have been dealt with, but you do not know if all the concerns have been dealt with, do you?

**Ms O'Connell:** No, not at this point in time.

**Senator CAMERON:** You do not know if all the concerns that the Auditor-General has raised are being dealt with, yet the federal government is putting in a \$2 billion loan to fast-track a project with significant problems in relation to the business plan and significant problems in relation to the traffic flow analysis. How can that be justified from the department's point of view when there are no indicators that these things will be fixed? They are still unresolved.

**Mr Mrdak:** You have used the language 'significant problems'. I do not think that is necessarily shared.

**Senator CAMERON:** So there are no problems in this project?

**Mr Mrdak:** There is work ongoing on this project. You have used the words 'significant problems'. I do not know if that the language that ought to be used.

**Senator CAMERON:** I would have thought that there are significant problems if you cannot get a traffic flow analysis done on a project that is going to have cars and trucks running up and down it. That traffic flow report is fundamental, surely?

**Mr Mrdak:** Ms O'Connell has given you an update on the work.

**Ms O'Connell:** We have a satisfactory traffic flow analysis now. We have one.

**Senator CAMERON:** Okay, so you got it?

**Ms O'Connell:** Yes, we do.

**Senator CAMERON:** Is that available publicly?

**Ms O'Connell:** No, it is not. We took on notice earlier about making that available to you. I also point out that there is assurance on page 5 of the Auditor-General's report, which is the printed response by the New South Wales government, signed by Premier and cabinet, the CEO of Infrastructure New South Wales, the secretary of the Department of Transport, the chief executive of WestConnex, and others such as the head of Main Roads in New South Wales, attesting that they will be dealing with the issues raised by the Auditor-General's report.

**Senator CAMERON:** Ah, so you have a promise, have you?

**Ms O'Connell:** Not only do we have a promise, Senator, it is also the case that we have subsequent to that seen some of the later work done on the business case by the WestConnex Delivery Authority and the New South Wales government, and that has led to us having a level of assurance in relation to those matters. It is important to note that the Auditor-General in New South Wales is talking about the business case in 2013, not necessarily reflecting on the 2015 traffic model.

**Senator CAMERON:** Having seen an Auditor-General's report for how chaotic it was for the 2013 business case, I am not confident that these issues are fixed. You have taken on notice some of the documents that may give us some assurance. Until we see those documents we cannot have any confidence that the problems, which you were well aware of because you on the committee trying to deal with those problems, are not being replicated. In fact the Auditor-General is quite clear about what should be achieved. Mr Mrdak has just indicated probably that that recommendation from the Auditor-General will not be achieved by the time frame.

**Mr Mrdak:** What I have indicated is that the March time frame, given the additional work that has been undertaken, may not be achieved. Obviously New South Wales is about to go into caretaker, so that will

obviously have an impact on sign-off processes within the New South Wales government. Mr Foulds has indicated to you that they are on schedule for the additional work to be completed by June this year.

**Senator CAMERON:** You are just doling out money. The federal government is just doling out money to this project. The project is changing. There is no analysis being done on the changes. You do not have an overall business case for the whole project. We are taking a lot of this on faith. The payment milestones have not been determined. How can you be putting billions of dollars of Commonwealth money into this project when there is so much uncertainty.

**CHAIR:** Can I just pause? Senator, your 20 minutes assessment is up. How much longer do you need?

**Senator CAMERON:** I am okay. I am finished on this one. Can I indicate, depending on what other senators raise, that I have East West in this area.

**CHAIR:** Do you have questions that you can put on notice for us?

**Senator CAMERON:** Not on East West, and I have questions for Infrastructure Australia.

**Senator BACK:** I have questions for Infrastructure Australia also.

**CHAIR:** We will start with Senator Brown.

**Senator CAROL BROWN:** I would like to ask some questions about the Tasmanian irrigation scheme. We just had an announcement about funding of \$60 million, I think, for five projects in Tasmania.

**Mr Mrdak:** That is correct.

**Senator CAROL BROWN:** Do you have business cases for all those five projects?

**Mr Mrdak:** I will just get the officers.

**Ms O'Connell:** Senator, I think we probably have this scheduled under policy and research, which is currently scheduled for the 5 pm to 5.30 pm area. That is when the officers who have knowledge on this would be at the table.

**Senator CAROL BROWN:** If you could let them know that I will ask some questions.

**Ms O'Connell:** Absolutely, Senator.

**Mr Mrdak:** Sorry, we just do not have those officers up here at the moment.

**Ms O'Connell:** It is the policy and research division, Senator.

**Senator CAROL BROWN:** What about the Tasmanian Jobs and Growth Package?

**Mr Mrdak:** That is this area.

**Senator CAROL BROWN:** You kindly provided a project list as of 31 October last year. There are a number of projects still under assessment. Where are they standing now?

**Mr Mrdak:** Senator, we will give you an update on that. Mr McCormick.

**Senator CAROL BROWN:** Do you have an update to the list that you provided as of 31 October last?

**Ms O'Connell:** We could update that for you, Senator. I think we now have 28 of the 31 projects under way.

**Senator CAROL BROWN:** Yes. That was the situation, I think, the last time we talked. According to this there are three under assessment, so if we could quickly go through where we are.

**Ms O'Connell:** Two of the three have moved beyond under assessment. They have been assessed and are now in negotiations. There is one remaining under assessment. The other two are under negotiation in terms of finalising the agreement with them.

**Senator CAROL BROWN:** Mr McCormick, are you providing information?

**Mr McCormick:** There are three projects still outstanding as at 20 January. We have had 31 approved for funding.

**Senator CAROL BROWN:** Can you tell me which projects are still under assessment?

**Ms O'Connell:** Senator, there is one that remains under assessment: Launceston City Council North Bank precinct redevelopment. Last time we reported two others that were under assessment have now moved to negotiation a funding agreement, so the assessments have been completed and are fine and they are now moving to negotiating a funding agreement. Those two are the Tas Gas Networks and the Caterpillar Underground Mining Ltd, Advanced Manufacturing Development.

**Senator CAROL BROWN:** With the Launceston City Council project, the North Bank precinct redevelopment, when are we looking to move to the next stage for funding?



**Ms O'Connell:** Sorry Senator, just correcting—there were three projects under assessment and two that have moved to negotiating funding. The other two under assessment are Launceston City Council Macquarie House Innovation Hub and the National Trust of Australia.

**Mr McCormick:** Senator, the North Bank precinct?

**Senator CAROL BROWN:** Yes. With the ones that are still under assessment, I am trying to get a time line as to when they will be moving on. Or is there any issue in terms of whether they are meeting the expectations of moving forward? It has been quite a while now.

**Mr McCormick:** It has. It is moving forward. We are in regular contact with the proponents. We have required further information to be able to make a value-for-money assessment and recommendation on this project. We are still awaiting some further information and are assessing the information that has been provided.

**Senator CAROL BROWN:** Do we have a time line in terms of when you expect to indicate that they will be moving into signing contracts in terms of funding?

**Mr McCormick:** With North Bank, if the information provided is all as requested, I would expect that we would be seeking specific approval to enter into funding agreement negotiations quite soon.

**Senator CAROL BROWN:** With the other projects that have started, can you provide a list of when they are due to be completed? There are no completion dates here, and I know some have been completed. I would like some further information about that. With the ones that you have indicated funding has been approved for—Oak Enterprises, Tas Gas Networks and the Caterpillar underground mining project—I am interested in when those projects will actually commence.

**Mr McCormick:** Until we actually have a funding agreement signed, we do not have a specific date, because part of the negotiations with the funding agreement is agreement on the actual milestones to be achieved.

**Senator CAROL BROWN:** Funding was approved as of October last year, so some of them must have—

**Mr McCormick:** We do. For all of the ones that have been contracted we do have estimated start dates, completion dates and actual dates as well.

**Mr Mrdak:** We can give you those.

**Senator CAROL BROWN:** Can you provide that on notice for me. There are no completion dates or estimated completion dates in the information that you have provided.

**Mr Mrdak:** We will give you an updated table which has got estimated completion dates as per the funding agreement.

**Senator CAROL BROWN:** Last time when we spoke you told the committee that there was couple of projects that were not proceeding, which left \$2 million out of the \$100 million jobs package, and you were anticipating that that \$2 million would be spent in Tasmania.

**Mr Mrdak:** Yes.

**Senator CAROL BROWN:** Do you have a further update as to what is happening with that \$2 million? Has it been allocated somewhere else?

**Mr Mrdak:** Not at this stage, I do not think. It is going to the innovation.

**Mr McCormick:** Yes; the Innovation and Investment Fund (Tasmania), under the department of industry.

**Senator CAROL BROWN:** Sorry, can you repeat that.

**Mr McCormick:** The money has been transferred to the Innovation and Investment Fund (Tasmania).

**Ms O'Connell:** That is administered by the department of industry, so it will be spent in Tasmania because it has moved to that fund under Industry's stewardship.

**Mr Mrdak:** We are not aware of funding decisions at this stage specifically in relation to that \$2 million, but it has gone into that innovation investment fund which is being administered by that portfolio.

**Senator CAROL BROWN:** When did that move over? When was decision taken?

**Mr Mrdak:** That was formally transferred on 15 November.

**Senator CAROL BROWN:** That is all I have on the jobs and growth plan, but I did want to ask some questions under the freight-rail package.

**Ms O'Connell:** That is here, Senator. I will ask the officer to come to the table.

**Senator CAROL BROWN:** When was the freight rail revitalisation package funding available?

**Mr Wood:** The current profile for that funding is that it is a commitment by the Commonwealth of \$119.6 million over the period from the current financial year through to the 2018-19 financial year.

**Senator CAROL BROWN:** So was funding available from 1 July?

**Mr Wood:** Funding is available over that period. Funding will be released subject to the National Land Transport Act and approvals required under that act.

**Senator CAROL BROWN:** And you have a final project proposal from TasRail?

**Mr Wood:** Yes, we do. We are just finalising our assessment of that, which will be provided to government shortly.

**Senator CAROL BROWN:** You received that just recently?

**Mr Wood:** I believe it was in the first week of February, from memory.

**Senator CAROL BROWN:** Did you receive the funding proposal from the Tasmanian government or from TasRail itself?

**Mr Wood:** Our formal agreement is with the Tasmanian government. TasRail is the rail authority and effectively, in this instance, the service delivery agent for Tasmania. A lot of our discussions are directly with TasRail, as they have the detailed knowledge, but the project proposal is provided through the Tasmanian department of state development. In our formal relations with them, funding is provided to the Tasmanian government.

**Senator CAROL BROWN:** Did you provide any assistance on that funding proposal?

**Mr Wood:** I am not sure if 'assistance' would be correct. We certainly had a lot of toing and froing, trying to clarify details, making sure that the information provided was going to be provided in a way in which we could undertake our assessment and due diligence.

**Senator CAROL BROWN:** So you provided some advice?

**Mr Wood:** We had discussions with them and provided advice and asked questions to ensure that we had the information we needed to be able to undertake an assessment.

**Senator CAROL BROWN:** So it was presented in a way that you were able to undertake that assessment?

**Mr Wood:** That is correct.

**Senator CAROL BROWN:** Hopefully that funding will be released after a positive consideration of this proposal, but you are not able to give me any time lines?

**Mr Wood:** That is a matter for the minister once he receives our advice.

**Senator CAROL BROWN:** Are the milestones that will be required to be achieved for ongoing funding of this nearly \$120 million made public?

**Mr Wood:** Not typically. Particularly with a project of this nature, rather than delivering a big project, a lot of it is going to be minor works across the network, so they are not typically made public.

**Senator CAROL BROWN:** Is there a construction schedule in the funding proposal?

**Mr Wood:** A lot of the details of the construction schedule are still being finalised. Because of the particular nature of this project, it is not constructing a new piece of infrastructure; it is really going back and rebuilding culverts, bridges, improving drainage. So a lot of it is going to be at an ongoing level of detail. That will partly depend on how TasRail are able to take the work forward. It may be that, if they are able to develop efficiencies through that program, additional works could be undertaken.

**Senator CAROL BROWN:** What is the total cost of this revitalisation package, state and federal?

**Mr Wood:** The governments combined are contributing \$239.2 million towards rail in Tasmania. The state government's commitment includes things such as rolling stock which will be used on that. That is the current proposal.

**Senator CAROL BROWN:** What does 'the current proposal' mean?

**Mr Wood:** Until something is approved I cannot indicate—

**Senator CAROL BROWN:** It is envisaged then that it will be a 50-50 split?

**Mr Wood:** Yes, the funding that is being sought at the moment is for the P50 amount. Essentially you do a probabilistic estimation and there is a 50 per cent chance that the project will be delivered for the amount of funding being sought, which is actually slightly less than the \$119.6 million. You would expect that the rest of the

funding up to what is called a P90 amount, which is a 90 per cent probability that works will be completed for that amount, is held in contingency and would be released if required.

**Senator CAROL BROWN:** What is the department's traditional funding split for road and rail projects on the national network?

**Mr Mrdak:** It varies, Senator. For many projects it is 50-50. For some projects it is 80-20.

**Senator CAROL BROWN:** Even on the national network it can still be 50-50?

**Mr Mrdak:** Yes. There are many projects in the current program. It has been a position of the former government and the current government that projects are funded at 50-50. That is our starting position. In some situations we will fund some projects at 80-20.

**Senator CAROL BROWN:** Since the announcement by the government in December that there would be an 80-20 funding split for new road and rail projects on the national network outside metropolitan areas, are any projects being funded at 50-50 that need the ministers—I think it was Mr Truss and Mr Briggs—

**Mr Mrdak:** Is this the national highways upgrade?

**Senator CAROL BROWN:** Yes, the national network new road and rail project. I am just making sure that Tasmania is not short changed.

**CHAIR:** Before you answer that, can I just draw attention to the fact that your 15 minutes is up. Could you please either put some questions or wait for another round after this question, Senator?

**Senator CAROL BROWN:** I would just like to get the answer to this question.

**Mr Mrdak:** That announcement I think relates to the national highways upgrade in relation to the 80-20.

**Senator CAROL BROWN:** Road and rail funding.

**Mr Mrdak:** Road and rail. Regarding the bulk of the projects in the current program, 50-50 is the starting position of the Commonwealth right across the country.

**Senator CAROL BROWN:** On notice, can you give me a list of projects after the announcement by the government on 11 December 2014 that have been funded at an 80-20 split and of any new ones that have been funded on a 50-50 split.

**Mr Mrdak:** Details of that National Highway Upgrade Program are still being settled with the jurisdictions, but we can certainly provide you on notice with an update of that, following that announcement, yes.

**Senator RICE:** I want to move on to the East West Link. We have got to discussion so far about WestConnex. Obviously we are in a different era with regard to East West Link than at last estimates, with the business case having been released by the new Victorian government. I would like to start off with lots of good information that the public has made available to the business case. Did the department do an assessment of the business case?

**Ms O'Connell:** There were a number of business cases that were publicly released. The business case dated March 2013 is the business case that has a BCR of 0.45, excluding wider economic benefits, and 0.04 with wider economic benefits. The department did not do an analysis of that business case, and that business case was not supplied to the department.

**Senator RICE:** Yes, as we gathered.

**Ms O'Connell:** A subsequent business case was delivered to the department on—I will just check with Mr Foulds—I think it was 1 November.

**Mr Foulds:** It was dated June 2013 but delivered in November 2013.

**Ms O'Connell:** That business case was assessed by the department, and that has a different cost-benefit ratio.

**Senator RICE:** Mr Foulds, can that assessment be provided to us?

**Mr Foulds:** Again, it goes to advice to government, but I am happy to take that on notice.

**Ms O'Connell:** I think that was probably released.

**Senator RICE:** Given the Victorian government have released the business case, it would seem to be that the assessment of that would—

**Mr Mrdak:** Our assessment is advice to government, but I will take that on notice.

**Senator RICE:** Okay. Is there any reason why you think it may not be able to be released?

**Mr Mrdak:** I will put that to the minister. I cannot give you a position at this stage. There are conventions around provisions of advice. But, recognising Senate orders and the like, I will take that on notice.

**Senator RICE:** From an answer to a question at last estimates, I understand about the memorandum of understanding that was made between the Victorian and the federal governments. Was there just one memorandum of understanding, or was there more than one relating to the different stages of the East West Link?

**Mr Jaggers:** There was one memorandum of understanding.

**Senator RICE:** Did that relate to stage 2?

**Ms O'Connell:** No. It covered the eastern section and the western section—both those stages.

**Senator RICE:** The answer to the question on notice was that it would be a matter for both the federal and the state governments as to whether that could be released.

**Ms O'Connell:** That is correct.

**Senator RICE:** What is the view of the federal government about the release of that? Is the federal government happy for that memorandum of understanding to be released?

**Mr Mrdak:** Not at this time. I am happy to go back to the government and seek advice on matters.

**Senator RICE:** If you could do that, and any reasons as to why that was not able to be released, given the project is now in abeyance, would be good.

**Mr Mrdak:** We await Victoria's formal advice on their position on the project.

**Senator RICE:** I am about to get onto that.

**Mr Mrdak:** They have yet to advise us of their position.

**Senator RICE:** I was interested in a discussion that came from the New South Wales Auditor-General's report about the steering committee that was established between the state and federal governments for WestConnex. Was there a similar steering committee at any stage that the federal government was represented on?

**Ms O'Connell:** Yes, there was. There was a steering committee in place for the development of the business case proposal et cetera for the eastern section of the East West Link project.

**Senator RICE:** Who was represented on that steering committee from the government?

**Ms O'Connell:** I was represented as the federal government representative.

**Senator RICE:** And when did that steering committee commence? Has it ceased? Presumably it has ceased operation.

**Ms O'Connell:** It certainly has ceased operations. I will ask my colleague Mr Foulds if he has got the exact date of when the steering committee commenced, but it had been running for some time.

**Mr Foulds:** I would have to take that on notice.

**Ms O'Connell:** It has not met for quite some months, and does not continue to meet at this point in time.

**Senator RICE:** As was asked for the WestConnex steering committee, would it be possible to get the minutes of the meetings of that steering committee?

**Ms O'Connell:** I will take that on notice.

**Senator RICE:** Even if we are not able to get the minutes of the meeting, I would like to have the full details of the operation of that steering committee and who was represented on that steering committee.

**Ms O'Connell:** Certainly.

**Senator CAMERON:** Just go up and get the minutes.

**Senator RICE:** Well, I have asked for the minutes. They have taken the minutes on notice, Senator Cameron. I will move on. Given the current situation with the new government and the East West Link, can you update us on what your understanding is, particularly with regard to the \$3 billion of federal funding on the East West Link, given the Victorian government's publicly stated intention of not building the East West Link?

**Mr Mrdak:** The Victorian government has made their public position, but they are yet to provide any formal advice to the Australian government on their commitment to the project, as required under the memorandum of understanding.

**Ms O'Connell:** It is also fair to say that if the project does not proceed then the Australian government, under the terms of both the National Partnership agreement and the instrument that was signed and the memorandum of understanding, would be expecting return of the full funds from Victoria.

**Senator RICE:** Have there been discussions with the Victorian government about the redirection of those funds to other projects?

**Mr Mrdak:** There have been proposals put by the Victorian government about alternative projects that they would like to see funded. That is as far as it has gone.

**Senator RICE:** Can you give us the details of which projects have been put forward by the Victorian government.

**Mr Mrdak:** Some of them have been publicly canvassed by the Victorian government in relation to projects such as their rail level crossings, their alternative proposal for truck access to the port—

**Senator RICE:** The West Gate Distributor?

**Mr Mrdak:** That is right, and myriad other small projects through Melbourne. I think they have been publicly canvassed by the Victorian government. It was provided via correspondence from Victoria. I can take that on notice.

**Senator RICE:** Has the Melbourne Metro rail project been proposed as a project?

**Mr Mrdak:** I would have to check the details. I do not recall that being on the initial proposal put to the Australian government.

**Senator RICE:** The managed motorways project? It had been an Infrastructure Australia assessed project.

**Mr Mrdak:** I do not recall it being on the list that has been provided, so I cannot really talk about it.

**Senator RICE:** The metropolitan ring road upgrade? That also was an IA assessed project.

**Ms O'Connell:** The M80.

**Mr Mrdak:** I do not recall that being on the list submitted by the Victorian government. My understanding is that, essentially, the projects that have been canvassed thus far by the Victorian government relate largely to their incoming government election commitments. I will refresh my memory and come back to you on notice.

**Senator RICE:** Has the department done any assessment of the projects that have been proposed by the Victorian government?

**Mr Mrdak:** We have.

**Senator RICE:** Has the department reached any views about the appropriateness of redirecting the funding to these projects?

**Mr Mrdak:** We have provided advice to the government based on our initial view. It is fair to say that we would view some of the projects put forward so far by Victoria as being projects that are probably of a lesser priority. They are projects which in our view have less value to long-term productivity and—

**Senator RICE:** On what basis is that? Have you done a business case assessment or has a business case assessment been provided?

**Mr Mrdak:** It is fair to say that it is impossible to do a full assessment based on the information that has been provided so far on most of them.

**Senator RICE:** Have business cases for those projects been provided to you?

**Mr Mrdak:** No.

**Ms O'Connell:** In relation to the Victorian government, post election, we have not been given new business cases updated with particular lists of level crossings, for example. Prior to that, some time ago, there was a list of level crossings that had business cases associated with them that had been looked at by Infrastructure Australia. That was some time ago. We have not looked at that list compared to the latest list. I just want to say that there probably are some level crossings that are currently proposed to be treated by the current Victorian government that potentially were the subject of an earlier business case.

**Senator RICE:** I am interested in fleshing that out. If you have not received new business cases, what has been your criteria or your process for forming a view as to how appropriate those projects are?

**Mr Mrdak:** I suppose we would say that the paucity of information thus far makes it difficult to assess the projects as being high-value projects.

**Senator RICE:** So it is basically the absence of information.

**Mr Mrdak:** We would see that there are far higher priority projects.

**Senator RICE:** What higher priority projects would you see?

**Mr Mrdak:** We have in the past seen a strong business case for the M80. That is a project that has been assessed and is generally regarded as being a high-value project. We are not in a position at the moment to say

whether the alternative projects put forward by Victoria have as strong a business case as the project they are not proceeding with.

**Senator RICE:** I will leave it there with the East West Link, but it may be appropriate for Senator Cameron to continue on East West Link.

**Senator CAMERON:** Mr Mrdak, I was quite interested in your assertion that the projects that the Victorian government are proposing are of a lesser value than the East West Link or some other projects—I think they were your words. Given the returns on the East West Link project, if that sets the bar for the department you would not have to jump very high to get these projects approved, would you?

**Mr Mrdak:** What I was indicating is we are not in a position at this stage to demonstrate that the alternative proposals are of a higher value than the projects such as the East West. There simply is not that information. Certainly, in previous analysis of the Victorian program we identified projects like the M80, which have a very strong business case, but that does not appear on the Victorian government alternative list.

**Senator CAMERON:** You also made some comment about projects not being—

**Mr Mrdak:** As I said—

**Senator CAMERON:** How did you come to that view if you do not have information?

**Mr Mrdak:** That is precisely why I cannot give advice to the government that these are high-value projects. That is all I was indicating.

**Senator CAMERON:** In written answer 105 from October, the department indicated that Infrastructure Australia was still undertaking analysis of the most recent business case provided to it by the Victorian government for the project. Has that analysis been done?

**Ms O'Connell:** My understanding is that that analysis is still underway with Infrastructure Australia.

**Senator CAMERON:** So there is no analysis finalised for East West?

**Mr Mrdak:** My understanding—and Infrastructure Australia will be able to add to this when they appear shortly—is that they have sought additional information. They have yet to complete their analysis.

**Senator CAMERON:** So you are going to demand a return of funds from the Victorian government based on a project that you have approved with no business plan?

**Ms O'Connell:** No, Senator. There is a business case. We receive the business case in November 2013.

**Senator CAMERON:** You have analysed the business case?

**Mr Mrdak:** We have analysed.

**Ms O'Connell:** We have analysed it.

**Mr Mrdak:** Infrastructure Australia is still completing its analysis.

**Senator CAMERON:** They are the ones who basically determine the value for the project?

**Mr Mrdak:** They undertake an independent assessment of the business plan, which, as we discussed earlier, for WestConnex has now been completed. On East West it had not been completed at the time of the Victorian election.

**Senator CAMERON:** Why did you facilitate payment on this project if Infrastructure Australia has not completed their analysis?

**Mr Mrdak:** The Australian government took the decision to accelerate stage 2 of the project and to meet its election commitment in relation to progressing the first stage—the eastern section—and made those payments.

**Senator CAMERON:** So it is the same as WestConnex—it is a political decision by the government to move ahead with this project and that is what determined—

**Senator Cash:** The officer cannot comment on whether something is a political decision, but I am more than happy to step in and provide you with an answer to your question. Senator Cameron, you would know that this is a project that has been considered and on the table for more than a decade. This is not a new project. It was first recommended, I understand, in 2008 in a report to the then Labor government, titled *East West link needs assessment*. At that time, the project actually received bipartisan support. The current Leader of the Opposition supported the East West Link project. My understanding is that the bipartisan support fell apart when the coalition made it an election commitment in 2013 to provide the money towards stage 1. In terms of the benefits—

**Senator CAMERON:** It probably fell apart because it was a dog of a project.

**Senator Cash:** that this project will actually—

**Senator CAMERON:** That is why it fell apart. It is a dog of a project and you know it.

**Senator Cash:** Senator Cameron, you are always on the record as saying that you are a senator who has come to this place, unlike those on this side, and are pro-jobs. This will create 7,000 jobs for Victorians. It is a project that, as I said, has had bipartisan support. It has been on the table for 10 years. This is a project that is shovel-ready. The benefits have been concisely outlined over many years. For the life of me, I cannot understand a state government, for purely political purposes, saying to the people of Victoria, firstly, 'We are not interested in the creation of 7,000 jobs.' I would be embracing it and taking credit for it if I were Daniel Andrews. Secondly, wanting to give back to the Commonwealth, or having to, \$1.5 billion to not build a road—

**Senator CAMERON:** Mr Mrdak, we handed over \$500 million to the previous Victorian government on 30 June 2014. Is that correct?

**Mr Mrdak:** It was \$1.5 billion.

**Senator CAMERON:** It was \$1.5 billion.

**Mr Mrdak:** I think the minister has outlined that this was a key part of the government's infrastructure growth package to bring forward stage 2, the Western Link, which, as far as I am aware, has strong support in Victoria, but we are waiting to see the incoming Victorian government's position, as well as enabling the contracting of stage 1, the Eastern Section. As the minister has outlined, it is very much driven by the fact that this would create an immediate employment boost for the state of Victoria. Very much a key part of the government's macro budget investment strategy was the payment of that money at that point.

**Senator CAMERON:** At what cost are these jobs?

**Senator Cash:** Seven thousand jobs—that is what it will be at the cost of.

**Senator CAMERON:** Are you aware that the former Victorian cabinet had looked at this issue? Were you or anyone else in the department aware that the benefit-cost ratio of the project was 45c in the dollar?

**Mr Mrdak:** We did not receive a copy of that initial business case that was outlined in your comment. As Ms O'Connell has indicated, the first full business case which we received was in November 2013 which had a BCR of 0.8, excluding wider economic benefits, and a BCR of 1.4 with wider economic benefit. That is the business case which the department has worked from. Subsequently, my understanding is that, as the project went to market, the business case grew more favourable. In the end, the tendered price for the project that was contracted was a significant improvement on the business case tendered estimate, which meant that the business case got much stronger. It remains a very strong business case—well above 1.4 in current operation. My colleagues will correct me, but the initial business case was based on a tender price of about 6.4. The final tender price that was achieved was 5.3—

**Ms O'Connell:** It was 5.6.

**Mr Mrdak:** which made it a significantly better investment in the end, given the market conditions.

**Ms O'Connell:** Sorry, you were right: it was 5.3.

**Mr Mrdak:** A very favourable outcome and, as the minister has outlined, a project that still could start almost immediately.

**Senator CAMERON:** You said it is becoming more favourable. It is becoming more favourable because the Victorian government had to scramble to try and make it more favourable. They have added—

**Mr Mrdak:** With the amount of tunnelling involved, the level of competition in the market and the delivery of that quality design, the tendered price, by any standards, is a very good project price. It will be a price which we will not achieve again if this project does not proceed.

**Senator HEFFERNAN:** That, of course, is based on the fact that the CFMEU will not block Boral Concrete.

**Mr Mrdak:** I am not sure about the industrial relations assumptions that are built into it. What I can say from seeing prices around the market is that the price achieved was a very good price for that project.

**Mr Mrdak:** Does that price include adding in public transport improvements and the widening of the Tullamarine Freeway to try and get the BCR up?

**Mr Mrdak:** No, that BCR is based on the business case of the Eastern Section of that project.

**Ms O'Connell:** The BCR is the business case for the Eastern Section and the construction price is the construction price.

**Senator CAMERON:** Are you aware that public transport improvements have been added into this project and the widening of the Tullamarine Freeway?

**Ms O'Connell:** There are public transport improvements as part of the project. They are genuine public transport improvements as part of the project.

**Senator CAMERON:** This is to try and drive the business case up?

**Mr Mrdak:** I do not know what it does for the business case. Essentially, what I think they are trying to do is ensure a full mix of transport operations in the corridor. It is improving the operations of the corridor. I do not think that, of themselves, they add to the business case.

**Senator CAMERON:** In 2013, were you aware that, even with the federal government grants, there was a \$2 billion shortfall in the project?

**Mr Mrdak:** Sorry, Senator?

**Senator CAMERON:** A \$2 billion funding shortfall, even with the Commonwealth grants?

**Mr Mrdak:** I am not aware of that.

**Senator CAMERON:** So you are not aware that the Victorian cabinet had a report to say that there was a \$2 billion shortfall? We were just going to pump the money in, whether there was a shortfall or not. We did not even know about that, did we?

**Mr Mrdak:** What has been released by the Victorian government may not reflect the final position. My understanding is that, when the previous Victorian government tendered and contracted, it was based on the basis that the project would be viable. With respect to the business case—to come back to your earlier point—I am advised that the issues of public transport provision went to the wider economic benefit, which is broader than the initial BCR. The BCR is based essentially on the eastern corridor motorway project.

**Senator CAMERON:** Are you aware that the information available to the Victorian cabinet was that there would have to be a toll on the M1, the Westgate Bridge, the Westgate Freeway and the Eastern Freeway to make up this \$2 million gap?

**Ms O'Connell:** That was not part of the scope of the eastern section. The western section is the alternative route to the Westgate Freeway.

**Senator CAMERON:** It is part of the same project, isn't it?

**Ms O'Connell:** No. The Victorian government contracted for the eastern section. There is the overall project, but it was the eastern section that was contracted.

**Senator CAMERON:** Neither the secretary nor anyone in the department was made aware that there was a plan to toll the M1, the Westgate Bridge, the Westgate Freeway and the Eastern Freeway? Were you aware of that?

**Mr Mrdak:** I would have to go to the documents. I am not familiar with that comment that you have just made. I am happy to go back and check that. But certainly the basis on which the Commonwealth entered its arrangement with the state of Victoria was that the state of Victoria would fund the cost over and above the Commonwealth contribution. How Victoria chose to do that was a matter for the Victorian government. With all due respect, I would need to see the documentation which you are referring to to be able to give you a view on that.

**Senator CAMERON:** I would have thought it would have been of interest to the department that if you sign off on a project, you hand over money on a project, and the other project partner starts putting tolls across Melbourne, as well as raising tolls on the City Link and East Link, it might have been an issue? Would that be an issue for you?

**Senator Cash:** Chair, to be fair—Senator Cameron, you are referring to particular documents, which the secretary has advised he has not seen. I am sure you are not misquoting from those documents, but the secretary has advised he does not have the benefit of those documents.

**Senator CAMERON:** Okay. So you are going to have a look at your documents and see whether these issues were there. When you do that, can you look at the fact that congestion on the Tullamarine Freeway and Eastern Freeway would in fact increase as a result of this project and also that it would take 56 years of tolls to pay back the construction costs? There are a range of issues I have raised there. If you can take those on notice.

**Mr Mrdak:** I am happy to have a look at those issues. Certainly, the Victorian government contribution in terms of how they would structure the payments through the availability payments and the tolling levels were matters for Victoria. It does not go to the issue of the Commonwealth support for this project.

**Senator CAMERON:** I understand that. The Commonwealth government basically supported this project without any understanding of the cost-of-living implications for Victorians as a result of these increased tolls.



**Mr Mrdak:** I do not know how you could reach that assertion, but take me through your line of thinking on that.

**Senator CAMERON:** You are funding the project.

**Mr Mrdak:** Yes.

**Senator CAMERON:** The Victorian cabinet had information that for it to properly fund the project—you are the partner—they would have to toll the M1, the Westgate Bridge, the Westgate Freeway and the Eastern Freeway and they would have to raise tolls on City Link and the East Link and there would be increased congestion on the Tullamarine Freeway and the Eastern Freeway, and the estimate was 56 years of tolls to pay back the construction costs. If that is not of interest to the department, if that is not of interest to the government, that is fine. I am just asking you to have a look—

**Senator Cash:** Senator Cameron, it is not that it is not of interest. Senator Cameron is, allegedly, referring to Victorian cabinet documents. Unless you have them there, Senator, and you would like to table them for the officers to have a look at, the officer has said that he will take on notice what you have said.

**Senator CAMERON:** I am happy to—

**Senator Cash:** But to then make the summation that it is not of interest, based on the response given, is completely unfair and unfounded.

**Senator CAMERON:** Mr Mrdak's response was that these are issues for the Victorian government.

**Mr Mrdak:** You certainly went to whether we were across the issues of rising costs of living and the like. I do not how you make that linkage, but the benefit of the eastern project was to provide a substantial reduction in travelling times and cost of operations for traffic moving through that segment. You have taken me to a point, which I am not sure how we got to, and you have asked: did we care about cost-of-living issues?

**Senator CAMERON:** You got to this point because the Victorian cabinet—the coalition government in Victoria—were aware of these issues in 2013. You were a partner in the project. You are telling me that either you are unaware of them or the documents are there and you do not know about them now?

**Mr Mrdak:** You asked me the question: did we care about the costs-of-living increases?

**Senator CAMERON:** No, if I did, I withdraw that.

**Mr Mrdak:** I am happy to leave that one there because, clearly, I do not think you can make that linkage.

**Senator CAMERON:** My view is that if you are going to give me arguments about the cost benefit of this project, I am entitled to put back to you: have you factored in the issues that the Victorian cabinet were aware of in terms of increased costs to the public, to use transport systems around Victoria, when you made the decision to provide the billions of dollars of support? That is a legitimate question.

**Mr Mrdak:** The issue is that, to finance any piece of infrastructure, governments have to create funding, either space on budget or through revenue mechanisms like direct charging. There is no other way to pay for infrastructure. Whatever alternative proposals are put forward, they will have to be paid for either by the taxpayer, on budget, or through charges.

**CHAIR:** Luckily, in Junee, we have only one roundabout and no traffic lights and if you want to commute to Sydney there is only one set of traffic lights between Junee and William Street in Sydney. So there you go. It is much cheaper to live in Junee, Doug!

**Senator CAMERON:** Magic! Mr Mrdak, when did you become aware that the Victorian cabinet decided, in April 2013, not to submit the business case at that point to Infrastructure Australia?

**Mr Mrdak:** I became aware of it when I read media reporting of the documents that had been released.

**Senator CAMERON:** I will just quote this to you. This is from the business case cabinet submission. It says: ... "the risk associated with this action—

that is, submitting to IA—

is that the lower end range of benefit-cost ratios presented in the business case may be used as a justification for not supporting the project".

And further:

"It is proposed to provide updated strategic material ... to Infrastructure Australia in April 2013 ...

It goes on:

"The Victorian Government can then state that it has submitted updated project information to IA for assessment ...

When did the department, separate to Infrastructure Australia, become aware of the business case?

**Mr Mrdak:** As I indicated, the department received a business case on 1 November 2013.

**Senator CAMERON:** 1 November 2013?

**Mr Mrdak:** Yes. I am advised that Infrastructure Australia, and the officers who will appear shortly, received a business case for the eastern section on 7 July 2014, which was, again, an updated business case. There was an initial business case done. A short form business case was provided to IA by the Victorian government, in June 2013.

**Senator CAMERON:** So there was an update in July 2014?

**Mr Mrdak:** Which was the detailed business case.

**Senator CAMERON:** It was updated?

**Mr Mrdak:** That is right.

**Senator CAMERON:** In April 2013, the decision was not to put the case forward because it just would not be accepted?

**Ms O'Connell:** We are not aware of the Victorian cabinet's deliberations at that time. We became aware when the material was made public in December 2014.

**CHAIR:** I am going to have to ask a favour, to be able to manage the system. Senator Ludlam has been here all morning. He has to go to another committee. This is the new model of estimates, which is not working. Could I seek your indulgence to let him have a few questions, so he can get away to his other committee?

**Senator CAMERON:** I have got other commitments as well. You have had indicated to you that I had finished this. I have some questions on the Pacific Highway, then I am done. I am in your hands, Chair. You can do what you like.

**CHAIR:** I just want to be fair.

**Senator CAMERON:** I just think this is not—

**CHAIR:** You will go on for another half an hour.

**Senator CAMERON:** I doubt it.

**Senator LUDLAM:** Do you want to finish this line of inquiry, then if I can jump in before your Pacific Highway stuff?

**CHAIR:** Come on, Doug.

**Senator CAMERON:** It is up to the chair. I would prefer not. I would prefer to get—

**CHAIR:** You have a crack. Chris, you have a crack, then we will go back to Doug.

**Senator LUDLAM:** I want to take us to the other side of the country.

**Senator Cash:** Western Australia.

**Senator LUDLAM:** Yes, this is an area that Senator Cash will be fairly familiar with as well. It is a similar line of inquiry. It is interesting that we have three urban freeway projects under discussion. On the Perth Freight Link specifically, the budget papers identify \$866 million of agreed Commonwealth funding for the project, but media reports are talking up a \$925 million figure. I am not asking you to account for what journalists might come up with, but can you help distinguish where that comes from?

**Mr Jaggers:** The \$866 million was new money as part of the infrastructure growth package, but there was already funding in the program for the High Street component which has been subsumed into the Perth Freight Link. That is the reason for the difference.

**Senator LUDLAM:** That is really useful. I probably should have known that, but thanks. Is the Commonwealth in a position to withdraw its contribution based on any set criteria or is this committed no matter what?

**Mr Jaggers:** We have a national partnership agreement which has been signed by all jurisdictions. Under that national partnership agreement, there is a separate schedule for the Western Australian program. So we have agreed to provide the funding for those projects and the state has agreed to deliver those projects that are in the schedule, including, obviously, the Perth Freight Link. There are provisions in the agreement if the project were not to proceed because one of the parties wanted to cancel the project, but the national partnership agreement does provide the basis for us proceeding with the project.

**Senator LUDLAM:** I understand why you would want that continuity. If we have a similar example to what just happened in Victoria, where there was a state election, a change of government and a very dramatic change of priorities, is the Commonwealth going to plough on insisting that its funding was only for the Perth Freight Link?

**Mr Mrdak:** That would be a matter for the Commonwealth government at the time.

**Senator LUDLAM:** I guess, but there is nothing in the national partnership agreement that insists that that would need to occur?

**Mr Mrdak:** The national partnership agreement is between two levels of government and it is open to governments, obviously, to change their priorities. In the case of Victoria, the federal government's position remains that the East West Link project should continue. That is not the view of the new Victorian government.

**Senator LUDLAM:** I would respectfully disagree with that, but let us keep this in WA. Is Commonwealth funding of the Perth Freight Link conditional on any particular criteria or milestones being met, or is that money going to be handed over no matter what?

**Mr Jagers:** We have received a business case from the Western Australians and a summary of that business case has been released. Infrastructure Australia are also considering the business case and will provide advice to government. We will also be considering a project proposal report from the Western Australians, when a final funding decision will be made by the minister.

**Senator LUDLAM:** So the business case has not been put into the public domain yet, although the summary was released, I think—

**Mr Jagers:** That is right: in December the summary was released.

**Senator LUDLAM:** Late December.

**Mr Jagers:** Yes.

**Senator LUDLAM:** Does this the business case take in the entire catchment? Sometimes I think we are confused with three different projects. There is the 85 kilometres, which is all the way from Muchea down to the port of Fremantle; there is the 6½-kilometre section through the Beeliar Wetlands, which has attracted a lot of interest; then there is the western connection that would take it from the Roe extension all the way through to the container port. Is the business case for that entire link all the way down from Muchea or is it a subset?

**Mr Jagers:** The business case considers the entire linkage, but the focus of it is on the component we are calling the Perth Freight Link, which is from the Kwinana Freeway through the Roe 8 extension, Stock Road and High Street through to the port of Fremantle.

**Senator LUDLAM:** And the funding commitment that has been made is not for any specific piece of that project; it is for the entire extent from the Roe Highway extension all the way through to the port?

**Mr Jagers:** That is correct.

**Senator LUDLAM:** I guess it is Infrastructure Australia's job, then, to go through and interrogate that business case and work out whether it is happy. If you guys are not happy with the assumptions or the models that are used, which are very similar to those that have been used for New South Wales and Victoria, do you have the ability to go back to the state and ask for its homework to be done to a higher standard?

**Mr Jagers:** We have certainly been working with the West Australians for some time. We have employed consultants who have done work along the way to provide assurance to us as the business case is being developed.

**Senator LUDLAM:** Who have you got working on this project in particular?

**Mr Jagers:** I do not think we have consultants working at the moment, but we have had during the past year. I can provide details.

**Senator LUDLAM:** Do you want to table those for us, down the track?

**Mr Jagers:** Yes, we can just table them later today, Senator, if you like.

**Senator LUDLAM:** Thanks. In relation to the traffic modelling that has been provided by the proponent—in this case the state government—the usual justification for this project is to reduce freight traffic, and particularly container traffic, on Leach Highway. Are you aware that the proponent's own modelling shows that this Perth Freight Link will have negligible impact on container traffic on the Leach Highway? Does that disturb you at all?

**Mr Jagers:** Senator, I think the business case summary that was released does outline quite a number of the benefits of the project, including reduced heavy vehicle usage of Leach Highway.

**Senator LUDLAM:** That is not at all what I have got in front of me.

**Mr Jaggers:** The overview says that it will bypass 14 traffic lights, resulting in less delays and frustration of heavy vehicles. The benefits also include 500 fewer trucks per day on sections of the Leach Highway by 2031—

**Senator LUDLAM:** Five hundred per day?

**Mr Jaggers:** Yes; by 2031—reducing noise and increasing mobility, and also improving access to the Murdoch Activity Centre and the Fiona Stanley Hospital.

**Senator LUDLAM:** The PER—which is what I am drawing my information from, and I can table that after this session, if you like, so that you can have access to what I am looking at—indicated that the daily heavy vehicle flow in 2021 would be about 2,800 without the project, and that it would be about 2,600 with the project. Is that reasonably consistent with the modelling that you are reading from? It does not sound like it.

**Mr Jaggers:** Senator, that is one year, I presume, those figures.

**Senator LUDLAM:** It is a 2021 snapshot of an estimate, and that was contained in the PER.

**Mr Mrdak:** Senator, are you quoting that it is 2,800 in 2021, without; and 2,600 with—?

**Senator LUDLAM:** Roughly; I am reading off a graph.

**Mr Mrdak:** And I think what Mr Jaggers has indicated with the 2031 projection is that the 200 less is then 500 less by 2031.

**Senator LUDLAM:** So it opens up.

**Mr Mrdak:** It seems to me that we are probably talking about a consistent document.

**Senator LUDLAM:** It is in the ballpark, isn't it?

**Mr Jaggers:** Yes. Senator, we might have to take that on notice to provide you with some more detail.

**Mr Mrdak:** I would have presumed the business case and the PER are consistent.

**Senator LUDLAM:** Yes, if it is a decade later; and there is kind of a wedge opening up, as traffic moves off.

**Mr Mrdak:** Yes. Essentially, what you would imagine with projects like this is that your growth will be absorbed by the new route.

**Senator LUDLAM:** Are those assumptions under any kind of examination or test by the Commonwealth, either for the 2020s or the 2030s?

**Ms O'Connell:** We certainly look at future freight projections, and do some modelling on future growth in freight. And this is reflecting, obviously, a future growth in freight, so we would check to see that it is consistent with our projected modelling of future freight forecasts.

**Senator LUDLAM:** That is good to know. What can you tell us in this instance? Do you think the state government's increased freight volume projections are accurate and reliable?

**Ms O'Connell:** Yes.

**Mr Jaggers:** Senator, in relation to this project we also did our own modelling of traffic volumes, and that information was shared with Western Australia and used as a comparison point for them in determining their patronage forecast for the project. So we are comfortable with the forecasts that have been included in their business case.

**Senator LUDLAM:** For a long period of time there have been proposals that have just never quite gotten off the drawing board for a container port in Cockburn Sound, which would either act as a spillover, or to shift some of the container traffic at least, and maybe some of the other freight tasks, out of the port of Fremantle. If that were to come to pass, what impact would that have on this project, which is entirely dedicated to shunting freight in and out of Fremantle Harbour?

**Mr Jaggers:** I guess there are two points I would like to make in response that. First is that the Perth Freight Link—a large proportion of it, the Roe 8 extension—obviously would assist freight volumes moving to the south as well as to the north towards Fremantle. So there is certainly no redundancy in a large portion of the project. I guess the second point I would make is that there are currently 670,000 containers moving out of Fremantle, based on 2012-13 data, with the port continuing to grow to about 1.2 million FTE per year—

**Senator LUDLAM:** So a doubling of freight container movements?

**Mr Jaggers:** I am saying that there is current capacity within the port to move to 1.2 million containers per year. There is certainly significant room for container growth in Fremantle and so the project that we are talking about, the Perth Freight Link, obviously will be supporting that container growth into the future. If a port is opened at Kwinana sometime down the track then obviously a large part of the existing project would also support an outer harbour solution.

**Senator STERLE:** Mr Jagers, you just mentioned 670,000 container movements—what about single trailer movements that are not containers? There are heaps of them with all those new vehicles. Have you got those figures as well, because there would be thousands on top of the container movements that you have not counted.

**Mr Jagers:** They are not included in that number of containers, but I was commenting just on the growth of the court and whether that is sustainable. Certainly the patronage numbers that have been developed by Western Australia and that we have done on our own take that into account—

**Senator LUDLAM:** I was only asking about container traffic.

**Mr Jagers:** It is, though, important—one of the benefits of the project, by having a heavy vehicle charge on the project, is that it discourages trucks.

**Senator STERLE:** There are cattle movements as well; sheep. You are nearly a million.

**Senator LUDLAM:** I am getting the wind-up because we are getting close to the lunch break. There is a certain amount known, although I still think it is frighteningly ambiguous, about the section that ploughs through the wetlands at Beeliar, but there is much less known about what the footprint of this project is going to look like west of the Beeliar Wetlands as it runs up into Fremantle. What can you tell us about grade separation, overpasses, tunnels—how are you actually going to get connectivity between the Roe Highway Extension and the container port? Or the port in general?

**Mr Jagers:** Certainly the community consultation and environmental approvals process is still under way so—

**Senator LUDLAM:** How can you have funded the project to the tune of nearly a billion dollars while that is still afoot?

**Mr Jagers:** There had to be a commitment to the project to move the project forward to this point.

**Senator LUDLAM:** What is the point of consulting with people after you have made the decision? That is insulting, not consulting.

**Mr Jagers:** I think there are a range of options that the Western Australian government is still considering for those intersections and so there has been consulting and talking to businesses, but also to communities, about those options. I think it is still quite an important part of the process and the alignments and the final design are still to be settled for each of those components.

**Mr Pittar:** The business case summary that was released in December outlines some of the works to the west of the Beeliar Wetlands and around Stock Road. Between Stock Road and South Street will be upgraded to a six-lane highway, with construction of an overpass at the Winterfold Road and a grade-separated interchange at South Street. Local road access between South Street and the Leach Highway will be rationalised and there will be the construction of the new four-lane connection between Stock Road and Leach Highway. That outlines some of the things at a broad level. That is all on the web, too.

**Senator LUDLAM:** Was the Commonwealth government in possession of the full business case when the decision was made to allocate \$860 million?

**Mr Mrdak:** The government's announcement was conditional on the preparation of the business case.

**Senator LUDLAM:** The government funded \$860 million in a very tight budgetary environment without being in possession of the business case?

**Mr Mrdak:** The completion of the business case was undertaken post the announcement to commit. Going back to your earlier point in relation to assessment processes, the reality for every project is that unless there is a funding commitment we do not proceed to detailed planning or environmental assessment. That is the reality, because we do not have the funds to proceed. All projects have an initial funding commitment and then proceed through the planning and assessment process.

**Senator LUDLAM:** That is totally the opposite direction in which public transport projects are funded. In your wildest dreams—

**CHAIR:** Senator Ludlam, I regret to inform you that your time has expired.

**Senator BACK:** I want some clarity on a number of projects that would be either underway now or may be near completion, and if they were not undertaken I would like to have some background on them. These were projects that I think were funded for 2009-10. Can you give me some background on where they are, whether a cost-benefit analysis was done et cetera. Let me go through them quickly. In Victoria, there is the Regional Rail Link, \$3.2 billion. Did we see a cost-benefit analysis for that, was it released and where are we with that project?

**Mr Jagers:** The Regional Rail Link project has an Australian government contribution of \$2.718 billion. The project is essentially complete. Construction was completed at the end of 2014.

**Senator BACK:** Was that project the subject of a publicly available cost-benefit analysis?

**Mr Jagers:** No.

**Senator BACK:** What about the Gold Coast light rail project in Queensland, \$365 million. Where are we with that and can you tell us whether we all saw a cost-benefit analysis and a business case?

**Ms O'Connell:** The project is complete. The light rail is operating. I do not believe there was a publicly available cost-benefit analysis. I believe Infrastructure Australia did review a cost-benefit analysis and made a recommendation on it.

**Senator BACK:** I will go to South Australia for a couple. We have the Gawler rail line modernisation, \$300 million, and the Noarlunga to Seaford rail extension, \$290 million. Where are they and did we see a cost-benefit analysis released for each?

**Ms O'Connell:** The Noarlunga to Seaford rail project is complete and it is in operation.

**Senator BACK:** And the contributions respectively from the Commonwealth and South Australian governments?

**Mr Wood:** I will be a moment. I do not have that to hand, given that it is a completed project.

**Senator BACK:** You might even take it on notice.

**Ms O'Connell:** You also asked about the Gawler line. There was a commitment to electrify the full line to Gawler. The South Australian government decided not to proceed with the full project.

**Senator BACK:** Did the funds come back to the Commonwealth, or were they never allocated in the first place?

**Mr Wood:** The project was substantially complete. It essentially consisted of two parts. Part of it was rebuilding the track—that was part was completed and that included rebuilding some stations. The electrification works were not completed. A portion of funds related to those works were returned to the Commonwealth.

**Senator BACK:** I will come to WA. There is the Northbridge rail link, \$236 million. Would that have been the Commonwealth's contribution or the total? It must be the Commonwealth's contribution.

**Mr Jagers:** The Commonwealth's contribution. It is also complete.

**Senator BACK:** Did we see a cost-benefit analysis for that one come through, and if so who prepared it—the Western Australian government or the Commonwealth government?

**Mr Mrdak:** There was no business case or cost-benefit analysis, in the formal sense that we now understand for some of the major projects, completed for that.

**Senator BACK:** What about the O-Bahn track extension, \$61 million, in South Australia? Where are we with that?

**Ms O'Connell:** The project is discontinued.

**Mr Mrdak:** It did not proceed

**Senator BACK:** Did the Commonwealth commit money, or did it pay funds to the South Australian government?

**Mr Mrdak:** It was committed funds But I do not think moneys were paid. The project did not proceed.

**Ms O'Connell:** I think a small amount was paid for planning work, but that is it.

**Senator BACK:** There is \$1.4 billion for the Hunter Expressway in New South Wales.

**Ms O'Connell:** That project is complete.

**Senator BACK:** And there was a contribution by which parties, and did we see a cost-benefit analysis released in advance?

**Mr Jagers:** It was all Australian government funding for the project. I am not certain whether there was a business case or not.

**Mr Mrdak:** I do not think a business case was published for that project.

**Senator BACK:** Surely the New South Wales government would have had input into it, despite the fact that no New South Wales funds were allocated?

**Mr Mrdak:** The New South Wales government had responsibility for the development and delivery of the project.

**Mr Jagers:** They delivered it. They certainly would have provided project proposal reports but I do not know about a business case.

**Senator BACK:** In Queensland we have the Ipswich Motorway, \$884 million.

**Mr Jagers:** There are a number of components of the Ipswich Motorway. I presume you are referring to the Dinmore to Goodna section?

**Senator BACK:** Yes.

**Mr Jagers:** That project is completed.

**Senator BACK:** And the contribution by each?

**Mr Jagers:** I would have to check. I am sorry, I cannot recall.

**Mr Mrdak:** We will get you those.

**Senator BACK:** If you would, and do we know whether a business case or cost-benefit analysis was released for that project?

**Mr Mrdak:** I would have to check. There were certainly a business case and a cost-benefit analysis prepared but I do not know if they were publicly released in full.

**Senator BACK:** And the Darwin Port expansion—the final one. Who paid up, how much did each pay and did we see a cost-benefit analysis released?

**Mr Mrdak:** I do not have the details on Darwin Port so we will take it on notice.

**Senator BACK:** I am keen to know about this process about commitment of funds versus the actual allocation of the funds. I am anxious to know in these instances, please, at what stage in proceedings do we see a commitment of the funding—which presumably would then trigger works to be done but, except for some minor planning funds, the Commonwealth's money is not yet committed or spent.

**Mr Mrdak:** You are absolutely right. Generally governments commit to projects at the concept or initial design and planning stage. As I was outlining to Senator Ludlam, that then usually triggers more detailed planning and environmental assessment. The Commonwealth will commit funds often at the preliminary design stage or concept design stage but the funds are not actually provided usually until such time as certain milestones have been reached, with the submission of what we call a project proposal report which has the detailed design and construction schedules attached. That is the point at which the commitment translates into a firm funding contractual arrangement.

**Senator BACK:** I inform Infrastructure Australia people that I will want to talk to them about the Caravel Melbourne University study into project governance when we resume with Infrastructure Australia.

#### **Proceedings suspended from 12:59 to 14:00**

**Senator CAMERON:** Mr Mrdak, I want to table a response from the department to a question from Senator Sterle. This is question No. 148. It goes to the range of projects that Senator Back has raised with you. I am a bit concerned that your response was not a full response, in terms of those projects. I just want to bring you back to this answer to the question. On this list we have the Advanced Train Management System, the Hunter Expressway, Ipswich Motorway upgrade, the Gold Coast light rail, Goodwood and Torrens junctions, Gawler line, the Noarlunga to Seaford rail extension and the regional rail link.

When you were asked by Senator Sterle for a list of all the infrastructure projects funded by budgets from 2008 and 2009 that were on the Infrastructure Australia priority list—this is their priority list for doing the project—all of the projects that were mentioned by Senator Back were on the Infrastructure Australia priority list. Is that correct?

**Mr Jagers:** I would have to go back and I look at my answer this morning. I think the question I was answering though was: 'Were there published business cases and benefit-cost ratios for each of those projects prior to the government making a funding commitment?' I think that was the question I was answering. A number of these projects certainly were assessed by Infrastructure Australia, some, from recollection, after the government had taken in-principle decisions to fund them. I think I was not asked the question of whether they were assessed by—

**Senator CAMERON:** For fullness, I am asking the question: of those projects that were dealt with this morning in your response to Senator Back, were they on the Infrastructure Australia priority list?

**Mr Jagers:** I think they are. I will have to go back and look at the list. On notice, I will give you a fulsome answer in relation to that.

**Senator CAMERON:** You could probably just hand me back up what I have given you, because you have answered it in this one. But that is okay, I am happy for you to do that. Those projects had been assessed by Infrastructure Australia.

**Mr Jagers:** That certainly looks to be the case, in relation to this. But, again, that is not the question I was asked by Senator Back.

**Senator CAMERON:** For fullness so that the wrong impression is not given, I am just trying to get you to explain the fullness of the way those projects were funded.

**Mr Jagers:** Certainly. From looking at this list, I would say they certainly, being consistent with the answer, have been through the IA process.

**Senator CAMERON:** They have been through the IA process, okay.

**CHAIR:** Could you confirm, Mr Mrdak, that the Junee roundabout in Broadway is not included on the list?

**Mr Mrdak:** I can confirm that.

**Senator Cash:** I can also confirm that my understanding is that the entire East West Link Project was listed as a priority project in the Infrastructure Australia report to COAG in 2012. Now we all know about priority projects in Infrastructure Australia. Senator Rice, perhaps you also have a project?

**Senator RICE:** No, I just want to add some further detail, in addition to Senator Back's question, which I also think would be relevant to give us the full—

**Senator Cash:** You should not have opened the door, Chair!

**Senator CAMERON:** Mr Mrdak, are you aware of the coalition election promise to do cost-benefit analysis for all projects of values over \$100 million?

**Mr Mrdak:** Yes.

**Senator CAMERON:** Has a promise been kept, in terms of the processes for infrastructure projects that you are aware are underway?

**Mr Mrdak:** Infrastructure Australia is assessing projects over \$100 million. That is the case.

**Ms O'Connell:** That commitment has been put into legislation, in terms of the new legislation for Infrastructure Australia.

**Senator CAMERON:** Why has that not been carried out for the East West Link and WestConnex?

**Mr Mrdak:** As we outlined early this morning, Infrastructure Australia has published its assessment of WestConnex. As we also discussed this morning, they were undertaking an evaluation of the East West Link business case and had sought further information. That assessment was not completed.

**Senator CAMERON:** I am not asking you about IA's assessment—I am asking you about a cost-benefit analysis. The coalition went to the election with a promise that they would do a cost-benefit analysis for all projects of value over \$100 million. Has that been undertaken in the context of the projects that your department is involved in?

**Mr Mrdak:** I believe it has. I will check with my officers. I believe certainly in relation to projects that I am aware of it has.

**Senator CAMERON:** East West?

**Mr Mrdak:** Yes, we discussed this case this morning and the benefit-cost ratio that was contained—

**Senator CAMERON:** It was not there before you dumped hundreds of millions of dollars, was it?

**Mr Mrdak:** There was a business case we discussed in mid-2013—

**Senator CAMERON:** That was the shonky business case. It was a shonky business case—

**Senator Cash:** Chair, that is Senator Cameron's interpretation.

**Senator CAMERON:** I am just trying to get people to understand what was put forward by the Auditor-General. There were problems with that business case, weren't there? I think you have conceded that.

**Mr Mrdak:** We discussed that this morning, and I think the Victorian government recognised that further work needed to be done—which was completed.

**Senator CAMERON:** Can you provide details of all projects that are underway at the moment from this government and where the business cases are up to. That would be helpful.



**Mr Mrdak:** Certainly.

**Senator RICE:** In addition to the list of projects mentioned by Senator Back and the list of projects tabled by Senator Cameron, could we have a benefit-cost ratio for each of them and an articulation of the benefit-cost ratio for each of those projects.

**Mr Mrdak:** Certainly. As Infrastructure Australia publishes its assessments, they also publish those. Where we have others we will certainly identify that in the advice back to you.

**Senator CAMERON:** Can you also have a look at this: when the money was allocated for these projects in the 2014 budget, had Infrastructure Australia completed its business case analysis, and had there been cost-benefit analyses done for every project?

**Mr Mrdak:** I will come back to you with the detailed advice. In essence, though, as we discussed this morning, Infrastructure Australia was continuing its assessment at the time the Australian government made its funding commitments.

**Senator CAMERON:** I come back to the Pacific Highway. Have there been any fund allocations for the Pacific Highway under the national partnership agreement of 10 October 2014? Has any of that funding been changed since 2014-15?

**Ms O'Connell:** Yes, there have been funds committed to the Pacific Highway, consistent with the government's decision to commit funds to the highway.

**Mr Jagers:** I do not think the profile has changed, and \$5.64 billion has been committed by the Australian government for upgrading the Pacific Highway.

**Mr Mrdak:** Are you asking whether the funding profile has changed?

**Senator CAMERON:** Yes.

**Mr Jagers:** Are you asking whether it has changed since the national partnership agreement?

**Senator CAMERON:** Yes, of October 2014.

**Mr Jagers:** I do not believe it has changed.

**Senator CAMERON:** Has it changed since the election of the Abbott government?

**Mr Jagers:** The numbers for the Pacific Highway changed after the new government came in because a lot of funding was brought forward from 2019-20 onwards into the current forward estimates period, and there was additional money made available for the Pacific Highway. So those numbers flowed through into the government's first MYEFO and then into the budget in 2013-14.

**Senator CAMERON:** Can you provide details of changes to the funding for the Pacific Highway since the election of the Abbott government?

**Mr Jagers:** Certainly.

**Senator CAMERON:** Can you confirm that there will be \$312.5 million in Commonwealth funds spent this year?

**Mr Foulds:** In 2014-15 there is \$357.5 million allocated to the Pacific Highway.

**Senator CAMERON:** Is that \$315 million?

**Mr Foulds:** Three-five-seven-point-five million in 2014-15.

**Senator CAMERON:** All right. A lot of that was committed under the previous government. Is that correct?

**Mr Foulds:** There was a profile for Pacific Highway funding under the previous government. I cannot tell you exactly how much of that was in that year in previous budgets.

**Senator CAMERON:** Then can I just go to some details. Tintenbar to Ewingsdale—is the allocation of \$123.65 million still in place?

**Mr Foulds:** The Australian government funding for Tintenbar to Ewingsdale is \$554.1 million.

**Senator CAMERON:** Five-five-four—

**Mr Foulds:** Five-five-four-point-one-million. The total cost is \$816.4 million.

**Senator CAMERON:** So is that \$554.1 million going to be expended in 2014-15? I doubt it.

**Mr Foulds:** Actually, I would have to get individual project details.

**Senator CAMERON:** Yes, I think so. I am not asking the total funding cost. I am asking what the allocations are for 2014-15.

**Mr Jaggers:** On Tintenbar to Ewingsdale the profile for 2014-15 is \$148.95 million.

**Senator CAMERON:** Frederickton to Eungai?

**Mr Jaggers:** Senator, \$60.7 million in 2014-15.

**Senator CAMERON:** Oxley Highway to Kundabung?

**Mr Jaggers:** That is \$16.53 million.

**Senator CAMERON:** Warrell Creek to Nambucca Heads?

**Mr Jaggers:** That is \$23.99 million.

**Senator CAMERON:** Woolgoolga to Ballina?

**Mr Jaggers:** There is a planning project which does not have money in this year, then there is the construction project which is \$103.14 million.

**Senator CAMERON:** There is a planning project with no money? What does that mean?

**Mr Jaggers:** That planning project has actually had previous allocation to it, but there is no money this financial year. Then there is the actual construction project where there is \$103.14 million this financial year—2014-15.

**CHAIR:** Can I ask a question on a procedural matter? With the questions—which are quite legitimate—that Senator Cameron is asking, I presume on behalf of the shadow minister, is it possible that the shadow minister could just put those questions on a piece of paper outside the estimates committee and get the answer anyhow?

**Mr Jaggers:** Yes.

**CHAIR:** So this is just dressing it up? Fair enough.

**Senator CAMERON:** You can call it what you like. This is the estimates process.

**CHAIR:** I am just saying that it is interesting. You could actually just say: 'Hey buddy—'

**Senator CAMERON:** Mr Mrdak, can you tell me the amounts that the federal government paid to the New South Wales government for the Pacific Highway projects for the following years: 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14. Do you have them here?

**Mr Mrdak:** I do not know if I have those with us. I will just check with my officers. We can get that for you on notice.

**Mr Jaggers:** I do not have that with me.

**Ms O'Connell:** No, We have the profile going forward, not retrospective.

**Senator CAMERON:** You have got the profile going forward. What is the difference between the profile going forward—oh, you have got the forward profile over the estimates period, but you do not have it for the previous years?

**Ms O'Connell:** Not for the previous years; that is right.

**Mr Mrdak:** The change, in late 2013, was the lift in funding given on the sections north of Woolgoolga, which went to 80-20 funding rather than 50-50, so that changed the funding split over the out years. But we can get you that information for the full profile, back to 2008-09.

**Senator CAMERON:** So was the funding 80 federal, 20 state?

**Mr Mrdak:** That is what it is now. Previously, under the—

**Senator CAMERON:** It was 50-50.

**Mr Mrdak:** The offer from the previous federal government was 50-50 funding, Woolgoolga to Ballina. The coalition government has been elected and it implemented a policy of 80-20—80 federal, 20 state, for that section.

**Senator CAMERON:** For Tintenbar to Ewingsdale, you have given a figure of \$148.95 million. Is that the federal government's 20 per cent?

**Mr Mrdak:** That is our 80 per cent.

**Ms O'Connell:** Eighty.

**Senator CAMERON:** So we are donating 80 per cent?

**Mr Mrdak:** Yes.

**Senator CAMERON:** So we are donating 80 per cent. I thought you said it was the other way around?

**Ms O'Connell:** Tintenbar to Ewingsdale is not on the Woolgoolga to Ballina section.

**Senator CAMERON:** So what is that?

**Mr Mrdak:** We can read that in. We will get you the file. Woolgoolga North is 80-20, Tintenbar to Ewingsdale is—

**Ms O'Connell:** Is north of Ballina.

**Mr Foulds:** Tintenbar to Ewingsdale is a ratio of 68 to 32.

**Senator CAMERON:** So take me back to Ewingsdale. How much is that?

**Mr Mrdak:** Sixty-eight per cent Commonwealth, 32 per cent state.

**Senator CAMERON:** And what about Fredericton to Eungai?

**Mr Foulds:** Fredericton to Eungai is 50-50.

**Senator CAMERON:** What about the Oxley Highway to Kundabung?

**Mr Foulds:** Oxley Highway to Kundabung is 66-34.

**Senator CAMERON:** And what about Warrell Creek to Nambucca Heads?

**Mr Foulds:** Warrell Creek to Nambucca Heads is 50-50.

**Senator CAMERON:** Woolgoolga to Ballina?

**Mr Foulds:** It is 80-20.

**CHAIR:** Could we just table the entire thing to save asking all these questions?

**Senator CAMERON:** How do you come to these break-ups? What is the methodology?

**Mr Mrdak:** It reflects negotiations between the Commonwealth and the state. As I said, in some situations it varies by project. In some areas the Commonwealth has provided 50-50 funding and in other areas the funding has varied depending on contributions negotiated.

**Senator CAMERON:** So it is just a negotiated outcome? There is no rhyme or reason other than negotiation?

**Mr Mrdak:** It is varied at times when the Commonwealth has put substantially more money into some areas to accelerate projects. The previous government's position was that the completion of the highway should be done on a 50-50 basis. The current government's position is completion for Woolgoolga to Ballina will be 80-20, with the Commonwealth funding 80 per cent. They are policy positions, which are then negotiated with the state government.

**Senator CAMERON:** So you will take on notice these other individual break-ups under 2014-15?

**Mr Mrdak:** That is right.

**Senator CAMERON:** Can I just come back now to the question that you have taken on notice about the Victorian cabinet decisions, or the analysis, that were made. I will forward to the secretariat a link to the cabinet documents and the secretariat will forward you a link and then you can access these documents that I have spoken about. Can you ensure that they give you some context in your response?

**Mr Mrdak:** Certainly. Thank you.

**Senator CAMERON:** I think that is me on this section.

**Senator BULLOCK:** We have already done a bit of work on the Perth freight link, but I would just like to go back there for a minute. How much of the \$74 million that was scheduled to be given to Western Australia has, so far, actually been paid in this financial year?

**Mr Jagers:** Appropriation for this financial year is \$96.9 million. I will just check with Mr Pittar. I do not think any of it has yet been spent. I will just confirm that for you.

**Mr Pittar:** None—no expenditure.

**Mr Jagers:** There has been no expenditure yet. I mentioned earlier we are still to settle the project proposal report with the Western Australians for the funding approval.

**Senator BULLOCK:** Do you think that will be done in the remainder of this financial year?

**Mr Jagers:** Yes, certainly.

**Senator BULLOCK:** Do you think so? So you anticipate passing that money over during the course of this financial year or—

**Mr Jagers:** We will be settling the milestones with the Western Australian government. The Western Australian government have already done quite a lot of work in preparing the project. Once those milestones—

**Senator BULLOCK:** What have they done?

**Mr Jaggers:** They have developed a business case; they have done a significant amount of work on alignment and design work.

**Senator STERLE:** Absolutely. Right up the top.

**Mr Jaggers:** They have done a significant amount of work on project approvals as well, including environmental approvals and community consultations. Once the project proposal report is received, we will settle milestone payments with the Western Australians and we would anticipate making payments this financial year.

**Senator BULLOCK:** Some payments this financial year?

**Mr Jaggers:** Certainly some payments, but I do not want to confirm the amount.

**Senator BULLOCK:** No, if it depends on unknowables then you cannot answer the question. I am absolutely fine with that.

**Mr Jaggers:** So that is our estimate, but we will confirm that once we have settled those milestones with WA.

**Senator BULLOCK:** When do you think the Western Australian government might actually kick the tin? There is nothing in the 2014-15 budget and nothing in their forward estimates. You are ready to put money on the table, but when do you think they might be ready?

**Mr Pittar:** The national partnership agreement, which was signed in October of last year with all jurisdictions, confirms that the Western Australian government has made a commitment to the project.

**Senator BULLOCK:** When?

**Senator STERLE:** Senator Bullock asked you when. Can we just get an answer to the questions, because we really are tight for time.

**Mr Pittar:** During the five-year period. So that will depend again on the profile for the project.

**Senator STERLE:** Good luck, Senator Bullock.

**Mr Pittar:** We do not have those specifics at our fingertips.

**Senator BULLOCK:** You are comfortable that at some time over the next five years the Western Australian government might make a contribution to this project?

**Mr Pittar:** We do not have the specifics at our fingertips.

**Mr Jaggers:** The Western Australians have agreed to provide the funding share of the project, so the Australian government is providing \$925 million, the Western Australian government are providing \$650 million and they have agreed with the Australian government that figure.

**Senator BULLOCK:** Sorry, I did not hear that last bit.

**Mr Jaggers:** The Western Australians have agreed to provide that amount of money to the Australian government through the national partnership agreement. The profile of that will be determined through the settlement of the milestone payment construction schedule which is being discussed at the moment with the Western Australian government.

**Senator BULLOCK:** I will look forward to the Western Australian budget this year with interest. One other thing which goes to the additional estimates: I just noticed that since the budget the estimated expenditure on improved infrastructure across Australia through investment in and coordination of transport and other infrastructure has dropped by \$67¾ million, and I wonder if you could give us a breakdown of where that nearly 13 per cent reduction has occurred.

**Ms O'Connell:** Could you tell us which page?

**Senator BULLOCK:** Page 21.

**Mr Mrdak:** We will get that breakdown for you.

**Senator BULLOCK:** It would be good. It is a significant reduction. That means that there must be many things going undone. It would be interesting to know what they were.

**Mr Mrdak:** I think it probably reflects a movement from the out years as we have got better definition of when project delivery will be. But I will get you a breakdown of those and the rationale for that reduction.

**Senator BULLOCK:** Thank you very much.

**Senator STERLE:** I do hope a heck of a lot of money gets spent on Western Australian roads, particularly a road freight network. I am just not confident at the moment. Mr Jaggers, what would happen if the state government struggled to meet the \$650 million co-payment agreement due to a lack of—I mean, mining royalties

have gone through the floor and we have lost our AAA credit rating. That is not a cheap shot. These are just actual facts. What will happen to the project?

**Mr Jaggers:** It is a hypothetical question. I am not—

**Senator STERLE:** That is weak—fair dinkum. Have a crack. What happens if they do not meet the target this year? You are just going to give some money? Look, I want the road, but do not play games with me, please.

**Mr Jaggers:** I am not trying to play games.

**Senator STERLE:** You do—the lot of you.

**Ms O'Connell:** The Australian government's contribution is capped, so any overrun in the project becomes the responsibility of the state government to fund. The state government in the end will contract for the construction, so they have the direct contracts with whoever the road and construction builders are. Prior to signing those contracts, they have got an obligation to make sure that the funding is available. They are very aware of our funding contribution, which we will commit to and keep. They need to make sure their funding contribution is there before they sign the contracts.

**Senator STERLE:** Fantastic. And if they cannot, federal money will not flow?

**Ms O'Connell:** That is right.

**Senator STERLE:** That is all I wanted, Mr Jaggers. Thank you.

**Senator BULLOCK:** We just heard in connection to the Pacific Highway that the proportion arrangements can change over time. Is that same flexibility built into this project, or when you say 'capped' do you mean 'capped, concreted and nailed down'?

**Ms O'Connell:** It is capped according to the commitment made by the Australian government, so over a period of time, for different projects, the funding arrangement or split might change, but when we do commit and sign up under the national partnership agreement, our funding is capped based on that dollar level. It is not a percentage; it is a dollar level.

**Senator BULLOCK:** So it is capped, but with the capacity for the proportions to change?

**Ms O'Connell:** It is capped at a dollar figure, so once there is negotiation and discussion about how much each government is going to pay, our national partnership agreement includes those dollars, and it is capped at that dollar amount.

**Senator BULLOCK:** So it cannot change it all?

**Ms O'Connell:** No. Subject to there being agreement between governments, it could change, but the intention is that it remains our contribution.

**Senator GALLACHER:** Mr Mrdak, you would be well across the argument of the South Australian local government supplementary road funding?

**Mr Mrdak:** Yes.

**Senator GALLACHER:** Just to get it on the record: we in South Australia are 11 per cent, or 75,000 kilometres, of the nation's local roads. Would you agree with that?

**Mr Mrdak:** Yes, I think that is—

**Senator GALLACHER:** We are around 7.2 per cent of the population and we get 5.5 per cent of the identified local roads grant funding.

**Mr Mrdak:** Yes.

**Senator GALLACHER:** In 2006, it was recommended by the Commonwealth Grants Commission that we should get 8.9 per cent of the funds.

**Mr Mrdak:** I do not recall the specifics of the numbers, but go on.

**Senator GALLACHER:** Supplementary road funding by the Howard, Gillard and Rudd governments has always brought it up closer to eight per cent or 7.9 per cent; however, this financial year, lost revenue from the supplementary road funding is \$18 million. Is that correct?

**Mr Mrdak:** Yes. It is of the—

**Ms O'Connell:** Eighteen per year

**Senator GALLACHER:** That will be \$78 million over the forward estimates. Is that also a correct figure?

**Ms O'Connell:** That sounds right.

**Mr Mrdak:** That is right. It is roughly right with whatever indexation would otherwise take place.

**Senator GALLACHER:** The minister responsible for this is the member for Mayo, the Hon. Jamie Briggs?

**Mr Mrdak:** The minister has responsibility for some elements of the infrastructure program. Local government matters remain with the Deputy Prime Minister.

**Senator GALLACHER:** You would probably be well aware that there are a number of councils—and this is probably right up in the chair's area of interest—who are saying, 'We will simply not be able to reseal roads, and we are cutting back on road services, grading and resealing.' Are you aware of those comments?

**Mr Mrdak:** I am aware of concerns, not just by South Australian councils, but by councils throughout all the jurisdictions in relation to the funding available. But, yes, I am particularly aware of South Australian councils' concerns.

**Senator GALLACHER:** Are you aware of the fact that people are making statements that people cannot easily get around to do their business and that it will impact on productivity in relation to transportation of goods?

**Mr Mrdak:** Certainly any reduction in funding that was anticipated does have an impact on their investment programs, yes.

**Senator GALLACHER:** Is there any work that your department does about not maintaining your road network? If you do have this cut, and it gets to the stage where a road needs resealing and is not resealed for a number of years, do you have to rebuild it?

**Mr Mrdak:** It varies. In some situations, governments have found it more efficient and economical to actually allow the paving to go back to gravel. In some situations, it is much more efficient and effective than maintaining a seal. It is not always clear that removing the seal will result in a deterioration of the base, but it can happen.

**Senator GALLACHER:** Are you aware that 61 per cent of the fatalities in South Australia are on rural roads?

**Mr Mrdak:** I was not aware of that figure.

**Senator GALLACHER:** That is a historical figure which is from 1994, that rural roads have a higher number of fatalities. There is the argument about seatbelts and people not doing the right thing, but roads are a component in that. Are you aware of those stats?

**Mr Mrdak:** Yes.

**Senator GALLACHER:** Given that the Local Government Association tell me they have exhausted discussions with Minister Briggs and they now have a position they would put to Minister Truss, do you have any idea when this \$18 million will be forthcoming?

**Mr Mrdak:** The program was a terminating program that terminated on 30 June last year. Due to the budget circumstances, the government has not been able to fund that program. That is the position, it remains so, and I am not aware of any proposals within the government to restore that funding, given the current fiscal circumstances.

**Senator GALLACHER:** \$18 million on regional and rural roads which will degrade or go back to gravel, where you have a council like Elliston which would say, '1,200 people and 1,300 to 1,400 kilometres of roads to maintain.'

**Mr Mrdak:** The funds were not solely for rural and regional councils. They were funding all councils in South Australia. The issue is that, in the current fiscal circumstances, the government was not able to make provision for that program to continue. It was a terminating program. It terminated on 1 July 2014 and, in the current fiscal circumstances, I am not aware of any proposal to be able to reinstate the program.

I would add that the government has made additional provision for Roads to Recovery and Black Spots funding over the next two years, which is quite a substantial lift in expenditure, particularly in 2015-16, for local government, including South Australian councils. So around your road safety issues, there is additional Black Spots and Roads to Recovery money, even though the supplementary program for South Australia has not been continued.

**Ms O'Connell:** So there is an additional \$200 million for Black Spots and \$350 million, nationally, for Roads to Recovery.

**Senator GALLACHER:** But you would agree with the position that is put that South Australia is the only state that has been treated in this way on local road funding. This situation only exists in South Australia, with the cuts to the supplementary roads.

**Mr Mrdak:** The supplementary—

**Ms O'Connell:** The supplementary only applies—

**Senator STERLE:** So it is borne solely by the South Australian local governments.

**Mr Mrdak:** It reflected—

**Senator STERLE:** And yet we have an assistant minister from South Australia here.

**Mr Mrdak:** The supplementary payments reflected the way in which roads funding was split. It was done almost 20 years ago in relation to state and local government splits in South Australia. As I said, because of the fiscal circumstances, the government has not been able to continue the program.

Chair, if I may: Senator Bullock asked me earlier about a figure in relation to page 21. I have just been advised that that figure is accounted for on page 18 with the investments that are set out in outcome 1, the reallocations between the Treasury. Essentially, the funding has not been decreased; it has been transferred from our programs to Treasury payments, under bridges and investment. Effectively there has been an increase in the payments done through Treasury, as opposed to payments done directly by ourselves.

**CHAIR:** A reallocation to Treasury?

**Mr Mrdak:** Yes. That is the rationale for the explanation. It is not a reduction overall.

**CHAIR:** Last night, just so everyone knows, because of this—I use the language of the bush—ballsed-up system we have got, where you can just go on and do circle work for all your time, we had people coming here who were told they would be on at 11 o'clock in the morning, who did not bring clothes et cetera and had no accommodation. It was a serious inconvenience for everyone.

Today we are trying to satisfy people that have come from South Australia. The last flight out is at six o'clock. I would like the committee to cooperate so we can get them out of here safely and onto the six o'clock plane. So if we could just cut out a bit of the circle work. We will try and do infrastructure next and then we will go to the ARTC. I would ask for the cooperation of everyone, including the bureaucrats, in giving short answers, getting to the point and cutting out all the bureaucratic bullshit.

**Senator STERLE:** We should really consult with each other so we all know what is going on. It makes it easier for us.

**CHAIR:** I am trying to accommodate. Thank you, everybody, for your cooperation.

**Senator RICE:** I have a quick follow-up to the East West Link question that I was asking previously. Mr Mrdak, you were talking about what you understand is the support for the western half of the East West Link. I was wondering whether the department has undertaken an assessment of the western half of the East West Link as a stand-alone project.

**Ms O'Connell:** The recent business case was focused on the eastern section, which we did our detailed assessment of. There may have been an earlier version of the western section business case, but we would be going back some period of time. I will just ask Mr Foulds.

**Mr Foulds:** The department has not received a business case for the western section from 2010 or 2011, when that project was on foot. There is a very preliminary document that has been provided to IA on the western section, but there is not a business case, as such, to be assessed, for the western section at the moment.

**Senator RICE:** So neither the department nor Infrastructure Australia have done any assessment.

**Mr Foulds:** I cannot speak for Infrastructure Australia.

**Senator RICE:** I will ask them. The department has not done one.

**Ms O'Connell:** We have not done a contemporary assessment of anything to do with the western section.

**Senator RICE:** So your comments, Mr Mrdak were just based on your understanding that there was support for it rather than any assessment of its value as a stand-alone—

**Mr Mrdak:** That is correct.

**Senator RICE:** Just to clarify, has the incoming Victorian government raised with you, or discussed with you, the option of construction of the western half of the East West Link as a stand-alone project?

**Mr Mrdak:** Not at this stage.

**Senator PERIS:** My question is on the Tiger Brennan Drive. Can I get an update with respect to the Northern Territory government? Has it published and completed its milestones, to date? I know that there was a press release put out last year stating that works between Woolna Road and Tiger Brennan Drive will commence in August. I want to know if that has started.

**Mr Pittar:** Work has started on the section between Dinah Beach Road and Berrimah Road. We have settled milestones with the Northern Territory government for that project.

**Senator PERIS:** Are they on track to achieve the milestones set out?

**Mr Foulds:** I do not have the milestones at my fingertips but, as with all projects, our payments are tied to the achievement of those milestones.

**Senator PERIS:** Of the \$70 million that has been committed by the federal government, how much has been paid?

**Mr Pittar:** Expenditure in 2014-15 to date is \$25 million.

**Senator PERIS:** Out of the \$70 million?

**Mr Pittar:** Out of a total of \$70 million, which is the overall amount for the project.

**Senator PERIS:** When does the \$70 million stretch out to?

**Mr Pittar:** There is a further \$31 million provided for in 2015-16.

**Senator PERIS:** And the balance will be in 2016-17?

**Mr Pittar:** No, there was some expenditure that occurred prior to 30 June 2014, for earlier stages of work. That work was concluded prior to Christmas last year. It concluded in late 2014.

**Senator PERIS:** So those three totals complete the \$70 million.

**Mr Pittar:** They do. There was \$14 million expended prior to June 2014, \$25 million in 2014-15 and \$31 million budgeted for 2015-16.

**Senator PERIS:** The next questions I have are around the privatisation or lease of the Darwin port. Is that in this area.

**Ms O'Connell:** Is that in terms of prospective asset sales? Is that the area that you want to go to in terms of the Darwin port?

**Senator PERIS:** Yes.

**Ms O'Connell:** That is managed by the Treasury portfolio. We provide advice to Treasury in relation to any proposed project that the state would have that they wish to spend the asset sales funds on, but not what it is that they are going to sell. That is up to the Treasury portfolio.

**Senator PERIS:** Did you provide any advice to Treasury on the sale of the Territory Insurance Office?

**Ms O'Connell:** No.

**Senator PERIS:** So there was no guarantee that the sale of the Territory Insurance Office would accumulate any potential asset recycling.

**Ms O'Connell:** That is being managed out of the Treasury portfolio, so if there was any discussion about it, or proposal for it, it would happen with the Treasury portfolio. What we are asked to look at is where the state have made a suggestion of what they are going to spend the asset recycling on. We make an assessment of that.

**Senator PERIS:** And the Northern Territory government has given you no—

**Ms O'Connell:** The agreement is with the Treasurer, so it would go to the Treasury in the first instance to say what it is that the Northern Territory is intending to do under asset recycling. It is not managed by our portfolio.

**Senator PERIS:** With regard to the lease—the privatisation—that is nothing to do with this area.

**Ms O'Connell:** No.

**Senator PERIS:** Okay. Recently the Northern Territory government signed up to the National Partnership Agreement on Land Transport Infrastructure Projects. As part of that it was indicated that the Northern Territory would get \$833 million over the next six-year period from 2013 up until 2018-19. Is it true that this is the amount currently allocated under this signed agreement?

**Mr Jagers:** Could you repeat that number for me, please.

**Senator PERIS:** The Northern Territory government recently signed up to the National Partnership Agreement on Land Transport Infrastructure Projects. As part of that agreement it was stated that the NT only gets \$833 million over the six-year period from 2013 to 2019. Is it true that this is the amount currently allocated under the signed agreement?

**Mr Jagers:** I will just give you the numbers.

**Ms O'Connell:** I have \$602 million but there might be other components not included.

**Mr Jagers:** Under the Infrastructure Investment Program there is \$601.79 million allocated to the Northern Territory for the period 2013-14 to 2018-19.



**Ms O'Connell:** That is the Australian government funding. The figure you have might be the Australian government plus the Northern Territory funding as a total spend, or it could include asset recycling in terms of prospective money there. Some of the other programs—bridges money, national highway upgrades and a number of grant funded rounds that the Northern Territory would be eligible for—are done on an application basis.

**Senator PERIS:** So there is no guarantee that it would get that \$833 million.

**Ms O'Connell:** I am not clear whether that \$800 million is a figure of the Australian government plus the Northern Territory government under the land transport initiatives already announced in the national partnership agreement, or whether it is the potential for these other programs that are submission based. I would have to see where that figure of \$800 million came from.

**Senator PERIS:** We have some documents here. It is the Northern Territory projects National Partnership Agreement on Land Transport Infrastructure. It had that the total Australian government committed funding of \$833.72 million. But it says here that the asset recycling fund project is \$90 million.

**Ms O'Connell:** It includes more than the specific projects we have listed, yes.

**Senator PERIS:** Okay, so—

**Mr Jaggers:** So the asset recycling funding would come from the Treasury portfolio, not from this portfolio. The numbers I have provided are just this portfolio's contribution under that national partnership agreement. We might take that on notice just to double-check that figure for you and come back to you.

**Senator PERIS:** The last question I have is on the *Pivot north* paper handed down. What analysis has the department done on the cost of implementing the recommendations within *Pivot north*, and have there been any discussions with the government on the cost of implementing the recommendations and over what time frame?

**Ms O'Connell:** What project are you are referring to?

**Senator PERIS:** The paper *Pivot north: inquiry into the development of northern Australia*.

**Mr Mrdak:** This is the Entsch committee report?

**Senator PERIS:** Yes.

**Ms O'Connell:** Sorry, I thought it was a project.

**Mr Mrdak:** The government will be responding to that report as part of its northern Australia white paper. We anticipate that to be completed by about the middle of this year. Within that paper, decisions are yet to be taken on the quantum of investment and the like that will take place.

**CHAIR:** It was fairly good junket, that committee.

**Mr Mrdak:** The short answer is that at this stage it is under consideration.

**Senator PERIS:** It is under consideration but you are expecting something in the middle of June.

**Mr Mrdak:** The government will make announcements in the white paper on northern Australia.

**Senator STERLE:** I have got about a dozen questions, Mr Mrdak. I will be precise, and I trust the answers will be short and succinct too. I just want to confirm that the government has received 400 proposals in relation to the National Stronger Regions Fund.

**Mr Mrdak:** Yes.

**Senator STERLE:** You have received 405 proposals for that fund; is that correct?

**Ms O'Connell:** Yes, that is correct.

**Senator STERLE:** Fantastic. Do you have a list of where these proposals came from?

**Mr Mrdak:** We do have a list.

**Ms O'Connell:** But we do not have it with us.

**Senator STERLE:** That is fine. Please take it on notice. Could you provide the committee with the information on how many are from each state and territory, each local government area and each electorate.

**Mr Mrdak:** Yes. I do not know if we have the information by electorate, but we can certainly get you information by jurisdiction.

**Senator STERLE:** We will soon work that out if you have a list of the names next to it. Thanks, that is good. What proportion of the applications came from regional, rural or remote Australia versus the proportion from the metropolitan area? If you have got the answer now, great. If you have not—

**Mr Mrdak:** We do not have that.

**Senator STERLE:** Take that on notice, thank you. Has the department done any analysis on the types of local governments and organisations that have applied for the NSRF?

**Ms O'Connell:** We are currently in the process of doing assessments on all of those projects. We are part way through the 405 assessments.

**Senator STERLE:** This is a tricky question, I know, but how long do you think it will be before that work is completed? Bear in mind you have the budgets coming up and all sorts of stuff.

**Mr Mrdak:** By the end of March we anticipate completing our assessment process, which would enable the ministerial committee to then consider the funding recommendations.

**Senator STERLE:** Will that information be available at the same time for the committee?

**Mr Mrdak:** We will endeavour to give you the information you have sought.

**Senator STERLE:** Thanks, because I do get nervous—not because of you guys, because you pull your fingers out and get going, but because answers to questions on notice can get lost in this building. Has the department got any information on how many local governments applied for funding the NSRF?

**Mr Mrdak:** We can get that for you.

**Senator STERLE:** You will take that on notice as well?

**Mr Mrdak:** Yes. We do not have that detail here.

**Senator STERLE:** Will a full list of all applicants be published even after the decisions are announced so we know who is in and who is out?

**Mr Mrdak:** I would have to take that on notice.

**Senator STERLE:** Sure.

**Mr Mrdak:** I do not think that has been done in the past, but I can take that on notice. I do not think that has been done in the past.

**Unidentified speaker:** All successful applicants are obviously published.

**Senator STERLE:** We always find out who is not successful because our emails go crazy, so I understand. I thought I had already worked out the answer to that question, but I had to ask. Mr Mrdak, does the department know if there has been a noticeable impact on smaller local governments or smaller community organisation applying for the NSRF as compared to the Regional Development Australia Fund, which is what it was before.

**Mr Mrdak:** Not to my knowledge. From what I have been advised, I think we have got a good spread of projects from smaller rural and regional councils. I am not aware of any difference in terms of the type of applications or the types of projects sought.

**Senator STERLE:** I am pre-empting, but I would expect that there would be a good, solid list of councils that require funding. Are there any plans to tailor any rounds of the NSRF to smaller regional cities or quarantine some the funding for these areas?

**Mr Mrdak:** Not at this stage, although the government will review the guidelines for the program after completion of round 1 of the program.

**Senator STERLE:** Remind me about when completion of round 1 of the program will be?

**Mr Mrdak:** We anticipate that we will start opening applications for round 2 in May.

**Mr McCormick:** The application period will open on 1 May and close on 31 July.

**Senator STERLE:** That is round 2. When will you be able to tell us whether you have quarantined some of that funding before round 2?

**Mr Mrdak:** If the government is to make changes to the guidelines, it will do that before it goes to round 2. Essentially, once we have given advice to the ministers on the applications that have been received and the assessment undertaken the ministers will look at the guidelines to see whether they are meeting their objectives.

**Ms O'Connell:** There will be further rounds beyond rounds 1 and 2, so there is potential to look at those issues in other rounds, should the government choose to do so.

**Senator STERLE:** If I could get answers to the questions taken on notice that will certainly assist us. I would like to talk about Roads to Recovery. I do have an interest in the freezing of the FAG grant. I have written to every council and every shire in Western Australia about it. How has the federal government satisfied itself that the Roads to Recovery funds have been genuinely additional to other planned road expenditure?

**Mr Mrdak:** The governance arrangements for the program do require maintenance of effort by the local governments involved. I will get Mr Foulds to take you through that. We have provisions in the guidelines and we have mechanisms for this.

**Mr Foulds:** You asked how we ensure that councils achieve their own reference amount. There is an amount of money that councils are required to spend each year in order to qualify for Roads to Recovery funding. Councils tell us in an annual report, which is audited before it gets to us—we have confidence in the audit—that they have expended their reference amount, or the amount of money that they are required to expend, from their own sources. On that basis we provide their funding. We can provide all of the funding in year 1, all of it in year 2—any way a council needs, providing that it spends its reference amount aggregated across the Roads to Recovery Program.

**Senator STERLE:** This is a very open question: we know that the FAG funding has been frozen—the increase. We know that most councils had plans on the board for spending the money that they thought was coming in. We also know that there is a serious amount of FAG funding that is spent on roads. The figure escapes me at the moment—I have something like 30 per cent stuck in my head. I am trying to work out how you will know that the Roads to Recovery expenditure will be over and above what councils already thought they were going to use as part of the FAG funding for other projects.

**Mr Foulds:** Because of the return that they have to provide us to qualify for Roads to Recovery funding. Roads to Recovery is not FAG money.

**Senator STERLE:** Yes, I know. So if a council thinks, 'Oh, oh, we've lost this extra funding we thought was coming.' If they thought they were going to put it into Roads to Recovery they are in for a rude shock. Is that it in a nutshell.

**Mr Jagers:** Local governments are required to report to us on their existing expenditure. This year we are commencing 50 assurance and compliance reviews of Roads to Recovery grants. Through that audit and compliance program we will pick up whether there is strong compliance or not. We did, I think, about eight or nine last year and there was pretty good compliance with the program guidelines. We have expanded that this year, so we will have better information after that.

**Senator STERLE:** Councils got a rude shock because money was not coming in. FAG funding that they thought was coming they cannot shuffle across to Roads to Recovery; it does not work that way.

**Ms O'Connell:** They cannot spend the Roads to Recovery money on something else, that is right. The government has doubled the Roads to Recovery money for next financial year, and the same applies to that \$350 million.

**Senator STERLE:** That is fine. They know that Roads to Recovery is Roads to Recovery. They have to argue that pot of money in that set of guidelines.

**Mr Foulds:** Roads to Recovery can be spent in conjunction with other funding.

**Senator STERLE:** How will the government address the additionality of Roads to Recovery funding in the light of its freeze on the Financial Assistance Grants?

**Ms O'Connell:** The fact is that Roads to Recovery money remains as the Roads to Recovery money. Indeed in 2015-16th there is a doubling of it—

**Senator STERLE:** And that is guaranteed?

**Ms O'Connell:** an additional \$350 million into Roads to Recovery which can only be spent on Roads to Recovery.

**Senator STERLE:** This is my last question. With the new project signage is 'building our future' the phrase?

**Ms O'Connell:** That is correct.

**Senator STERLE:** Where did that come from? It is curiosity rather than anything else. Surely you did not think of that one, Mr Mrdak; you are too smart for that.

**Mr Mrdak:** I do not know about that, Senator. It was some work done by the department and settled by the government in terms of its signage for the future.

**Senator STERLE:** What did you do? Did you run a competition through the local schools and everyone got a colouring-in book to go with it or what?

**Mr Mrdak:** A number of concepts were developed for government consideration and the government settled on that as its signage.

**Senator STERLE:** You kept a wonderfully straight face. You are not going to tell me who came up with it. As I said, it is curiosity.

**Mr Mrdak:** Much smarter people than me, Senator.

**Senator CAMERON:** How much did it cost to develop this new signage?

**Mr Mrdak:** There were a range of processes involved. We are not replacing any pre-existing signage, but there was market testing done of the concepts. That was undertaken and I will get that for you, Senator.

**Senator STERLE:** I have questions I want to put on notice.

**CHAIR:** Thank you very much. Now we are going to move to infrastructure. It is my intention to go to ARTC. We are not going to complete infrastructure, just that one there, because I guarantee we are going to get those people on the 6 o'clock plane.

**Mr Mrdak:** Thank you. While we are waiting, if I may, Chair, Senator Sterle asked this morning about the market research for the Western Sydney Airport, \$228,000. That is for two separate consultancies. One is to Essence Communications for market research into the Western Sydney Airport, which enables us to produce communications materials and a communications campaign on issues for the community. That includes qualitative and quantitative research. That contract is for \$139,000. Secondly, GFCO Australia was contracted separately over a 16-month period to provide independent research on surveys and community information. That has commenced. It is a contract for \$89,901.

**Senator STERLE:** Thank you, Mr Mrdak.

**Ms O'Connell:** While we are waiting for the Infrastructure Australia people to come to the table, I have two other short answers to questions that were asked earlier, I think by Senator Back. The cost of the Noarlunga to Seaford rail line project was \$291.2 million and the cost of the Ipswich highway, the Dinmore to Goodna section, was \$1.572 billion.

**Senator STERLE:** Actually, Chair, I might get Mr Mrdak to table what he told me anyway.

**Mr Mrdak:** Yes, we will give you a full answer to both of those.

**Senator STERLE:** If you table that, that is fine.

**Senator CAMERON:** Mr Alchin, on the last occasion we were at estimates, Infrastructure Australia indicated that they were still assessing the WestConnex business case.

**Mr Alchin:** That is correct.

**Senator CAMERON:** Where are you up to with that now?

**Mr Alchin:** I will provide an initial answer and, if there is anything else, Mr Roe might assist me. We have completed the assessment of the business case that was presented to us last year. The results of that assessment have been published on our website.

**Senator CAMERON:** Do you want me to go on the website now and have a look at it, do you?

**Mr Alchin:** The results—

**Senator CAMERON:** Are you seriously saying I should go and look at the website?

**Mr Alchin:** No.

**Senator CAMERON:** I am glad. Can you answer my question.

**Mr Alchin:** I am giving you the answer.

**Senator Cash:** The Chair did ask us all to be very quick, and it would be a very efficient way of doing that.

**Mr Alchin:** The result of that assessment, in summary form, was that it found that the project had a benefit-cost ratio of 1.8 to one and, on the strength of that and a broader assessment of the project, it has been rated at 'threshold' on Infrastructure Australia's infrastructure priority list.

**Senator CAMERON:** Is this for the whole project or certain parts of the project?

**Mr Alchin:** That was for the whole project.

**Senator CAMERON:** The BCR is 1.8?

**Mr Alchin:** 1.8.

**Senator CAMERON:** Is this with or without wider economic benefits?

**Mr Alchin:** It is without wider economic benefits.

**Senator CAMERON:** Did you assess the business case approved by the New South Wales government in July 2013?

**Mr Alchin:** We assessed—and this is where I may take some assistance from Mr Roe—the July 2013 business case that was developed at that time. We also had the benefit of reviewing some additional benefit-cost analysis that was provided to us later in 2014.

**Senator CAMERON:** So there was a comprehensive business case in 2013. Did you get that in an executive summary form?

**Mr Roe:** We received the full business case in July last year, and our assessment was on the basis of that.

**Senator CAMERON:** Based on the full business case?

**Mr Roe:** Yes.

**Senator CAMERON:** Have you received any additional materials to the business case?

**Mr Roe:** Yes. There was an updated cost-benefit analysis contained in an M5 east report—that is, stage 2 of the project—which was a KPMG report dated August 2014.

**Senator CAMERON:** What was the KPMG report about?

**Mr Roe:** They were the consultants engaged by the WestConnex project office to look at the updated design and cost-benefit analysis for stage 2 of the project.

**Senator CAMERON:** When you say 'look at', what does that mean? I am sure they were not getting paid big bucks just to look at it.

**Mr Roe:** They were asked to take the concept design of the project further and also update the analysis that was contained in the previous July 2013 business case.

**Senator CAMERON:** Was that because the 2013 report had some issues?

**Mr Roe:** No. It was because of normal project developments. The July 2013 business case was based on the best information available for the project at the point in time. Since that point in time, there has been further project development, and the like, as the various stages of the project progress and develop.

**Senator CAMERON:** How critical are traffic forecasts for evaluating the business case?

**Mr Roe:** They are very important. They are an important driver of economic benefits that feed into the cost-benefit analysis.

**Senator CAMERON:** How many traffic or patronage forecasts for WestConnex stage 2 have you seen?

**Mr Roe:** There was an AECOM-SKM traffic analysis that was the basis of the July 2013 business case. That traffic analysis was subject to a peer review by RB Consulting, which was commissioned by the department of infrastructure. RB Consulting has undertaken an initial review of that original traffic forecasting. That work is ongoing, as is my understanding, and is likely to be updated in the coming months.

**Senator CAMERON:** So you still do not have a finalised traffic forecast?

**Mr Roe:** The traffic forecasts are developed at the relevant point in time, but they are on the basis of the best available information at that point in time. But they are subject to further refinement and development as the project—

**Senator CAMERON:** Do you have a finalised traffic forecast for WestConnex?

**Mr Alchin:** The New South Wales government's concept for WestConnex is evolving. There has been some discussion about northern and southern connections, so New South Wales is still doing further work on the project. As that work is finished, the traffic modelling and the business case, we expect to continue to receive that and we will assess the material that comes in at that time.

**Senator CAMERON:** So you are still in assessment mode?

**Mr Alchin:** Yes.

**Senator CAMERON:** Given that traffic forecasts are extremely important, why would we be committing to a project where the traffic forecasts have not been done?

**Mr Alchin:** Traffic forecasts have been done for the project so far. They go into the economic appraisal and the overall business case assessment. As I have said, Infrastructure Australia's assessment was that the project still has economic merit, has a benefit cost of 1.8 to one exclusive of wider economic benefits. The New South Wales government is continuing to refine its proposal.

**Senator CAMERON:** Have you looked at the assumptions in the various traffic forecasts?

**Mr Roe:** Yes, we have.

**Senator CAMERON:** Are the assumptions similar for the two forecasts? Are they the same assumptions?

**Mr Roe:** They are different outcomes. Just to complete my answer from before, there was also some road network modelling work done that went to the traffic forecasting as well as traffic model outputs that were reduced and developed as part of the process. Our assessment—

**Senator CAMERON:** Are you sure now that you have given me a comprehensive answer on that or do you need to go back, have a look at any other—

**Mr Roe:** No, I was halfway through my answer when you asked a follow-up question. I was getting on to those two additional documents, previously.

**Senator CAMERON:** Okay.

**Mr Roe:** Just working through the, I guess, the analysis. We looked at the cost-benefit analysis, which is a critical part of the assessment framework. We have made some recommendations in our assessment for the updated business case work that New South Wales government has indicated that it is developing for the next stage of the project. In terms of traffic forecasts, we recommended the use of variable trip matrices to feed into the traffic forecasting models. The variable trip matrices take into better account of induced demand associated with a project of this scale. In our view, that would form a more accurate estimation of the likely traffic demand impacts of the project. Taking that into account and also looking at the capital cost side of the project, we are looking for full probabilistic based cost estimates.

**Senator CAMERON:** Full what?

**Mr Roe:** Probabilistic based cost estimates.

**Senator CAMERON:** Probabilistic?

**Mr Roe:** Probability based.

**CHAIR:** Can we be more precise rather than that bureaucratic stuff—we are drowning it.

**Mr Roe:** Sorry.

**CHAIR:** Let's just cut to the bloody chase. We want to get out of here.

**Mr Roe:** There are a couple of areas that we have flagged in our brief that we would like picked up for the updated business case.

**Senator CAMERON:** So you have picked up problems?

**Mr Roe:** We have identified some areas that the New South Wales government has indicated they are looking to further develop and refine in the final business case.

**Senator CAMERON:** So you do not have a fully developed and refined traffic forecast?

**Mr Roe:** We do for this point in time of the project development.

**Senator CAMERON:** But if the project is changing? The project is continually changing, depending on the New South Wales government's political determinations. If you do not know what those changes are, then that could affect the traffic forecast and the viability of the operation if, for political purposes, a decision is made that diminishes the cost-benefit of the project, couldn't it?

**Mr Alchin:** As I was saying before, the project is evolving. We will continue to look at the project based on the information that is provided to us by the New South Wales government. In our project assessment that we published, we noted that the project will benefit from having all three stages developed. Therefore, we are confident that the overall project is a worthwhile project to proceed with.

**Senator CAMERON:** Is the tolling strategy unchanged?

**Mr Alchin:** We will have to take that one on notice.

**Senator CAMERON:** So you do not know about the tolling strategy?

**Mr Alchin:** There was economic modelling and financial modelling considered as part of the original business case, but I will have to take the details on notice.

**Senator CAMERON:** Have you factored in the tolling strategies in terms of the cost of the project?

**Mr Alchin:** I will have to take that on notice.

**Senator CAMERON:** Have you really not done that, or is it that just do not know?

**Mr Alchin:** I will just have to take that on notice. We have assessed the economic costs and we have had a look, also, at some of the financials, but I will take the details on notice.

**Senator CAMERON:** Has Infrastructure Australia read the New South Wales Auditor-General's report?

**Mr Roe:** Yes, we have.

**Senator CAMERON:** Mr Alchin, have you read it?

**Mr Alchin:** Yes.

**Senator CAMERON:** Did the report cause Infrastructure Australia any concerns?

**Mr Alchin:** The report was issued by the Auditor-General just before Christmas. It raises issues about the internal project assessment frameworks used within the New South Wales government and the project team. They are obviously issues that that we will continue to look at as we provide our advice and develop our thinking on the project.

**Senator CAMERON:** Are you aware that the peer reviewer engaged to review the traffic analysis produced a report, but not until November 2013—after the business case went to government?

**Mr Alchin:** Not me, personally. I was not involved in the detail of the assessment of the project at that time. I would have to take any further questions in that area on notice.

**Senator CAMERON:** When you said that you had read this report—and this is out of the report—it says that the traffic modellers were too pressed for time to consult on a continuous basis with the peer reviewer. Is that satisfactory?

**Mr Alchin:** It would be better if those processes could be done in a proper, discursive manner.

**Senator CAMERON:** So it was not done properly or in a discursive manner?

**Mr Alchin:** I would not say that. I am not across the detail of the precise discussions.

**Senator CAMERON:** But you just said it would be better if it was done in a proper and discursive manner.

**Mr Alchin:** Yes.

**Senator CAMERON:** So obviously it was not. The reviewer described the exercise as more of an audit than a peer review. Is that your assessment?

**Mr Alchin:** We have looked at the material that was provided to us, as I said, in the July 2013 business case, as supplemented by some of the later economic appraisal from late last year. That has been the basis for our evaluation.

**Senator CAMERON:** Do you have similar concerns to the Auditor-General that the traffic data raises questions about the underlying quality of the modelling?

**Mr Alchin:** I would have to take that on notice.

**Senator CAMERON:** So you have read the report; you are going to say yea or nay to—

**CHAIR:** I am calling a point of order. You are asking for an opinion on a matter of policy. He does not have to answer.

**Senator CAMERON:** No, I am not asking for—

**CHAIR:** You are.

**Senator CAMERON:** Rubbish.

**CHAIR:** And, by the way, your 15 minutes are up.

**Senator CAMERON:** Well, I need longer.

**CHAIR:** Well, you are not going to get it until after—

**Senator CAMERON:** Well, I do need longer—

**CHAIR:** We will give it to you after Infrastructure's on.

**Senator CAMERON:** No, no, that is—

**CHAIR:** We'll give you five minutes, mate. We're doing circle work. I'm not going to bugger up because—

**Senator CAMERON:** This is just a joke!

**CHAIR:** It is a joke. I appreciate it is a joke. It is not working.

**Senator CAMERON:** Okay. If I have five minutes, I want to use—

**CHAIR:** You said you wanted 15 minutes.

**Senator CAMERON:** Yes, but I did not realise the responses were going to be five minutes a pop.

**CHAIR:** What crap. Five minutes and then you can come back later.

**Senator CAMERON:** Thanks, Chair. Isn't the lack of a completed traffic analysis a significant failing for a business-case process for a transport project?

**Mr Alchin:** As we said earlier on in response to earlier questions, there was a traffic analysis done at the time of the original July 2013 business case, and we will continue to evaluate the traffic analysis as it evolves and as the New South Wales government's thinking about the project evolves.

**Senator CAMERON:** I will put questions on notice on this that you can obtain to refresh your memory. But I have to go to this question now. In your assessment brief of WestConnex, you indicate that the proponent's capital cost estimate in nominal terms is approximately \$15 billion.

**Mr Alchin:** Correct.

**Senator CAMERON:** And you have 'P50' in brackets. I understand 'P50' means there is a 50 per cent chance of a cost blow-out. Is that correct?

**Mr Alchin:** Yes.

**Mr Roe:** That is a 50-50—

**Senator CAMERON:** So there is a 50 per cent chance of a cost blow-out on a project?

**Mr Alchin:** Not so much a cost blow-out as a 50 per cent chance that the cost will be higher than that figure or 50 per cent below.

**Senator CAMERON:** So there is a 50 per cent chance that it will be higher than the \$15 billion?

**Mr Roe:** As well as a 50 per cent chance it will be lower

**Senator CAMERON:** Okay. Next to the 1.8 figure, the 'BCR stated by the proponent', it says:  
... methodology except capital costs are not P90 ...  
That is what it says in the project assessment.

**Mr Alchin:** That is correct.

**Senator CAMERON:** It says:

1.8 (Infrastructure Australia methodology except capital costs are not P90, excl. Wider Economic Benefits ...  
This means that, if there is a cost blow-out, the 1.8 would diminish.

**Mr Roe:** If costs are higher than the estimated P50 number—

**Senator CAMERON:** There is a 50 per cent chance the costs could increase, right?

**Mr Roe:** Then the benefit-cost ratio will drop below 1.8.

**Senator CAMERON:** The benefit-cost ratio of 1.8 would decline then, wouldn't it?

**Mr Roe:** Yes. This gets to the probability cost estimates that I was mentioning earlier. In our assessment, we took into account the points that I made in terms of the traffic modelling and in terms of the capital costs for the project, and we formed the view that, given that benefits are 80 per cent higher than costs, there is a degree of confidence that the net economic benefits—

**Senator CAMERON:** A degree of confidence.

**Mr Roe:** are above 1 to 1.

**Senator CAMERON:** There is 'a degree of confidence.' Okay. This is the last question, Chair. I go to page 5 of the WestConnex assessment, to your 'Strategic alignment summary'. You say there:

There is a degree of confidence that following an adjustment to the BCR for P90 and any negative adjustment due to induced trips, the BCR will remain positive.

Induced trips are basically what caused a problem in previous projects. The estimates of induced trips were not enough, and the project ended up not being profitable at all. Is that correct?

**Mr Roe:** Induced demand has the effect of increasing the traffic volume on the motorway over time. That in turn may create traffic congestion further down the track. So, to the extent that is taken into account in the modelling, that can have a negative effect on economic benefits.

**Senator CAMERON:** There could be choke points further down so there is the possibility that you cannot make the 1.8 because of choke points and cost blow-outs.

**Mr Roe:** Yes. I should say that under reduced demand there are consumer surplus benefits in the short term before that re-congestion occurs, so you really need to see the modelling to see the overall impact of that effect. That is why we have asked for that modelling to occur at the next stage of the business case development.



**Senator CAMERON:** Thanks, Chair.

**CHAIR:** God bless you, Curly. So could we now have ARTC?

**Senator STERLE:** What?

**CHAIR:** Because of the ridiculous arrangements, these people have got to fly back to Adelaide.

**Senator CAMERON:** That is very disappointing and I know that you say I am uncaring—

**CHAIR:** We know you are a loving and caring person.

**Senator CAMERON:** The Senate estimates process is one of most important processes. Whether public servants have not packed a bag and whether public servants have got a flight to catch, the estimates process is more important.

**CHAIR:** I appreciate that, Senator Cameron, but the trouble is—

**Senator CAMERON:** I just want to get that on the record.

**CHAIR:** —we can no longer refer ourselves to a timetable because this is a bullshit process.

**Senator CAMERON:** Well, you know my view of the process.

#### **Australian Rail Track Corporation**

[15:21]

**CHAIR:** Welcome. Would anyone—

**Senator STERLE:** It will only need about 10 minutes. There has been a blow going on and there were some changes made which none of us knew about so—

**Senator WILLIAMS:** Then we come back to Infrastructure.

**CHAIR:** We are coming back to it in a few minutes.

**Senator STERLE:** We have a couple of questions. It is not going to kill anyone to wait 10 minutes, then they can catch their plane and Senator Cameron can finish his line of—

**Senator CAMERON:** I have finished.

**Senator STERLE:** Okay, you are finished, but we have all got questions.

**CHAIR:** Get out of the road. Get the buggery out of here.

**Senator CAMERON:** See you next budget estimates.

**Senator STERLE:** Senator McLucas if you can indulge 15 minutes then we can get back to it I am sure.

**CHAIR:** He is all right he is harmless, Curly Cameron.

**Senator STERLE:** See this is what happens when you start changing things. You upset the whole apple cart. Where did he come from? I have been waiting here all day.

**Senator WILLIAMS:** Thank you for your continued updates on the derailment at Kankool in the Upper Hunter. I note that 19 of the carriages were derailed. Do have an estimate of the damage bill?

**Mr Fullerton:** It is a bit too early to say at this stage, but in our case it is probably going to be around a million dollars. There are two points that were destroyed that have to be rebuilt and there are probably around 400 sleepers that have to be repaired.

**Senator WILLIAMS:** What actually caused the derailment—do you know?

**Mr Fullerton:** There is an investigation underway at the moment by ATSB and also by ONSA the national regulator. At this stage, it is too early to form any view.

**Senator WILLIAMS:** How long was the line closed for?

**Mr Fullerton:** It was closed for about five days.

**Senator WILLIAMS:** How many services were disrupted and held up—do you know?

**Mr Fullerton:** I would have to take that on notice in particular, but certainly there were the coal trains that operate for Indemitsu and Whitehaven were not able to run for that period so there was loss of product being moved through the supply chain.

**Senator WILLIAMS:** Do those coal companies have grounds for compensation when this happens given ARTC runs the rail track?

**Mr Fullerton:** Under the terms of the contract, they normally do not—depending on the cause. But at this stage it is too early to make any call as to what caused that derailment.

**Senator WILLIAMS:** Last week in Scone court a Brue Anthony McQueen pleaded guilty to obstructing a railway locomotive near Willow Tree in December last year. Are you familiar with it?

**Mr Fullerton:** No.

**Senator WILLIAMS:** During the incident, McQueen secured himself to set of locomotives being prepared to push a coal train from Whitehaven's Maules Creek mine over the Liverpool Range and onto Newcastle. The incident delayed the train for about four hours and stopped five others on the northern line until McQueen released himself. He was convicted and placed on a 12-month good behaviour bond. Can you comment on what dangers arise from such a stupid action? Whilst McQueen got off on a bond, how much did it cost your organisation and your clients? Look at the cost of lack of production and trains not moving etcetera.

**Mr Fullerton:** Well, it is a big concern for us; anyone who trespasses onto our network. I mean, it is a dangerous place. It is something that—people get hurt, obviously; people get killed. So when people take these types of actions we are very concerned.

**Senator WILLIAMS:** And he gets a bond for his disruption.

**Mr Fullerton:** Well, the penalties are, obviously, a matter for the police. But it is certainly something that we are very concerned about, not just in terms of the injuries that can occur to the individual but the pressure that that puts on train drivers and maintenance workers, who have to deal with those sorts of circumstances.

**Senator WILLIAMS:** Mr Mrdak, last time you were here, I asked you about the plan for the Yamba port upgrade—and the rail inland to Moree, and so on. Have you heard any more about that project?

**Mr Mrdak:** Since we last appeared before estimates, I have met with a number of the proponents of the project. That was a very useful discussion, organised by the member for Clare, to get an understanding from them of their project proposal. We posed a number of questions in relation to the capital cost and the likely demand. We have not heard too much more from them—I am just checking with Mr Wood—we both met with them. That was, I think, in around November.

**Mr Wood:** That is correct. I do not have the final date that we met them.

**Mr Mrdak:** And we have not heard any more from them since that meeting that took place, here in Parliament House.

**Senator WILLIAMS:** I think that last time you said that there had been no request for any government money—ARTC money. Is that still the situation?

**Mr Mrdak:** There has been no request for government money. Their argument was that it can be fully privately financed. We obviously have some reservations about that, given the very high capital cost and likely demand; we now have a very good understanding of the likely demand in northern New South Wales, based on our work on Inland Rail. Their assertion that this can all be privately financed—we think it probably lacks credibility at the moment, based on what we understand.

**Senator WILLIAMS:** Let us take the situation where the line from Moree to Yamba is up and running, so they have to spend—what is the figure? Is it \$8 billion or something?

**Mr Mrdak:** I think the figure that was quoted to us was of that order. It was well above 10, I think.

**Senator WILLIAMS:** So they have to dig out the Clarence River; set up the port; set up the railroad line through to Moree and meet the Inland Rail, when it is up and running; another railway line down the New England—and you know, I would question what is going to be freighted from Moree to the port, for example. There would be wheat, cotton, et cetera. But they were saying in their plan that this would take the load off Botany Bay and the Botany terminal, et cetera, and make it a big one for the future—to do it all out there. Did they run any figures past you, Mr Mrdak, about what sort of money they wish to generate? Or what sort of money they expect to generate?

**Mr Mrdak:** We were given a general presentation by the consortium in relation to their concept plan. But we did ask those questions in relation to the level of demand that is likely because, as we have discussed previously, it is very difficult to see the economics working for the shipping industry or for the rail industry—given that, while the volumes may be strong out of the north-west of New South Wales, they are relatively low-value commodities. And the shipping industry in Australia tends to work inbound—that is what drives the service levels and the profitability of shipping. So it is unlikely, in our view, knowing what we do of the economics of the shipping industry, that a port in Yamba would be commercially viable.

**Senator WILLIAMS:** Okay. Thank you for that. I have one last question in relation to Inland Rail. Can you give us an update? In particular, has there been any interest from the private sector about funding for the Melbourne to Brisbane Inland Rail project?

**Mr Mrdak:** The Inland Rail project is progressing well. The implementation group, chaired by the Hon. John Anderson, is now completing its interim report for government. We are now working that through. That has been delayed somewhat by the Queensland election, which has necessitated somewhat of a pause in discussions with the Queensland officials and government. We anticipate that that work will be completed by the implementation group around the middle of this year, which will provide a full report to government. As part of the report, there is work being done on private financing options. There has certainly been some interest by the private sector in private financing. However, it is—

**Senator WILLIAMS:** Domestic or international?

**Mr Mrdak:** Initially domestic. But what is becoming clear is that it will require significant levels of public funding to support private financing. Private financing is certainly available, but it will require public funding to service the debt. Would you say that is a fair summary?

**Mr Wood:** Yes, I think that summarises the issues. It is saying that the interim—

**Senator WILLIAMS:** So here is the easy question: when will the first sod of dirt be turned? That is an easy question, isn't it?

**Mr Mrdak:** I think the government remains committed to doing it within the next couple of years; certainly, some of the allocation of the \$300 million is starting to be worked on. Australian Rail Track Corporation is already undertaking project preparation and initial scoping works on some of the brownfield track projects now.

**Senator WILLIAMS:** No doubt it will take a lot of traffic off the Newell Highway, which is a very busy road, with semi-trailers, B-doubles and so on, and it is expected to grow and grow in the years ahead. One of the main aims of inland rail would be to move some of the traffic off the Newell Highway.

**Mr Mrdak:** One of the aims is to ease the pressure on the road transport system. But just as importantly it will cater for future growth. The reality is that in the future we will need both the upgrade of the Newell and the inland rail, given the volume of growth we anticipate over the next 20 or 30 years in Australia freight task.

**CHAIR:** I could have been accused of trespassing on railway land, given that we used to burn the railway line to Junee every year. We would trespass on the line in those days to burn the bloody thing. It is a serious issue now. All human endeavour has some failure, like the noxious weeds on the roads the shires say they cannot afford to spray. But the fire hazard along the rail corridor is an issue. AR Track, to their credit, are working on it. This year something happened that alarmed our local fire brigades. This is meant as a helpful intervention. I have photos of this. There are black oats about 4'6" high up both sides of the railway line.

**Senator WILLIAMS:** Is that a metre and a half?

**Senator HEFFERNAN:** It is within six feet of the actual steel of the rail. AR Track were going to do an upgrade for fractures in the line. They booked ahead of the weather for two days I think for the line to be shut down, which is a pain in the backside for everyone. You would not want to know, but on this particular day a total fire ban came on. I think your guys were trying to organise an exemption at 3 o'clock in the morning. Who issues the exemption?

**Mr Fullerton:** We issue our own exemption. We are authorised—

**CHAIR:** That is all I need. So this is the system. So at 3 o'clock in the morning they issued their own exemption because they had booked to shut the line. As Senator Williams would know, this is what farmers have to put up with all the time—the vagaries of the weather. You can be out on the header and have a storm and cease harvesting for a couple of days. So a total fire ban comes on but this is a different industry so we will give ourselves an exemption. They get the exemption and away they go. I get a phone call at home—unfortunately for them I was at home. We are all going to learn from this. A bush fire brigade captain rang me and said, 'What the hell is going on. This mob are up there with arc welders and grinders, with a 14 or 15 foot spray out of the angle grinders, on a day of total fire ban.' So I thought I had better have a look. There were three gangs. Whether or not I should have, I got the order from one of them and went to the Shire and got the exemption order copied. They said to beware of trespassing on the land and I said that was fair enough.

There was not a person who thought they should be doing what they were doing. It did not make sense. The local fire brigades knew nothing about it. The Shire knew nothing about it.

**Senator WILLIAMS:** Did they have fire-fighting equipment there?

**CHAIR:** We will get to that. So a remote person in the rural fire service, which has lost its way, who was down the other side of Culcairn or somewhere, gave permission—

**Mr Fullerton:** We provided notification.

**CHAIR:** Yes. So the local fellows knew nothing about it. I went and had a look and there was a strong wind blowing and it was a day of total fire ban. So if a spark had lit it it would have gone 15 miles in no time. I used to be the fire controller around that area.

To answer your question, Senator, they had some sort of a front-end loader with a tank in the bucket and a unit stuck in the bucket, on the upwind side of the two-rail corridor, with a hose, which I measured, that would not have reached to the other side if the sparks had gone off. Then I went down to the next site and they had an old truck with a bigger tank—it would have been a couple of thousand gallons. Same thing. Under the permit, correctly, you had to spray around the site, but the angle grinder was throwing sparks from me to you, Mr Fullerton. I said, 'This is crazy,' and there was a cease-work. Then I, as you know, rang the minister because they said, 'There's nothing we can do about it; we've got to do it; we've got the permit,' blah, blah, blah. As you would know, I organised for the next day the local fire brigades as a community service, which we would have done on the first day if it was an emergency. I realise it is a serious inconvenience to block the main southern line for a day and not be able to do the work, but the local fire brigades would, as part of a community service, come along and be downwind with a lot of water power. All you had to do was tell us. That is all I wanted to tell you, so it is on the record.

In the future, I would not like to think that at three o'clock in the morning the system allows you to issue your own fire thing and then notify some remote guy in the Rural Fire Service. The Rural Fire Service is seriously challenged these days because it is centralised and has fixed overheads. The bloody helicopters you see on call cost a huge amount of money. As you are probably aware, they look great on the TV; they do not actually put the fire out unless you have a mop-up crew on the ground, but they cost us a lot of money. The reason fires get away is that information is out of time. By the time some person controlling the fire from Homebush or somewhere looks at the TV screen, gets the phone call and looks of the stars on his shoulder, the fire has gone to buggery. That is what would have happened that day if we had not blocked you, even though we probably did not have the authority to block you. To their credit, the people on the job had common sense. I would like to think that, in the future, you would alter the system so common sense prevails, because we do not want to have the district burnt out—not because of whatever is happening in the good service provided by your organisation to the district but because it turns into a catastrophe because of the peripheral arrangements. That is all I have to say.

**Mr Fullerton:** Sure. And look—

*Senator McLucas interjecting—*

**CHAIR:** No, but, with great respect, that is part of the work that this committee does without playing politics. It is called common sense.

**Senator BULLOCK:** I must say, Chair, I am concerned about you illegally entering this site and stopping work on the potential threat to safety issue. I think, if you want further employment, you should apply to the CFMEU.

**CHAIR:** Righto.

**Senator BULLOCK:** I want to seek your views, Mr Fullerton, on the impacts of rising container traffic at Port Botany. I do not know whether you are aware of Infrastructure New South Wales projections to 2031, where they see a rise in container traffic from 1.9 million to seven million. You are?

**Mr Fullerton:** I am aware of the growth forecast, yes.

**Senator BULLOCK:** The only reason I ask again is that the *Hansard* does not do nods well. I understand that you are spending \$175 million upgrading your capacity and that that will rise from 700,000 to one million.

**Mr Fullerton:** That is correct.

**Senator BULLOCK:** So we will have this situation. Currently, on rail we have 700,000 out of 1.9 million and then that will move to one million out of seven million. That is a significantly increased proportion that will have to be handled by road. Do you agree?

**Mr Fullerton:** Yes, beyond about three million TEU it would have to be handled by road, under the current configuration of the network. But we are doing further assessment, as part of the \$75 million of stage 3 funding from the Commonwealth, to look at what capacity enhancements are necessary to take those volumes to around, I think, 1.7 million TEU.

**Senator BULLOCK:** To take your volumes to seven million?

**Mr Fullerton:** The current volume on Port Botany lies around about 300,000 TEU per year. The last component of stage one and stage two, the \$175 million, was commissioned in February at Enfield. It takes the rail capacity to about one million TEU.

**Senator BULLOCK:** The gap between one million and seven million is vast. Do you think there is any realistic prospect of you upgrading the rail system sufficiently to even maintain your current proportion of the container traffic?

**Mr Fullerton:** I think we have got plenty of capacity at the moment to handle those volumes growing up to one million, but the further work we are doing at the moment is to work out what capacity enhancements are required—and typically those enhancements involve additional crossing loops at Warwick Farm, Liverpool, the extension of the crossing loop at Leightonfield and also the full duplication of the track from Mascot through to Port Botany. We are just doing that assessment at the moment.

**Senator BULLOCK:** From what you have just said that is a big job.

**Mr Fullerton:** The first stage is to do the analysis of what enhancements would be required to handle that additional volume on rail.

**Senator BULLOCK:** I was not really inquiring as to whether or not you thought you would get one million but rather whether you thought you might hit seven million, which is a long way off. So are we agreed on this: there are going to be a lot more containers on the backs of trucks on the roads of Sydney.

**Mr Fullerton:** I think we are planning to put a lot of those containers onto trains.

**Senator BULLOCK:** If currently you are doing 700,000 out of 1.9 million and with your phase one and two you are going to go at best to one million out of seven million, then the difference has got to go somewhere and it has to go by road. Surely you would concede that there has to be, with all your analysis of future possibilities, a lot of extra container traffic on the roads?

**Mr Fullerton:** If the proposal goes to seven million TEU, we have not done the analysis to say what is the maximum amount of capacity we could put on the rail corridor. That work has not been completed, so it is difficult for me to say what level of investment you would need on the rail corridor to consume as much as possible of that share of seven million TEU. We have not completed that work. Putting that volume onto rail is not just about the network itself; it is about the terminals—where are the terminals located on the metropolitan freight network; what is the length of the trains; how quickly can you turn those trains around at Port Botany? All those types of things are factors.

**Senator BULLOCK:** Which makes it unlikely that there will be a lower proportion of the container traffic going by road. Nevertheless I will leave it at that. How much have you spent this year so far on inland rail?

**Mr Fullerton:** We have completed the PPR for one, which is the first three milestone packages, which was the work that we commenced about eight months ago. We have spent about \$12 million.

**Senator BULLOCK:** Have you received any representations from companies concerned about the increased traffic by foreign ships on the coast and the potential impact of that on land transport?

**Mr Fullerton:** Yes, it is a matter that is getting a lot of discussion in the logistics community at the moment—and we are part of that, of course. It mainly relates to traffic that is flowing from the east coast, from Sydney/Melbourne to Perth, on ships and we are aware of a number of commodities that have moved to sea because of the very low pricing offered by sea on international ships going to Perth.

**Senator BULLOCK:** Is that causing you some concerns?

**Mr Fullerton:** Yes it is. It is certainly a concern for us because ARTC competes with two other modes going to Perth, one of them being road and one of them being sea.

**Senator BULLOCK:** Do those concerns include proposed changes to the coastal trading laws?

**Mr Fullerton:** We are not sure what is the primary reason that has happened. What we are aware of is that there are low prices being offered in the market place from international ships. That is what we hear in the market place, and whether that is just a temporary thing or a permanent thing we are not too sure. But we are aware of commodities moving onto sea, particularly non-time-sensitive freight that has been moving onto sea between the east coast and Perth.

**Senator BULLOCK:** In general, would it be true to say that the unilateral change in arrangements for a competing transport mode could impact on rail volumes?

**Mr Fullerton:** It potentially can and it probably has.

**Senator BULLOCK:** You just said it, in fact, so I am asking you to repeat it. Thank you.

**CHAIR:** We had better get this out of the road. We want to get this done before smoko.

**Senator STERLE:** I just want to clarify—

**CHAIR:** Okay, clarification.

**Senator STERLE:** Mr Fullerton, when Senator Bullock was talking about the potential of tonnages and TEUs that you could carry on rail, you said one million. We know that Infrastructure New South Wales's analysis—you would be aware of that—says seven million, which Senator Bullock and you did get out. Surely, one million to seven million—do I take it that you think you have not yet done any analysis and, come 2031, she'll be right? Were you leading me down that path?

**Mr Fullerton:** No, currently with \$175 million, which was part of stage 1, stage 2 of the MFN upgrade—that work included staging roads at Enfield, which has just been completed. It included resignalling of the corridor between Enfield and Port Botany. It included the Botany Yard upgrade. All those enhancements will allow us to move around 900 to one million TEU on the corridor. That work has been completed.

The stage 3 funding is the \$75 million we have got. This is not just to upgrade some of the infrastructure on the corridor; it is also doing a capacity analysis to work out what further enhancements will be necessary to take one million TEUs out of Moorebank, because Moorebank is on the SSL, our southern Sydney freight line. That would require an upgrade between Moorebank and Enfield and the likely upgrade would be crossing loops to handle those import-export trains.

**Senator STERLE:** But you have not got a figure there with respect to how much you think will be carried on rail?

**Mr Fullerton:** No. We certainly have not done the work that can accommodate those volumes.

**Senator STERLE:** As Senator Bullock said, we should not be mistaken here. Road is going to have to pick up the extra capacity at this stage. No rail will be able to come anywhere near carting seven million—

**Mr Fullerton:** The only point there is that at the moment the rail network has got spare capacity because 300,000 TEU are moving on rail today.

**Senator STERLE:** We are doing Senator Heffernan's legwork here. You know you are not going to be able to pick it up at this stage.

**Mr Fullerton:** No.

**Senator STERLE:** That is all we want. We are on your side. We want you to have more money.

**Senator RICE:** Mr Fullerton, I want to begin by picking up where we left off when I talked to you in October about the Melbourne-Sydney rail line, particularly the troubled 58 kilometres where the mud holes have been a problem. In October, you indicated that ARTC's balanced rehabilitation program and your major periodic maintenance program was going to be sufficient from hereon to meet ARTC's obligations under the lease agreement with the Victorian government. I think you said that you were:

... confident that under the BRP program, both in terms of the work that has been identified and carried out that our ongoing maintenance program will keep the track to a standard that our customers require.

**Mr Fullerton:** That is correct.

**Senator RICE:** What I want to raise with you is the significant findings of the August 2013 Australian Transport Safety Bureau report, which you also referred to in relation to the north-east track's formation, which concludes:

While the treatments applied to date—

by the ARTC works—

are likely to correct most ballast and drainage problems, the treatments are unlikely to correct the more deep-seated formation problems. Unless additional treatments are applied to improve the formation, it is possible that water will continue to weaken the structure in some locations ...

That would require:

an increased regime of track maintenance (or some localised formation reconstruction) and the application of new or further speed restrictions.

I want to get your response to that, given your statement that you felt that the ongoing maintenance program was going to be sufficient.

**Mr Fullerton:** I still stand by that statement. We do not totally agree with that particular matter that was raised by the ATSB. We had a lot of discussion with them about the extent that the problem relates to formation failure. As part of the BRP, we allocated—and work has already been completed—some formation replacement where we believe that had been damaged or was in poor state. We have completed that work.

We believe, through our engineering assessment and advice from technical experts, that the BRP program will deliver what we expect it to deliver and has done to date and that the maintenance programs that we have got built into our five-year plan will be sufficient to keep the track at a standard consistent with the rest of the network. Currently, we have spent about \$120 million of the \$134 million. The track now is performing well within the lease obligations we have got with Victoria and New South Wales. It is meeting our internal KPIs; it is meeting our obligations with our rail operators in terms of on-time running and a lot of that work in that program relates to the condition of a ballast, the sediment and clays in that ballast that we have been removing through shoulder ballast cleaning.

**Senator RICE:** But the issue in the Transport Safety Bureau report seems to be whether work is needed where there is damage to the track formations.

**Mr Fullerton:** That is right, and that was a point where they believed that the problem was more extensive than what we have assessed it at and what our experience has been. But, either way, we are confident with the significant improvement we have been able to achieve over the last three and half years and the condition that the track is in today. We started on this problem three years ago with 65 kilometres of the heavily-fouled ballast, that is now done—that was five per cent of the 1200 kilometres of track between Melbourne and Sydney—some of it is dual track. That figure is now down to 17 kilometres; it is 1.4 per cent of the track. We think that the program will then take that ballast condition down to about 12 kilometres which is about consistent with the rest of the network and will maintain it at those levels.

**Senator RICE:** On that issue of your disagreement with the Transport Safety Bureau report of how much damage has actually occurred to the track formation, do you have any documentation of the discussions or why you have a different opinion to the ATSB?

**Mr Fullerton:** We understood what the problem was back in 2010 and we spent six months investigating the problem and coming up with a work program that we felt was appropriate to address it. We shared all that information with the ATSB during that investigation. We had that analysis peer reviewed by three independent engineers at the time, and then we commenced that program in January 2012.

**Senator RICE:** But obviously the ATSB still did not agree with you?

**Mr Fullerton:** They did not, and that is right. They believed that there was a risk that there is more formation damage than we assessed. We identified a number of kilometres of where the formation—and remember, this formation is old formation—had to be rebuilt. One of them was passing Goulburn station. So that is something that probably we agree to differ on in that assessment. Without going in there and doing a lot of investigative work—there are techniques to assess the condition of the formation through ground-penetrating radar—

**Senator RICE:** So you have not done that.

**Mr Fullerton:** We have not, but it was a basic engineering review. But one thing that we can say at the end of the day we have an obligation under the lease for certain levels of maintenance. We have to provide services on time—because that is our business, that is where we get our revenue from—and we will maintain the track, whatever the circumstances are at the time to meet those obligations under our lease, under access agreements and our commitment to the customers.

**Senator RICE:** Did you respond to the ATSB report on that issue?

**Mr Fullerton:** There was a continuous liaison with us because it was a full comprehensive investigation by them. We had discussions with them and we conveyed to them our view that the primary problem was drainage on the track, and a lot of work has gone into the drainage. It was to do with ballast condition, because it was full of clays as it broke them down and it was due to rail service condition where you have got—we hear about defects in the rail that causes vertical forces, that puts loading to the track, as a bit like a pothole on a road, when the truck hits it spins it out.

**Senator RICE:** Was there any written documentation that you might be able to make public? I am responding for constituents who are concerned about potential ongoing problems and they would like to be assured, as you obviously are, that it is not going to be an ongoing problem. Would there be documentation that you would be able to make public?

**Mr Fullerton:** I might have to take that question on notice. I do not think there is any specific documentation about that other than our—all our conditions of the track are in our asset maintenance system. We formed a view about how much damage to the formation there was. We believed there were other problems that were causing it and we are dealing with it.

**Senator RICE:** I understand the difference in opinion between you and the ATSB. My constituents who are raising this issue see the ATSB report and are deeply concerned about that. It would be beneficial if they were able to have documentation as to why you believe it is not the problem that the ATSB says it is.

**Mr Fullerton:** Because of our assessment of the track, we formed the view that there was not the level of formation damage.

**Senator RICE:** Please take that on notice and see if there is some documentation that you would be able to make public. I would appreciate that. Regarding inland rail, can you confirm that the route planning and assessment that was undertaken in 2010 is the one that is going ahead?

**Mr Fullerton:** It was agreed 12 months ago, when we started the project, that that would become the basis upon which we would plan the construction of the corridor. However, we accepted that there needed to be further consultation with all the various communities, and we have done that. Generally speaking, that was the base case. Given the amount of work that was conducted in 2010 to look at a whole variety of different alignments—a lot of work was done to determine that at the time—we did not want to repeat work or duplicate it, so we took that as a base case.

**Senator RICE:** So there still may be some room for changes from the base case; is that what you are saying?

**Mr Fullerton:** Yes.

**Senator RICE:** It is not set in concrete.

**Mr Fullerton:** More around the margins than around any sort of major deviation. We have done a lot of aerial surveys of the whole corridor, and we have taken an eight-kilometre survey of the corridor that allows us to make adjustments, particularly around land boundaries, around geotechnical issues we find during the assessment. But, yes, it is pretty much in line with what was decided back in 2010.

**Senator RICE:** Is it public at the moment; are there any variations from that 2010 alignment?

**Mr Fullerton:** I think we have consulted very broadly with all the communities and taken them through what the alignment is. That report produced back in 2010 is a public document. It is on our website.

**Senator RICE:** Yes, but it changes from that. Where you are currently at, is that a public document, with those small variations from—

**Mr Fullerton:** No, because there is further work to be done in Queensland, primarily. Work has not yet been completed in Queensland, in terms of the finetuning of the corridor. But in other areas of the state, 40 per cent of the inland rail is the existing network; 40 per cent is greenfields. We are out there consulting with a lot of the property owners, the councils in New South Wales, on what particular issues they may have in terms of the current alignment and also in the engineering assessments that we make, in terms of geotechnical conditions, and we will make those adjustments. We have not produced the final document, because that work is not completed.

**Senator RICE:** In particular, with the greenfield areas, have you identified particular areas of environmental sensitivity or significance along the alignment?

**Mr Fullerton:** A lot of that work was done during the 2010 study but, of course, you need to go back and test whether those assumptions are still relevant. A good example was when the alignment through Queensland down through Grandchester was affected by the floods of 2011. It required further adjustments to the alignment, because of the changes to the flood control.

**Senator RICE:** Are future extreme-weather events being taken into account with the planning?

**Mr Fullerton:** Future weather events?

**Senator RICE:** Future extreme weather events and the likelihood of further extreme flood events, like the 2011 ones.

**Mr Fullerton:** Absolutely. We are doing a lot of work on hydrology and looking at flood plains and current waterways along the whole corridor.

**Senator RICE:** All of that detailed work on environmental assessments and detailed geotechnical work has now commenced. Is that right?

**Mr Fullerton:** No, we have not started it.

**Senator RICE:** It was due to start in December, I think, was it not?

**Mr Fullerton:** The first part of the work was to look at that whole planning strategy, the land-acquisition strategy. We are not yet that far advanced. We have not confirmed the alignment, so obviously there is further work to be done.



**Senator RICE:** Given that it was due to commence in December 2014, do you have a time line as to when that is likely to commence? When do you think you will have a final alignment and when will you commence the detailed environmental assessment and geotechnical—

**Mr Fullerton:** Our primary thing at the moment is to work with the department and the government in completing the final report. That is obviously a major project to be undertaken. The three bits of work that ARTC are doing at the moment are to look at the technical and design elements of the Parkes to Narromine and the Narrabri to North Star areas, which are on existing track alignment so that we are tender-ready for that—that is on existing alignments—by the middle of the year. The third piece of work that we are doing is looking at the Gowrie to Kangaroo section in Queensland—

**Senator RICE:** I understand there was a project milestone set by the Inland Rail Implementation Group—again, of December last year—for the delivery of final costings and a ten-year construction plan. Was that deadline met?

**Mr Fullerton:** Yes, we delivered the ten-year construction plan as part of that deadline. There is still further work being done on the estimate and that is mainly tied up with not knowing what the final alignment is, in Queensland.

**Senator RICE:** . When do you anticipate having that final alignment and therefore the final costings?

**Mr Fullerton:** We are very conscious of the change of government in Queensland and obviously a lot of work needs to be done with going through that process to be able to get on the ground, in Queensland, and begin that work.

**Senator RICE:** It sounds like it is a while off.

**CHAIR:** Despite Senator McLucas's thoughts, I do have some questions, but I thought I would put the game in play before the questions. In the process of self-assessment for a permit on a day of total fire ban, at three o'clock in the morning when you issue the permit you do not really know what the day is going to be like, other than that it is a total fire ban. How do you assess that it is safe to issue yourself the permit?

**Mr Fullerton:** The best way to start is that—we, first of all, have a very close working relationship with the CFS and the RFS right around the country. We work together a whole lot, so we do have a very strong relationship and we are guided a lot by what they say about conditions.

**CHAIR:** They have had nothing to say, in this case.

**Mr Fullerton:** I think we did communicate—

**CHAIR:** After you had issued the permit. I know it backwards.

**Mr Fullerton:** I do acknowledge your expertise in this area, Senator. Most of the work during the summer period, we do not perform. We do not do rail grinding—there is a whole lot of work that we do not do during the summer months or on hot days. We are able to make assessments for certain types of work, so long as you put the risk-management arrangements in place.

**CHAIR:** We will go to the risk management. I have to say, from many years of putting fires out, to issue a permit at three o'clock in the morning is pretty extraordinary. Following on from that, if it turned to custard that day, you are responsible for the legal liability. Correct?

**Mr Fullerton:** That is right. We operate a business where there is high risk, whether it is this type of work—

**CHAIR:** Do you ensure the risk?

**Mr Fullerton:** We are insured, yes.

**CHAIR:** That day, that fire—and I have been in charge of fires that have gone 30 or 40 miles in a day—would have done that. What is your plan, which is something we have been worried about for years, since we are not allowed to burn along the line, to lower fuel hazard? I will give you another instance of the stupidity of the present process. Two years ago, two RFS trucks turned up at Junee from Parkes or somewhere. I said, 'What you doing in town, boys?' They said, 'We're down here to organise lunches at a cafe, because we're going to have this exercise to burn the line.'

Do you know when it was that they were going to burn it? In August. The dry fuel was there from last year, the green fuel was about this far up through the dry fuel and we had not got spring. They were going to burn last year's fire hazard and let this year's fire hazard grow up through it, so there was no reduction in the fires. That is how crazy it is.

The difficulty that I have with the present arrangements you have is that it sets a precedent. It sets a precedent if you can issue yourself a permit on a day of total fire ban when the fire risk is real and there is a howling wind.

When we call for a cease harvest on a similar day, the harvest ceases and any bugger than gets on his header on a cease harvest day gets a visit from the neighbour. By issuing the permit, you would set a precedent that would say to everyone else, 'Well, they're doing it; why can't we?' Do you agree with that?

**Mr Fullerton:** As I said before, we very carefully manage the fire risk along our corridor, and it is only in circumstances where we have done that risk assessment and we have all the mitigation things in place that we issue ourselves the authority to do that work.

**Senator HEFFERNAN:** With great respect, you had two piddly fire units there with hoses that would not reach to the back of this room on a corridor that is wider than to the back of this room upwind with three miles that way down to get round the other sideline or into June the other way if the sparks had have done what they probably would have done, only we blocked them. It was crazy. So can we get an assurance from you, as the boss, that in future there will be a bit more thought put in? It is all right to ring Homebush, but I call them Cape Canaveral because they are always out of tune with what is happening on the site, which is why the Pilliga forest got burnt. A whole lot of places, including Canberra, got burnt out for the same reason: the people in charge of the fire were not at the fire. Could you give us an assurance that in the future you will inform the fire brigade adjoining to where you are doing the work?

**Mr Fullerton:** In relation to that matter, I was assured that they had been informed.

**CHAIR:** Can I categorically tell you that that is a lie.

**Mr Fullerton:** No. I did have that conversation with you; I have fed back to my team your feedback and your observations—

**CHAIR:** Both fire captains—

**Mr Fullerton:** Yes, I have.

**CHAIR:** said that they did not know anything about it. What I want is an assurance. To your credit, you had planned this some weeks before. It is a big deal to shut the line. You say that you have reduced the fire hazard, and you have not. We are going to have to do something about that. In the planning to shut the line and to do all the other things in the middle of summer with black oaks this high right along the line, I want an assurance that you will actually talk to the local fire brigades, because we would love to help you to reduce the risk of getting ourselves burnt out. You are not going to put the fire out, if you light it; we are going to have to put it out.

**Senator BACK:** The time—

**CHAIR:** This is not bloody circle work, old mate; we have done bloody hours of circle work. This is the real stuff. Could I get some assurances?

**Mr Fullerton:** I can give you the assurance that we will certainly make sure that we talk to all the people in the RFS that we need to talk to in order to do that work. I have every confidence in my staff being fully trained to undertake that work in those conditions, but we will certainly take on board—

**CHAIR:** You mean to put the fire out?

**Mr Fullerton:** No, the risk assessment. We have trained people who can perform maintenance on our corridor and they are fully able to do that work.

**CHAIR:** I want an assurance that the local adjoining brigades will know that the work is going on over there on the line.

**Mr Fullerton:** I will reinforce the point—

**CHAIR:** Because the guy that you told at six o'clock in the morning that you had issued yourself the permit drove from down the other side of Henty or somewhere to be there. Mate, anyone with half a brain knew that you should not have been doing what you were doing, and that, to your credit, is why it ceased.

**Mr Fullerton:** I have provided the feedback that you gave me two weeks ago back to my team manager.

**CHAIR:** Thank you very much, because it sets a precedent right across New South Wales. If you can issue yourself a permit to have a fire hazard operation, a hot fire operation, with fuel six feet from where you have the hot fire on a day of total fire ban, then it is not a very good look for the rest of us. Thank you very much.

**Mr Fullerton:** Thank you.

**Senator BULLOCK:** In relation to the feedback floating around from Senator Heffernan, to you and onto somebody else, Senator Heffernan asked you for an assurance. I did not hear it. Have you refused to give it?

**Mr Fullerton:** I gave him that assurance.

**CHAIR:** So we are most grateful for your time here, and we are very pleased that you can get on that six o'clock plane and go home.

**Mr Fullerton:** Thank you.

### **Infrastructure Australia**

[16:09]

**CHAIR:** Just for the information of the committee, we are hoping, as you probably are aware by now, to call CASA and those people after this section.

**Senator McLUCAS:** I do not have a lot of questions so I will not be long. The government talks of the 15-year infrastructure plan. Has that work been completed?

**Mr Alchin:** That work is underway. We are working on the precursor infrastructure audit, and the work on the plan has commenced but is necessarily a little earlier on.

**Senator McLUCAS:** Let's put it in order. We will go with the audit first. Has the audit been completed?

**Mr Alchin:** It is nearing completion. Yes, that is correct.

**Senator McLUCAS:** How does the audit interrelate with the audit of infrastructure for Northern Australia?

**Mr Alchin:** We commissioned two pieces of work. We made sure that they used common demographic assumptions and some common economic assumptions before testing other scenarios, and the work for the Northern Australia audit was quite closely integrated into the work of the national audit. The northern audit is now complete, and we are having regard to that as we finalise the national audit.

**Senator McLUCAS:** When you say demographics and economics, explain to me in common sense terms, what is an audit, from your perspective?

**Mr Alchin:** The way we have approached it, this is not an audit in the form of a financial audit or a detailed checking of individual lengths of road. We have taken a more strategic view to the audit to give a sense of how well we think Australia's infrastructure networks and the governance systems and so on are equipping the nation to meet its needs and aspirations into the future.

**Senator McLUCAS:** So it is not a list of things.

**Mr Alchin:** It is not expected to be a list of specific things. It certainly, we expect, will identify where there might be some priorities and issues that need some attention, and closer attention, in the plan, but it is not a list, at this point, of specific things that should be done.

**Senator McLUCAS:** The Northern Australia audit is nearing completion, I think you said.

**Mr Alchin:** The northern audit is complete.

**Senator McLUCAS:** It is complete?

**Mr Alchin:** Yes.

**Senator McLUCAS:** Has that been provided to the Northern Australia Taskforce?

**Mr Alchin:** It was provided to the Deputy Prime Minister in early January.

**Senator McLUCAS:** Does that cover water, energy, transport and communications infrastructure in Northern Australia?

**Mr Alchin:** That is right.

**Senator McLUCAS:** Is that all?

**Mr Alchin:** That is all.

**Senator McLUCAS:** So, in January it was provided to the Deputy Prime Minister. Is it then up to Mr Truss to provide that to the Northern Australia Taskforce? Can you help us here, Mr Mrdak?

**Mr Mrdak:** Certainly, and that work is now with the Northern Australia Taskforce, which is preparing the Northern Australia whitepaper, and it is being worked through in that process. It is a very good piece of work that Infrastructure Australia have done.

**Senator McLUCAS:** Is it going to be published?

**Mr Mrdak:** The intention is that it will be released with the white paper.

**Senator McLUCAS:** When do you expect that to happen?

**Mr Mrdak:** At this stage, my understanding is the government intends to release the white paper by the middle of the year.

**Senator McLUCAS:** Just by the middle of the year—you do not have anything further.

**Mr Mrdak:** I do not have a date at this stage. The government is now considering the various elements that have been pulled together for the white paper process.

**Senator McLUCAS:** I acknowledge and made the point that this is not just a list of things we own. It is a more strategic document. But how will the Northern Australia white paper be able to have an infrastructure plan if the infrastructure planning work has not yet happened?

**Mr Alchin:** I am not quite sure I follow the thrust of your question.

**Senator McLUCAS:** The white paper, from what we have heard, is going to be a way forward for Northern Australia, and infrastructure, according to government members, is a big part of that. So, we have done an audit, but how will that then inform some sort of plan for infrastructure in Northern Australia? It is question around timing.

**Mr Alchin:** I would respond as follows: work on the infrastructure plan is underway and ongoing. The plan will be finalised and have a regard to both the national audit—the northern audit—but also, clearly, to the timing of the northern white paper. We will take that work on board as we work up the national plan. The plan will be refreshed over time, so it is intended to be a longer term 15-year strategic document. We have been working closely with Commonwealth agencies and states and territories, so I would be confident that we will be bringing in all of that material together into the plan.

**Senator McLUCAS:** Is there a time for the first stage of it to be completed—the infrastructure plan?

**Mr Alchin:** There are some discussions to be had with government about that, partly tied in with the timing of the audit work. We expect it will be a little bit later this year.

**Senator McLUCAS:** The 15-year infrastructure plan: is that just hard infrastructure, or does that include what I call 'soft infrastructure'? Social services, health and education—that sort of infrastructure.

**Mr Alchin:** Our focus on this occasion is on the 'hard' infrastructure, to use your term. It is ultimately a matter for the board, but I expect that in due course we will expand to look at the social infrastructure as well.

**Senator McLUCAS:** Have you provided any material to the Northern Australia Taskforce directly?

**Mr Alchin:** No.

**Senator McLUCAS:** Have you been requested, either through your minister or in any other way, to provide input into the Northern Australia white paper?

**Mr Alchin:** I do not recall, but I will take that on notice if I may.

**Senator McLUCAS:** Yes. On a different matter: has Infrastructure Australia provided any advice to government, or to Northern Australia Taskforce, about the Hann Highway?

**Mr Alchin:** I will have to take that one on notice. Paul, you don't recall anything?

**Mr Roe:** I am not aware of a public submission.

**Mr Mrdak:** I think it is addressed in the work that Infrastructure Australia has done on the Northern Australian audit—

**Senator McLUCAS:** Yes.

**Mr Mrdak:** That is one of those key freight routes, particularly for the cattle industry, through Queensland. I think the work that they have done, particularly in relation to northern and central Queensland road infrastructure, includes a look at the Hann Highway's capacities.

**Senator McLUCAS:** Not specifically focused just on the Hann Highway, or an assessment of it, it is more if it has been included as part of the overall audit that you have been doing of Northern Australia?

**Mr Alchin:** I have some recollection of it, but I cannot just recall the specifics I am afraid.

**Senator McLUCAS:** The Hann links Cairns through down to the western part of the Great Divide. This document here, the *Final report on the audit of critical transport and power infrastructure in Northern Australia*: what is the status of that document?

**Mr Alchin:** That is a piece of work that was prepared back in late 2013, as I recall. It was a very early precursor piece of work that was used as input to the infrastructure audits. It has no particular status at the present time.

**Senator McLUCAS:** This is actually a list of things, so to speak. So it is preliminary work is that right?

**Mr Alchin:** It is very much preliminary work.

**Senator McLUCAS:** Thank you.

**Senator GALLACHER:** Recent work—what reports or research have been published by IA on its website in the 12 months to today? Anybody got an answer for that?

**Mr Alchin:** We have published some project assessments, as I recall. Our focus in the last 12 months has been primarily on the audit and the early stages of the plan, and that is the work—

**Senator GALLACHER:** I will get to the audit, but have you published anything on the website in the last 12 months?

**Mr Alchin:** I would have to take that on notice, but I do not recall—

**Senator GALLACHER:** What about reports or research published by IA on its website in the previous 12 months—from 2013 to 2014?

**Mr Alchin:** There would have been material published, but I would have to take that on notice.

**Senator GALLACHER:** Have valuations been completed for the following—and I gather these are all over \$100 hundred million—East West stages 1 and 2?

**Mr Alchin:** We have undertaken reviews of the material that was provided to us by the Victorian government, but that work is ongoing. We have had questions into the Victorian government in relation to that project.

**Senator GALLACHER:** So there has been an evaluation?

**Mr Alchin:** We have received material from the Victorian government, which we have evaluated. We identified a range of questions that we presented back to the Victorian government.

**Mr Roe:** The evaluation is ongoing.

**Senator GALLACHER:** Has there been an evaluation for the South Road Darlington?

**Mr Roe:** That evaluation is ongoing as well. We expect—

**Senator GALLACHER:** I gather when these evaluations are concluded they will be published.

**Mr Roe:** Yes; that is correct.

**Senator GALLACHER:** Is the Perth Freight Link ongoing or has that finished?

**Mr Roe:** That is ongoing.

**Senator GALLACHER:** The Toowoomba Second Range Crossing?

**Mr Roe:** That is ongoing.

**Senator GALLACHER:** The Western Sydney roads package?

**Mr Alchin:** That is ongoing.

**Senator GALLACHER:** So we will have to wait for those to be published.

**Mr Roe:** That is right.

**Senator GALLACHER:** Mr Alchin, are you the third temporary CEO?

**Mr Alchin:** I am the current Acting Chief Executive Officer.

**Senator GALLACHER:** Mr Mrdak, is that the third?

**Mr Mrdak:** Second, I think. There was an occasion when Mr Fitzgerald was absent for a period when Mr Brennan acted.

**Senator GALLACHER:** So technically it is the third acting CEO.

**Mr Mrdak:** For short periods.

**Senator GALLACHER:** It is definitely the second.

**Mr Roe:** It is the second CEO. The IA Act came into effect on 3 September.

**Senator GALLACHER:** So it is either the second or the third. In two weeks it will be a year since IA had a permanent head. When will a permanent CEO be appointed? Who wants to take that one?

**Mr Alchin:** I will take that question. Infrastructure Australia has had underway since late last year a recruitment process for the chief executive. The board was established on 1 September and the process for a search for the chief executive commenced fairly quickly. That process is now well advanced, and I expect that there is likely to be an announcement in the near future.

**Senator GALLACHER:** Is that right. Quantity on the near future, given that we are 12 months into this process?

**Mr Alchin:** I would not want to speculate. It is a matter that is out of my area of knowledge.

**Ms O'Connell :** Senator, just in terms of timing: the Infrastructure Australia Act came into effect with the new board and the new arrangements, where the board is responsible for appointing the CEO, on 1 September 2014. In terms of reflection on how long it has taken, it is from 1 September 2014 to where we are today—

**Senator GALLACHER:** But the legislation came in on 26 June 2014. Is that correct?

**Ms O'Connell :** No; the board was appointed formally as the Infrastructure Australia Board under the new legislation and commenced on 1 September 2014.

**Senator GALLACHER:** The legislation creating the CEO passed parliament on 26 June 2014.

**Mr Mrdak:** That is right. The legislation was promulgated—

**Senator GALLACHER:** That is eight months ago.

**Ms O'Connell :** It came into effect on 1 September 2014. It might have passed the parliament but it came into effect on 1 September.

**Senator GALLACHER:** Why has it taken so long to get a critical infrastructure Australia CEO in place?

**Mr Mrdak:** I do not know if you would say it has taken so long. The board, as Ms O'Connell has indicated, was put in place on 1 September. Until the legislation was passed, it was not possible for the organisation to undertake a recruitment process; the board had not been appointed. So, essentially, we are talking about the period from September to now.

**Senator GALLACHER:** In October, Mr Fitzgerald forecast three or four months more for a CEO. Is that incorrect? Was he able to do that on 20 October?

**Mr Mrdak:** It remains a valid comment.

**Senator GALLACHER:** The answer to how much longer is 'near future'.

**Mr Alchin:** The near future; yes, that is right.

**Senator GALLACHER:** Are you able to say where the board is at on the recruitment process? Is it at short list, preferred candidate, decision made?

**Mr Alchin:** In the detail, no. The staff have not been involved in the process; it is being run through the board.

**Senator GALLACHER:** Is there a shortlist?

**Mr Alchin:** That would be my understanding, but I am not across the detail.

**Senator GALLACHER:** So we may be at the shortlist stage. Is the minister's office aware of the state of the recruitment process?

**Senator Cash:** I would need to take that on notice.

**Senator GALLACHER:** So we do not know any of the candidates? Does the assistant minister or the minister or anyone in their offices not know any of the names?

**Senator Cash:** Again, I would take that on notice.

**Senator GALLACHER:** It shows how things change. Mr Alchin, what is your role? Are you in there for three months? Six months? 12 months? Are you a candidate? What is happening?

**Mr Alchin:** I will be in the role, I imagine, until the new chief executive takes effect.

**Senator GALLACHER:** You are not a candidate?

**Mr Alchin:** No, I was not.

**CHAIR:** It looks like you would make a bloody second-rower, in times gone by. You would not have picked me for a winger, would you?

**Senator GALLACHER:** Could we have how many meetings of the IA board there have been since October, and what were the dates?

**Mr Alchin:** I think there have been five meetings, but I would need to take that on notice.

**Senator GALLACHER:** Five meetings—

**Mr Alchin:** I will take that on notice.

**Senator GALLACHER:** subject to confirmation. In relation to the \$4 million that was spent on the infrastructure audit: in October Mr Fitzgerald stated:

It is to be completed and released by the end of the year.

Senator Conroy said, 'Is that December?' Mr Fitzgerald said, 'Yes.' Can we see it? Where is it?

**Mr Alchin:** As I said in response to the earlier question, we are finalising the audit as we speak.

**Senator GALLACHER:** It is almost March. We had a commitment from an acting CEO that it would be released in December. Is there a particular reason why it has not been released, that you are aware of?

**Mr Alchin:** It is a not insignificant undertaking, and the board has made it clear that it wants to understand the detail of the work. The board is making sure that it is across that detail. We have also been asked to have regard to the Intergenerational Report. That will be released in due course, and we will have regard to the that.

**Senator GALLACHER:** The board has met five times, and we are still waiting for a CEO—you are the second or third acting CEO. The audit was promised in December and has not been released. Has the board signed off on it? It has obviously been part of their deliberations, hasn't it?

**Mr Alchin:** That is correct. The board has reviewed drafts of the audit, but as yet it has not signed off the audit.

**Senator GALLACHER:** And when would we anticipate the public release of this?

**Mr Alchin:** I would imagine it will be some time in the second quarter of the year.

**Senator GALLACHER:** The second quarter. How is the advice that Mr Fitzgerald gave in October—how does your advice remove it? He advised that the \$4 million audit would be ready by December; now you are saying, 'the second quarter of this year'. Are we saying next December?

**Mr Alchin:** Could you just repeat the question?

**Senator GALLACHER:** When is this report going to come out? Are we talking about June?

**Mr Alchin:** As I said, the second quarter of this year. We expect to finalise the audit in the relatively near future. The release of the document will be a matter for the board to determine.

**Senator GALLACHER:** You mentioned something about the Intergenerational Report.

**Mr Alchin:** Yes. The Deputy Prime Minister has asked us to make sure that we have regard to the Intergenerational Report, in particular some of the population issues that might get explored in that report. Population change, both in total and in terms of the ageing of the population, are significant issues for infrastructure demand, so it makes sense to have regard to that piece of work as we finalise the audit.

**Senator GALLACHER:** But would you like to go on the record and say that the second quarter means June?

**Mr Alchin:** No, I cannot be any more specific than that, I'm afraid.

**Senator GALLACHER:** You anticipate the second quarter.

**Mr Alchin:** Yes.

**Senator GALLACHER:** On that consideration of the intergenerational report, have there been any other requests by the assistant minister or the minister for any other changes or matters to be considered?

**Mr Alchin:** No. We are working to the statement of expectation that the Deputy Prime Minister released on 6 November, I think it was.

**Senator GALLACHER:** We were advised that the audit would be about \$4 million. Is there any increase in the cost now that these matters are rolling along—intergenerational report and that?

**Mr Alchin:** I would have to take that on notice, because it is split between costs for the northern audit and the national audit and 2013-14 versus 2014-15.

**Senator GALLACHER:** In terms of ministers' directions, how many directions has the minister issued to Infrastructure Australia under section 6 of the act?

**Mr Alchin:** I will have to take that on notice.

**Senator GALLACHER:** Does that mean you do not know the exact number? Or you do not know the answer?

**Mr Alchin:** I just do not know the exact number.

**Senator GALLACHER:** But there have been some directions.

**Mr Alchin:** I will take that on notice.

**Ms O'Connell:** I am not aware that there have been, but we will clarify under which parts of the legislation.

**Mr Mrdak:** The minister has issued a statement of expectations, but I do not believe he has issued any directions.

**Senator GALLACHER:** Has the minister met with the new board?

**Mr Alchin:** I understand he has had meetings with the chairman, but I will take that on notice.

**Senator GALLACHER:** Tax concessions for designated infrastructure projects: have you received any formal applications under this tax concession since September 2013?

**Mr Roe:** No.

**Senator GALLACHER:** None at all?

**Mr Roe:** That is right.

**Senator GALLACHER:** No applications?

**Mr Roe:** No applications.

**Senator GALLACHER:** Has IA promoted this tax concession?

**Mr Roe:** Yes, we have. At the beginning, when the tax concession was introduced, we held some workshops in Sydney and Melbourne, and Perth and Brisbane as well. The workshops were advertised in the national newspapers. For the Sydney and Melbourne workshops we had around 60 to 80 industry participants.

**CHAIR:** On the profile of people applying for these infrastructure projects, how many would be situated, for the purpose of ASIC, in Australia, and how many would be overseas?

**Mr Roe:** There are potentially applicants from overseas. They would be represented by—

**CHAIR:** They would not need the tax deductions, is the point I am going to make.

**Mr Roe:** They would be subject to the domestic tax laws when they operated in Australia.

**CHAIR:** If you understand tax, mate, you can get around that easy. Remember: \$3 trillion last year in the Group of 20. And we are wondering why we cannot pay the bloody bills!

**Senator GALLACHER:** So, you have promoted the tax concession. You have had seminars and interest. But you have not had any actual applications.

**Mr Roe:** That is right. One of the key filters for the tax incentive is the infrastructure priority list. One of the criteria for qualifying for the tax incentive is that your project is rated as threshold or ready to proceed on the infrastructure priority list. We have received a number of submissions for the infrastructure priority list that have the ostensive purpose of receiving the tax incentive. But to date none of the proponents who have made those submissions have gone on to apply for the tax incentive.

**CHAIR:** Perhaps I could just go to the tax concession again. The other day this committee dealt with Bunge, who are doing infrastructure in Western Australia—the terminal. Senator Back and Senator Bullock would be familiar with this. And the chief executive of Bunge could not tell me his financial structure in Australia. I knew it; that is why I asked him the question. But I got him to admit that he did not know. And he did know, probably. Officially, for the purposes of the exercise with Bunge in Western Australia, their address is Main Street, White Plains, New York. But in the paper today I see that they have actually owned up to their Bermuda address for the purposes of tax. For the purpose of your infrastructure tax concessions, would you allow tax concessions to people who are registered in a tax haven?

**Mr Roe:** That would be a question for—

**CHAIR:** And are thinly capitalised and are then doing derivative swaps on their operation? Why would Australia be so generous as to even think about it? This is one of the reasons Australia's capital in our super funds is not as patient as the foreign capital.

**Mr Roe:** Under the infrastructure tax incentive, part of the design was to ensure that the infrastructure that was being provided and the concession received in relation to that infrastructure was correctly targeted. One of the safeguards involved in that was to require the entity to set up the project in special-purpose vehicles with that infrastructure asset only. So, they cannot have multiple infrastructure assets.

**CHAIR:** But if their IP and their financing is coming in from a tax haven, then—I mean, I am all in favour of offering tax concessions to make Australian capital patient for some of these projects, but why would you give some of these tax dodgers a tax concession?

**Mr Roe:** As to the actual application of the tax act, you would need to ask the tax office those questions.

**CHAIR:** The other day there were two Chinese people who came out here and set up a project that was \$1.2 or \$1.3 billion. You may have read about it. I follow this stuff. When they got back over there, to China, they were put in jail. They were thieving the money. I do not think we should give a tax concession to someone who is bringing hot money into the country or bringing money in through a bloody tax haven. And there are nine tax



havens around the planet. This is really not on your page, but I am getting it on the record, because we need to wake up.

**Mr Roe:** The tax incentive is targeted at the economic benefit of the infrastructure itself, and it does not look to ownership as part of the criteria. That is because infrastructure that is developed domestically in Australia has direct economic impacts on the Australian economy.

**CHAIR:** It would be nice to think we could get a return through the revenue capture, but we cannot capture the revenue.

**Mr Alchin:** I think some of your questions go to matters of policy, and our role is to judge the projects—

**CHAIR:** Yes, I appreciate that, but if we do not kill you, you will never know. You can go home and have a think about it while you are having a glass of wine tonight. This is a very, very serious issue for the developed Western world. The technology has outsmarted the law. These guys are not breaking the law. It is just that their technology is smarter than the law, in revenue capture.

**Senator GALLACHER:** If I could just go back to the tax concessions, briefly, to summarise, you have well publicised it, you have had seminars, you have no firm proposals.

**Mr Roe:** We have not received any applications.

**Senator GALLACHER:** Would that be because you have not settled on a CEO?

**Mr Roe:** No, it would not.

**Senator GALLACHER:** It has no bearing on the matter?

**Mr Roe:** No.

**Senator GALLACHER:** On the National Ports Strategy, what work has been undertaken by IA since last estimates on implementing the ports strategy? Have you had any discussions with the ACCC about competition and pricing issues at any Australian ports?

**Mr Mrdak:** No. Implementation of the ports strategy is now largely with the department and the various state and territory administrations and the National Transport Commission. There has been quite a lot of work taking place. We have recently completed a number of steps under both the ports strategy and the national freight strategy. We are publishing our designated national freight corridor map, which sets targets for access and completed work in relation to port design. And there is a whole range of other things that are now progressing. We would be happy to give you an update on those.

**Ms O'Connell:** Including establishing a set of metrics and indicators in terms of ports, and the bureau is now doing that as ongoing work.

**Senator GALLACHER:** Who would have had discussions with the ACCC about competition and pricing issues at Australian ports? Who would do that work?

**Mr Mrdak:** It depends on what the issue is.

**Senator GALLACHER:** Pricing and competition.

**Mr Mrdak:** But is there a particular pricing and competition issue? If there are general concerns about levels of charging at ports and the like, generally the various shipping or land transport operators would deal with the ACCC directly on those matters.

**Senator GALLACHER:** So, Infrastructure Australia does not have carriage of this.

**Mr Mrdak:** No. Implementation of the strategies are now with the jurisdictions.

**Senator GALLACHER:** What new work has IA undertaken since last estimates on implementing the National Land Freight Strategy?

**Ms O'Connell:** It is the same situation. IA produced the National Land Freight Strategy, and the department has progressed its implementation with the states and territories. One of the key things we have done is that the last ministerial council released and published a series of key freight routes that are national key freight routes, both road and rail. That was one of the recommendations of the land freight strategy report that has now been implemented.

**Senator GALLACHER:** IA indicated in its annual report for 2014-15, on page 117, that it had begun 'testing the land-freight ideas proposed in the land-freight strategy through a proof-of-concept program'. What ongoing work is occurring in this area? Is this a matter that the minister has listed in his statement of expectations?

**Mr Mrdak:** Again, these are matters that are being progressed by departments. There is work now taking place through the ministerial council in relation to addressing issues such as access and particularly pricing for

increased access. A scope of work is now being developed with New South Wales, Queensland and Victoria in relation to potential options for accessing key freight routes through incremental pricing.

**Senator GALLACHER:** So, IA does not carry out this function?

**Mr Mrdak:** No, it is now with the department.

**Senator GALLACHER:** What about the urban transport strategy? Has any new work been undertaken by IA since last estimates in implementing the urban transport strategy?

**Mr Alchin:** We have undertaken further work as part of the audit on urban transport—more detailed modelling of transport in the capital cities.

**Senator GALLACHER:** This is the audit that we are waiting for for the second quarter?

**Mr Alchin:** This is the current National Infrastructure Audit, yes.

**Senator GALLACHER:** And the Indigenous infrastructure policy framework: what new work has IA undertaken since last estimates on implementing this framework?

**Mr Alchin:** Since last estimates there has been no new work on that.

#### **Proceedings suspended from 16:43 to 16:56**

**CHAIR:** The committee will now resume. Senator Back, you have the call.

**Senator BACK:** I am just not sure whether you are aware of a document, for which Infrastructure Australia was the sponsor, produced by a company called Caravel and, I think, the University of Melbourne in March 2013. Are you aware of that report?

**Mr Alchin:** I am aware of the report, Senator.

**Senator BACK:** It had its origins from this Senate estimates, as a matter of fact. Senator Gavin Marshall and myself had a Senate inquiry into the shortage of engineering and related employment skills, and we came up with the observation that there was a loss of about \$5 billion a year in infrastructure projects. As a result of that, major project contractors came to see us to tell us they initially thought we were mad. Then they thought \$5 billion was actually too low. They said that when they calculated their figures they were spending about \$5 billion a year in litigation, together with the time distracted by the CEO and the chairman. That is what led to the Caravel review.

I just want to draw to your attention and ask you whether or not you are of the view that any of the major findings of that report are finding their way into your organisation and oversight of major projects. I will just highlight a couple of them. By industry's own statement, it believes that only 52 per cent of major projects have been delivered on time, on cost and at quality standards that it accepts, and there has only been a 10 per cent improvement over the last 20 years. The conclusion that Caravel came to was that it is not project management but project governance that is the area in which the greatest failures are occurring. Caravel then, as I understand it, consulted with the major companies and determined, with them, nine criteria for success which were related more to governance than they were to project management. Then they asked the companies to self assess. The companies' own score of those nine key performance indicators was 24 per cent. They themselves believed that in the governance space they were delivering on 24 per cent.

The concern I have is that, with the billions of dollars now in major projects either underway or in the pipeline, what, if any, of the Caravel findings are going to find their way into the oversight of projects, particularly as they relate to governance rather than project management? That is the essence of my concern and my question.

**Mr Alchin:** I will make a couple of high-level observations. Firstly, the governance and the project delivery issues are important ones for Infrastructure Australia. Last year, the Productivity Commission report on infrastructure identified issues around project selection and delivery that are important. We are looking at governance issues as part of the infrastructure audit, and I expect there will be a treatment of governance issues in the audit report. Our assessment of the framework for projects does deal with delivery issues and the like, and governance is part of that. Beyond that, if I may, I will take the question on notice to give you a more specific response. I can say unequivocally that those issues are being addressed.

**Senator BACK:** It seems that the governance question really goes to highly experienced and possibly either retiring or semiretired people who have themselves been top project managers, are no longer looking to work the hours that a project manager has to work, but come in and identify those who are doing well and those who require a little bit of tweaking. Again, I would be very keen on your views, perhaps on notice, as to whether or not in the allocation of funding governments should be having a role to very strongly propose and, indeed, insist that there be those standards of governance that Caravel have identified.

**Mr Alchin:** If I may, I will take that on notice. It is an important issue.

**Senator BACK:** Then Senator Mark Bishop and I had the privilege of being at the United Nations General Assembly in 2013 for three months and, as part of it, we were in Washington. Because of both of our interests in the defence area, will meet with the Undersecretary of Defence Acquisition at the Pentagon. She oversees a budget of just on US\$430 billion a year, which is higher than the entire Australian revenue budget. We were talking about this very question to her and she made the same observation. She said it is the first time that it had been drawn to her attention in that form, but clearly their projects going off the rails were more of a governance nature than they were of a project management nature, or it could have been identified earlier if there were governance processes in place.

**Mr Alchin:** Yes. Various work has been done to show that particularly cost overruns are a significant international issue across jurisdictions and across time, and it needs ongoing attention. I agree.

**Senator BACK:** Thank you. I would be very keen for your views when you have had a chance to collect them and can give us that advice. I will obviously watch it in successive estimates over time just to see the extent to which we are able to put them in place. Thank you very much.

**Mr Alchin:** Certainly, Senator.

**Senator RICE:** I have quite a few Infrastructure Australia questions. I will start by following up on the questions about the East West Link that you have had some questions on so far. You said that you are still continuing your assessment of the East West Link and that you had received material from the Victorian government but have further questions of them. Can you elucidate the nature of those further questions?

**Mr Alchin:** I will ask my colleague Mr Roe to answer that.

**Mr Roe:** For a project like the East West Link, which has broader network implications, we were requesting additional information in relation to the broader benefits of the project from a network perspective and also the interrelationship between the East West Link stage 1 project and the stage 2 project to see how those benefits complement each other. We were looking at understanding the broader network-wide issues.

**Senator RICE:** Were these questions put to the previous government or have they been put—

**Mr Roe:** To the previous government.

**Senator RICE:** Have you communicated with the new government about the East West Link?

**Mr Roe:** Yes, I have spoken to the department of transport and the Victorian government. As Mike Mrdak mentioned earlier, the status of the East West Link stage 1 project is under review. There has not been formal advice on the status of that project. We have not received any additional information over the last couple of months.

**Senator RICE:** Has the Victorian government told you to put the assessment on hold?

**Mr Roe:** It has not formally told us to put the assessment on hold, but we stand ready to evaluate any additional material that comes from the Victorian government.

**Senator RICE:** In your evaluation you said you were interested in the wider network implications. In your assessment, as well as looking at it holistically, are you actually pulling apart the various elements? The business case and the stage 1 as it finally ended up had the road itself, had public transport improvements and had the widening of Tullamarine and upgrades to the Eastern Freeway. So, in terms of your assessment of the various components, are you—

**Mr Roe:** Yes, we are looking at the scope of what was in the project case compared to the base case, which is outside of the direct project case and a cost-benefit analysis. The benefit-cost ratio of 0.8 was what we were looking to understand and test. I guess what you are alluding to are some of the non-tunnel parts of the project in the project case. We would expect an exploration of those, so if a project link creates a bottleneck at the end of the link, say, on the CityLink Tullamarine corridor, we would expect the business case to explore options to address that so that it is not creating a knock-on problem in the network. That is what the business case was doing in relation to both the Eastern Freeway and the CityLink Tullamarine Highway, as well as looking at, as you mentioned, the public transport options, with trams along Hoddle Street and the like.

**Senator RICE:** It seems to me that, in order to get the benefit-cost ratio up from 0.8 to 1.4, that they ended up with, they added on projects; the core road had a lower benefit-cost ratio.

**Mr Roe:** Yes. So the project case had a core benefit-cost ratio of 0.8. If you included the Victorian government's estimate of wider economic benefits, that lifted the BCR to 1.4. The project case for that 0.8 core benefit-cost ratio did include broader works in the corridor to address those bottleneck effects.

**Senator RICE:** Right, so those ones were included. Are you also doing an assessment of just the western half of the East West Link, as a stand-alone project?

**Mr Roe:** Yes. We received in I think late April or May last year an interim draft business case of the East West Link stage 2, so the western leg. Work was underway late last year on the development of the business case for stage 2.

**Senator RICE:** Did you receive more detail than what was in the overall project business case that was released at the end of the year?

**Mr Roe:** No.

**Senator RICE:** So it is pretty scant—anything relating to the western half?

**Mr Roe:** Yes. For East West Link stage 2 we did not receive anything beyond that initial draft interim business case and submission material in the middle of last year.

**Senator RICE:** How are you doing your assessment of the western half if that is all the information you have got?

**Mr Roe:** We were looking to evaluate the business case when it was developed and provided to us.

**Senator RICE:** So you are not doing any assessment on it at the moment until you get further information?

**Mr Roe:** That is correct.

**Senator RICE:** Unless and until you get further information—

**Mr Roe:** That is right.

**Senator RICE:** So you are awaiting the Victorian government's—

**Mr Alchin:** Provision of material.

**Senator RICE:** additional material, if there is any reason for them to provide it. And, given their public position, that may not be the case—the public expectation that it is not the case.

I was interested in the discussion about the transport modelling of WestConnex. Is it transport modelling that you have done as opposed to the New South Wales government transport modelling? Is that publicly released?

**Mr Roe:** Yes. It is transport modelling undertaken by the WestConnex project office, so by the New South Wales government. Our evaluation of that transport modelling is what I was referring to before. There was separately a peer review, which was commissioned by the department. An initial draft assessment by the peer reviewer was provided to us as well.

**Senator RICE:** So you did not do a stand-alone piece of transport modelling that you would be able to share with the public?

**Mr Roe:** No. We have included our evaluation of that modelling in our assessment brief, which we have put on our website.

**Senator RICE:** I was wondering whether you may be able to share one aspect of that transport modelling, and you might have to take it on notice—looking at the mode share that is forecast for various travel segments over time, what the model shows the public transport mode share to be.

**Mr Alchin:** Sorry, Senator, just to be clear—is this in relation to East West or WestConnex?

**Senator RICE:** No, WestConnex. It is a big issue that the transport modelling is not available to the public. I think it is a very poor way of planning infrastructure for that not to be able to be reviewed by the wider community.

**Mr Alchin:** I think we would have to take that one on notice, if we may.

**Senator RICE:** Certainly, a key criticism of the transport modelling that underpins the East West project is that the public transport mode share is lower than what it currently is—that is, the forecast out to 2031 that you are only going to have a nine per cent public transport mode share across Melbourne. I am interested to know whether the WestConnex transport modelling similarly has an unreasonably low level of public transport mode share out in the foreseeable future.

**Mr Alchin:** We would need to have a look at the details of the material and get back to you, if we may.

**Senator RICE:** Could you put that on notice and see what you could give to us. The additional estimates statement notes that Infrastructure Australia has undertaken a review of performance assessment frameworks that include so-called broader benefits. I am interested in this review and when it will be done.

**Mr Roe:** We are undertaking a review of the evaluation methodology as part of the broader national infrastructure plan work. We would look to providing outcomes of that in the context of the national infrastructure plan. There is some work being undertaken as part of the update of the national transport guidelines looking at wider economic benefits and how to—

**Senator RICE:** When you say 'broader benefits', are we talking about wider economic benefits, as they have been tagged?

**Mr Roe:** Yes—firstly, looking at aspects in the cost-benefit analysis that are not monetised at the moment and to see if modelling techniques have improved so that you can monetise those and, in addition, looking at wider economic benefits to see whether, based on Australian base data, there is a way to more accurately measure elasticities.

**Senator RICE:** I know we are short for time. Perhaps I could put that on notice—just what methodologies you are looking at, and what are the various aspects you are looking at in that review.

**Ms O'Connell:** Could I assist here very briefly. The department work that Mr Roe is referring to was published and is on the internet. It was published in November 2014, and it is called *Overview of project appraisal for land transport*. That document talks about WEBs, how to consider them, how to treat them, the issues associated with WEBs and provides some guidance on how project appraisal methodology should be applied.

**Senator RICE:** That is great. Thank you for that. Once you have done that assessment, looking at broader benefits, how is it going to then influence your assessment of projects where business cases have been prepared with methodologies that do not meet what you think is good practice?

**Mr Alchin:** We will take that work on board as part of our overall project assessment processes. When project submissions come in to us we make them available for proponents to undertake their analysis using just conventional economic appraisals, conventional benefit cost analysis; or, if the type of project lends itself towards wider economic benefits, we would be encouraging proponents to present proposals that have regard to those wider economic benefits and calculate the scale of those benefits using that new methodology, that new approach.

**Senator RICE:** Will you be providing a proposed methodology or will you propose guidelines that proponents would have to meet in order to be assessed by you?

**Mr Alchin:** I expect we will, but I will take that on notice. I am mindful of the comments that Ms O'Connell made before about the material that has been released by the department.

**Ms O'Connell:** But if it provides a qualitative as well as quantitative assessment so that you do get a BCR with and without WEBs at different discount rates et cetera, and a more expansive analysis table so that an appraisal is not just trying to get to a single number, there is actually an explanation of the project, its impacts, how the assessment is made.

**Senator RICE:** Has Infrastructure Australia met with the new government in Victoria and the new government in Queensland?

**Mr Alchin:** As far as I am aware, we have not yet met with the new government in Queensland. We have had discussions with some of their officials since the government changed in Queensland and certainly, as Mr Roe was saying, we have been in contact with officials in the Victorian government since the change.

**Senator RICE:** Have there been discussions of priority projects with these governments?

**Mr Alchin:** Not in any detail, no, as yet.

**Senator RICE:** When will the next iteration of the infrastructure with priority list be finished and made public? Page 97 of the additional estimates statement says it will be updated during the course of the year 2014-15.

**Mr Alchin:** Our assessments of projects are updated on a quarterly basis as project appraisals are undertaken. More generally, the organisation would like to make sure that there is an alignment between the forthcoming national infrastructure plan and the project priority list, but individual project assessments will be published periodically as they come through.

**Senator RICE:** When do you expect the next update will be?

**Mr Alchin:** Later this year. I do not have the precise details, but I will happily come back to you if that is of any assistance.

**Senator RICE:** That would be good. Senator Sterle had a question on notice which said that you had determined Infrastructure Australia's priorities for 2014-15, but the explanation of what IA's priorities were I felt was pretty opaque. What would you say are Infrastructure Australia's priorities this year?

**Mr Alchin:** They are very much around the conduct of the audit and the plan and consideration of project proposals in line as they come in from governments and other proponents and, more generally, conforming with the statement of expectations.

**Senator RICE:** I have more about the 15-year national infrastructure plan, in particular what the process for developing it is going to be and the input to that from the community. Your website says that it will be based on wide input and will reflect and critique recent lessons in infrastructure projects, like the failure of some of the tollway projects that have been so notable.

**Mr Alchin:** Our current expectation is that the audit will be released for public comment. We would take on board public feedback on the audit in developing the plan, and there will be an opportunity for members of the community, governments and other stakeholder organisations to make submissions to us and we will take them on board as we finalise the plan.

**Senator RICE:** So that will be the extent of your community engagement—basically, just asking for submissions to that audit?

**Mr Alchin:** Particularly in response to the audit, yes, that is right. There will be a fair amount of material available through the audit. Hopefully people will see it as being rich information that will give them material to consider, and we will take that on board as we finalise the plan.

**Senator STERLE:** I apologise in advance. These questions have been asked but I want to get some clarity for myself. They are in terms of the complete assessments of projects that were allocated money in the May 2014 budget. Just a yes or a no, please. Did you allocate money to the East West stage 1?

**Mr Alchin:** Our role is not to allocate money. We would make recommendations—

**Senator STERLE:** Just yes or no. Did you allocate money in the May 2014 budget to the East West Link stage 1?

**Mr Roe:** That will be a no for Infrastructure Australia, but—

**Senator STERLE:** That is fantastic, beautiful. You said no. Do not keep going on. I would hate to do a robbery with you. What about East West Link stage 2? Did you complete assessments before the money was given? Why are you looking at me like that? Did you complete an assessment for East West Link stage 1 before money was allocated in the May 2014 budget?

**Mr Alchin:** No.

**Mr Roe:** No.

**Senator STERLE:** What about for East West Link stage 2?

**Mr Alchin:** No.

**Senator STERLE:** Beauty—we are steaming through it. What about for WestConnex—any stage?

**Mr Alchin:** We had looked at the East West Link and WestConnex. It was on our priority list at the time. I would have to take on notice exactly where it was on the priority list.

**Senator STERLE:** No. Did you complete an assessment or not before money was allocated? You know very well about the other two—yes or no. Think about it, gentlemen. Mr Roe, you have been around a while.

**Mr Alchin:** The answer would be—

**Senator STERLE:** It is either yes or no, gentlemen. Help me out.

**Mr Alchin:** No.

**Senator STERLE:** Well done! What about the Perth Freight Link? I can tell you that you did not, but keep going. Have a good hard think.

**Mr Roe:** There are components of the Perth Freight Link which are on the priorities list, so—

**Senator STERLE:** Did you complete any assessment before money was allocated?

**Mr Alchin:** I would have to take that on notice.

**Senator STERLE:** No, you do not. You know damn well you did not. Think hard.

**Mr Alchin:** I will take that on notice.

**Senator STERLE:** No, you know. Let us just make it easy.

**CHAIR:** Senator Sterle!

**Senator STERLE:** No, Chair, we must get this right. It does not matter which government was in. It is very simple. Did you complete an assessment?

**Mr Roe:** For all of these projects—

**Senator STERLE:** Just tell me yes or no.

**Senator Cash:** It may not be as simple as a yes or no.

**Senator STERLE:** Yes, it is.

**Senator Cash:** The witness is trying to explain to you—

**Senator STERLE:** No, it is very simple, Minister.

**Senator Cash:** It might appear so from your end, Senator Sterle, but the witness should be able to articulate a response.

**Senator STERLE:** Come on, gentlemen, have a think.

**Mr Roe:** For all these projects it is not a clear yes or no answer because—

**Senator STERLE:** It is very clear, Mr Roe. Do not practise on me, please. You either did complete an assessment before the money was allocated or you did not. Do not try to be cute—just yes or no.

**Senator Cash:** Chair, I—

**Senator STERLE:** No, Minister, this is more than fair. I have been very—

**CHAIR:** Order!

**Senator STERLE:** It is yes or no, for crying out loud!

**CHAIR:** They are entitled to answer it—

**Senator Cash:** Exactly.

**CHAIR:** They can go to hell if they want to, but—

**Senator STERLE:** Give the answer!

**Mr Alchin:** As with all of these projects, we assessed the material that was available to us at the time. We were in constant contact with the jurisdictions about the status of the information, where we had further questions and so on. We were engaging with them. That was the status of our assessment of all these projects, including the ones I have previously answered on, at the time of the budget.

**Senator STERLE:** Chair, through you, I asked whether there had been an assessment completed. That is the magic word—'completed'.

**Senator BULLOCK:** Was all of the information necessary to complete an assessment available to you at the time?

**Mr Alchin:** Our assessments were complete at that time based on the information that was available to us.

**Senator STERLE:** You are saying you did complete the assessments before money was allocated? Be very careful with your answer. Is this what you were saying? This will be in *Hansard*. Are you saying you did complete the assessment?

**Senator Cash:** Perhaps if you paused for just one—

**Senator STERLE:** I do not have to, Minister, because—

**Senator Cash:** Perhaps you should if you want the witness to answer the question.

**Mr Alchin:** The assessments of all these projects were ongoing at that time.

**Senator STERLE:** So you did not complete them or you did? Knock yourself out. Have a crack at it. If you did, say yes and *Hansard* will reflect that you did complete the assessments before money was allocated.

**Senator Cash:** I think the witness has answered your question.

**Senator STERLE:** Come on—yes or no?

**Senator Cash:** He has not given a yes or no answer.

**CHAIR:** Senator Sterle—

**Senator STERLE:** No, Chair, with the greatest respect, do not cover this. Do not cover incompetence, Chair. I did not do it when I was the chair. You did or you did not, Mr Alchin. What did you do?

**CHAIR:** Order! I call the meeting to order.

**Senator STERLE:** No, you have to answer this.

**CHAIR:** Thank you, Senator Sterle! Order!

**Senator STERLE:** It comes to this: yes or no. Give me a yes. Go on!

**CHAIR:** Mr Alchin, you are entitled to answer the question in the form that you wish, so feel free to answer the question.

**Mr Alchin:** If I may, Senator, I will take these questions on notice—

**Senator STERLE:** No, you said yes at one stage and now you want to take it on notice.

**Senator Cash:** He has said he will take the questions on notice, and if he is taking them on notice that is a response to the question.

**Senator STERLE:** It is pathetic. What do you get paid to do? Yes or no? This is bull dust.

**CHAIR:** The witness is entitled to answer the question in the way he wishes. If it does not suit, it does not suit. Senator Bullock, do you want to make a point of order?

**Senator BULLOCK:** Chair, I am trying to assist—

**Senator STERLE:** He has to be truthful.

**CHAIR:** Let's not have this this late in the day.

**Senator STERLE:** No, this could be over very quickly—

**Senator Cash:** It is only early in the evening.

**CHAIR:** I call the meeting to order.

**Senator GALLACHER:** Can I raise a point of order, Chair?

**CHAIR:** No, I will not take anything from anyone. Let's just settle. Do you have a point of order?

**Senator GALLACHER:** I seek clarification from the chair. Is it appropriate for an officer who knows the answer to take a question on notice?

**CHAIR:** We are not mind readers. I do not know what is in the gentleman's mind. He is entitled to answer the question in the way that he wants to frame it, and he wears the consequences of the way he frames it. But he is entitled to answer the question however he feels like. If it turns out to be a blatant lie, or the truth, or whatever, so be it. If he chooses to have an each-way bet and take it on notice, he is entitled to it.

**Senator STERLE:** He is going to answer it—he is going to have to.

**Senator Cash:** Perhaps he won't get the chance to answer it!

**CHAIR:** Senator Bullock, do you have a point you want to make?

**Senator BULLOCK:** Yes. If it were agreed as a basis for answering Senator Sterle's question that something which is ongoing cannot by definition be regarded as complete, was it complete?

**Mr Alchin:** We had completed our assessment of the material before us at the time. We had completed our assessment of the material—

**CHAIR:** To the point it was possible.

**Mr Alchin:** Where we had questions, we raised those questions with jurisdictions and asked for further information.

**Senator STERLE:** So more information came after. You thought you had completed what was in front of you but then there was more stuff that came after. Is that what you were saying?

**Mr Alchin:** There was more material that came to light.

**Senator STERLE:** Why didn't you say that! What about the Darlington Interchange?

**Mr Alchin:** I would answer in the same form as I did with Perth Freight Link.

**Senator STERLE:** Yeah, fantastic! So you did your best with what you had, you thought it was all finished and then something else popped up after the money had been allocated, is that right?

**Mr Alchin:** I am not saying that, Senator.

**Senator STERLE:** This is as weak as pee. What about the Toowoomba Second Range Crossing? What do you get paid for?

**Senator Cash:** Chair—



**Senator STERLE:** No, what about the Toowoomba Second Range Crossing? Are we going to get the same answer?

**Senator Cash:** Chair, with all due respect, this is an unfair—

**Senator STERLE:** This is not unfair. It is taxpayers' dollars.

**Senator Cash:** But the way in which you are asking the questions of the witness is rude.

**Senator STERLE:** Should I blow kisses? Mr Alchin, please tell me yes or no.

**Senator Cash:** Senator Sterle, there is a word called respect. You are asking it of us and I expect it of you towards the witnesses at this committee. Say what you like to me; I am big enough and ugly enough, but we expect the witnesses at this table to be treated with respect.

**Senator STERLE:** Dear Mr Alchin, may I please put this question to you on behalf of the Australian taxpayer: did IA complete an assessment of the Darlington Interchange before any money was allocated in 2014. Hugs and kisses.

**Mr Alchin:** We completed our assessment of the material that was before us at the time. I have checked with my colleague, Mr Roe. To the extent that we had further questions that needed clarification, those questions were with the relevant government, the South Australian government, and we were waiting for responses to those questions that in due course were provided or in some cases we may still be waiting on. That is my honest assessment of where we were at that time.

**Senator STERLE:** So the money was allocated and then other stuff came up after. Alright. What about the Toowoomba Second Range Crossing?

**Mr Alchin:** It is the same answer.

**Senator STERLE:** Same thing. You thought you had completed the assessment, money was allocated and then other—

**Mr Alchin:** On the material that was before us at the time. In some cases we had questions that we wanted to have answers to. We had sought clarification from the Queensland government. That is where we were at that time.

**Senator STERLE:** So when the money was allocated you had completed your assessment?

**Mr Alchin:** With the terms that I have just described. We had evaluated the material that was available to us at the time. We were raising questions and seeking information, if we had questions about the projects, including the Second Range Crossing. That is where we were at the time.

**Senator STERLE:** So you have completed the assessments.

**CHAIR:** Thank you for your attendance and evidence. We now call CASA.

#### Civil Aviation Safety Authority

[17:32]

**Senator FAWCETT:** Mr Skidmore, congratulations and welcome to the role of Director of Aviation Safety. I want to follow up on some things that this committee has asked of CASA in the past, particularly the transition of part 61 into the industry and the availability of testing officers. Some industry stakeholders have contacted the committee with some concerns about changes that have occurred when part 61 was first put forward. Low flying and aerial mustering was proposed to be an initial qualification, with a flight review every two years. It has now been changed to a flight review every 12 months. I am wondering if you could explain what consultation occurred with industry before that change took place, and, given the impact it has on industry, whether there was any revisit of the regulatory impact statement before that change was made.

**Mr Skidmore:** We are doing a lot of work in regard to part 61. I will just make a statement right now that I have actually established a tiger team inside CASA to look at all the issues in relation to part 61, with the intent being to understand those and analyse them better, working with the aviation community, and then get back to the community in regard to some of those issues. But I will get Mr Crosthwaite to answer those specifically. He is my expert on part 61.

**Senator FAWCETT:** While we are waiting for him to come to the table, I have a further question on consultation. The last time we raised this we put some questions on notice about the consultation process. What transpired was that despite Mr Farquharson saying that extensive consultation was necessary the answers on notice indicated that CASA had invited industry to make contributions and nobody from the mustering industry appeared to have the time or inclination to do so. CASA therefore proceeded without consulting anyone. I am just wondering, is that acceptable to you? Or do you think that—given that it is going to impact on industry—if people

are too busy, or not informed, or not motivated—whatever the rationale—CASA has a role to lean forward and engage with them? This is as opposed to making regulatory changes with no consultation, on the basis that the proposed changes were put on a website but nobody came forward.

**Mr Skidmore:** I think in response to that I would say: we do have a requirement to consult with industry; with the aviation community. We put that out there, with regard to the information, to try and initiate that discussion and get that consultation. If those people are not forthcoming, I am not sure that I can drag them to the table but we certainly need to look at ways and means so that we can engage, and maybe improve our consultation process. And I will look into that.

**Senator FAWCETT:** Thank you.

**Mr Crosthwaite:** There are a couple of questions, so perhaps if I can deal with the mustering one first. In mid-December, we met with a group of helicopter operators in Caboolture to talk about a range of topics that are affecting the helicopter sector in particular. It was a very productive meeting, and we will be going back and meeting with them again, probably later in March, to deal with things including low-level ratings and the mustering issue. It is not particularly easy to get in contact with the mustering group, because of their location and the kind of work that they do. But we are certainly in touch with them now in a more effective way, I believe.

We also bringing forward to the Flight Crew Licensing Standards Consultative Sub-committee some of those issues that were raised at a forum—which you may be aware of—that we had in December, where industry groups came together and we talked about a number of things. So there are a number of issues on the table that we will work through that consultation process, including the mustering issue. The low-level flight review requirement that we have got in the regulations—which you quite rightly say, Senator, is an annual thing—will also be on the table for consideration.

**Senator FAWCETT:** Which leads to—and again, at the last estimates we talked a bit about this—the number of ATOs or flight examiners who are in the industry in this particular area. Do you have a figure for how many people are qualified to do those flight reviews? And how many of them operate in the areas—such as Victoria River Downs, and other places—where the mustering industry is centred?

**Mr Crosthwaite:** Yes. I do not have a feel for the exact number of those people. The number in the industry for the aerial application sector, as well as the mustering sector, has always been low. It is difficult to get people into that testing role. We released an instrument—I think it was in December—that allowed those people who were approved pilots for mustering, under the old order that covered mustering, to allow them to continue to do those functions, which are training and testing, while we resolve and get more people into that testing function. So that—

**Senator FAWCETT:** Is that grandfathering open-ended? Is there a time frame on that?

**Mr Crosthwaite:** I cannot recall, Senator, whether that instrument goes to the end of the transition period or whether it was a shorter period. I cannot recall. I will take that on notice if you like. But it will certainly provide us with some time to deal with how we manage those flight reviews, and who can conduct them.

**Mr Skidmore:** Would you like us to get back to you with the actual numbers of ATOs, Senator?

**Senator FAWCETT:** Yes, that would be useful. I am particularly interested in the geographic distribution. It has been suggested that people from the mustering industry will often come to the city in the off period anyway, and that there might be more people available, for example, at Bankstown. But I do question whether the Bankstown Airport Limited would welcome cattle running freely on the airfield while you did a mustering endorsement! I think that might cause some problems. So yes, I would be interested in that information.

**Mr Crosthwaite:** Can I just add something which I think might be helpful, and that is the change that we made to the Robinson R22 and R44 type ratings. We made them class ratings. That has provided a significant amount of relief also to those pilots who are generally in the mustering sector. That is another side improvement to be made.

**Senator FAWCETT:** I think the Forsyth review has been widely regarded as a very positive step by the aviation industry. The government is committed to the bulk of the recommendations. Could you step the committee briefly through where you are up to—as you have come into this new role—in terms of progressing the plan that you want to take forward to government mid this year.

**Mr Skidmore:** I am more than happy to. We have received a draft statement of expectations which lays out the minister's intent with regard to the board and how that will flow down to me. We had a board planning day just over a week ago where we sat down with David Forsyth and went through some of the recommendations to get a better understanding of the intent of the recommendations. We then had a discussion with the board in

regard to the recommendations themselves and our response to those. We are preparing those at the moment. I have a task to provide an implementation plan by the end of April, but I intend, after discussion with the board and approval from the board, to incorporate that into our corporate plan so that it will be available for people to see how we are implementing the recommendations.

**Senator FAWCETT:** So by the next round of estimates you should be in a fairly good position to give us a more detailed brief on the way you are looking at implementing a number of recommendations out of the Forsyth review?

**Mr Skidmore:** I certainly hope so.

**Senator FAWCETT:** Fantastic. We do as well. One other current issue that we have raised once before, but I am keen to get an update on, is unmanned aerial systems. There have been a number of reports about near misses with, probably the most serious, the Dash 8 near Perth, but also several EMS helicopters. Where is CASA at with the whole issue of licensing, training, and whether or not people should be able to essentially operate unregulated, if they are in the private hobby-type category, with a large UAS? What plan do you have in place to evaluate the issue and mitigate the risks?

**Mr Skidmore:** Work on aspects of remotely piloted aircraft is certainly required. We currently have 196 RPA operator certificate holders with another 90 being processed, so there is a significant amount of work in all of that. We are looking at a regulation change to part 101 for RPAs for use with commercial operations. I am aware that, at point of sale in Australia, for the small, remotely piloted aircraft, people do get a form that explains the reasons or the intent behind CASA's regulations and what we are trying to achieve with regard to safety, and it identifies certain aspects for the small operators—for example, staying 30 metres away from personnel, above 400 feet and within line-of-sight. It is probably best if we get standards. I will get Peter Boyd, Executive Manager, Standards, who might give a better answer on the regulation changes.

**Mr Boyd:** We are going through an initial amendment to CASR part 101, which is the initial part of the next policy development. The regulation has been in place for quite some time. It was the first in the world, and other countries are just catching up to where we were with that 10 years ago. This first amendment clears up some nomenclature issues to do with modernising words, but also looks at risk-basing some of the categories of RPA. That is due to be made very shortly within the next quarter. After that we will be looking, with the subcommittee of the SCC—the Standards Consultative Committee—at the next policy development stage, taking into account large RPA, the certification aspects for the vehicles, and all of the other innovations that are coming through in that unmanned sector.

**Senator FAWCETT:** The director mentioned that people, when they buy directly—whether through eBay or from a shop—at point of sale have a piece of cardboard that explains the rationale behind CASA's regulation, and yet you have only to go to YouTube to see multiple examples of where that is flagrantly breached, in addition to the high-profile, near-miss type examples. I am particularly keen to understand what concrete steps CASA is taking—whether as part of formal regulatory reform or as interim steps—to protect both the travelling public and professional aviators who are flying air work, EMS and other operations such as firefighting and who are impacted by the operation of these unmanned systems, often by amateurs.

**Mr Boyd:** Yes. It is very difficult for us, obviously, to police any regulations, particularly to do with unmanned vehicles that might be more the model aircraft type or designed-for-leisure flights. And I would say the vast majority of those incidents that you see occasionally in the press are not commercial operators. It is more, as you mentioned, that you get the package for Christmas and you go flying with it. In our redevelopment of the regulations, we will be looking at those sorts of operators, if you like, or people using remotely controlled vehicles for leisure and what we can do to protect people on the ground and other airspace users.

**Senator FAWCETT:** Yes. But my question, Mr Boyd, is: have you actually done a risk assessment based on the proliferation of these devices, on the near misses, on the evidence on YouTube about the rising probability of an incident? What steps have you taken outside of your normal regulatory reform process to perhaps advise government? Whether it is through restricting sales, whether it is through changing import requirements for people who want to import these devices, are there other steps that you have taken to try and understand and quantify the risk and suggest ways forward? Because the regulatory reform process, as you well know, is a long and drawn-out process in an environment that is changing very dynamically.

**Mr Boyd:** Yes. What we have done is the risk analysis around the various sizes of remote vehicles, mainly on the commercial side of RPA. But those sorts of analyses obviously apply across the board, whether they are for commercial use or not. So it is to do with the collision risk and it is to do with the harm to people on the ground, depending on weight, inertia and the energy of the vehicles that are operating. So we have done that particular

work. That will then underpin where we go with our next set of arrangements, if you like, for both sectors, whether it is commercial or for leisure.

**Senator FAWCETT:** Okay. This is the last question that I have in this area. It appears that the commercial sector have self-regulated and under 101 have done quite a good job of their training and licensing. There appear to be a number of people who are running businesses using UAS as a platform, particularly around photography. Where there is commercial activity by someone who is not a licensed commercial operator, are you taking any enforcement action in those spaces?

**Mr Boyd:** That is probably not a question for me; but I am sure that, when we find out, we do and we have. But that is probably more—

**Senator FAWCETT:** Can I ask you to take that on notice, then? I would be interested to know what positive steps you have taken if it is within your remit or, if you do not believe you have the head of power to take action, what advice you have provided to government so that, collectively, government can take an appropriate response.

**Mr Skidmore:** We will take that on notice, if I understand the question correctly, Senator, and we will work on getting you an answer to that. I think it comes down to the fact that we can only enforce what we have become aware of in regards to violations. We are not out everywhere, we cannot be policing everything, so we do rely on the information being provided to us.

**Senator FAWCETT:** Sure, I understand that. I will ask you to take this on notice as well. Since the committee last met with you in estimates, the AAT has handed down its decision in the case of Mr John O'Brien, with regard to colour vision deficiency. CASA lost that case. Mr O'Brien has been given the privileges of exercising the airline transport pilot licence on the basis that he has a safe flying history as a co-pilot and they do not anticipate any increase in risk to the travelling public or others with him exercising the privileges of being a captain. I would be interested in your answer, on notice, about how you plan to move forward with this issue, in that this is twice now that the AAT has found against the CASA position. The AAT's judgement recognises, during the very long period under Liddell and Brock and other principal medical officers within CASA, the very proactive and positive approach to enabling people to fly with appropriate individual assessments. I guess I would like you to, on notice, explain to the committee how you plan to respond to not just this judgement about Mr O'Brien as an individual but also the very clear statements that came out of the AAT around their concerns about the broad application of the CAD Test and the fact that, essentially, each individual should be given the opportunity to demonstrate their competence and safety, regardless of the clinical diagnosis of CVD that may be identified through various forms of testing.

**Mr Skidmore:** You quite correctly identified that we have only just received the response in regard to Mr O'Brien from the AAT. There is still time for us to appeal that response, and we will provide the information you requested in regard to that. But I would state that the AAT response was in regard to Mr O'Brien, and they did say it was in regard to Mr O'Brien only.

**Senator FAWCETT:** I recognise that, but it does prove the point that each individual should be given the opportunity to demonstrate their competence and safety, as opposed to having a blanket restriction, which is what the CAD test and the other two levels of testing have done to date.

**CHAIR:** Are you able to take questions on the Bankstown airport?

**Mr Skidmore:** In regard to what?

**CHAIR:** The dilemma that is faced with their financial situation, but also some of the activity up there. Are you conscious of—

**Mr Mrdak:** This is probably one for aviation and airports, with the department.

**CHAIR:** Are you concerned—is CASA concerned—it appears to me that the build-up of the flood plain should interest CASA, but it does not.

**Mr Mrdak:** If I may a comment, I think that issue is more around the land management. I do not think at this stage, to my knowledge, that issue has—

**CHAIR:** It has a lot to do with the operation of the airport.

**Mr Mrdak:** I do not think it impinges on the flying or the flight services.

**CHAIR:** It is on the land of the airport, even though that has now been leased and they have gone broke and all the rest. What authority did people have, without any environmental clearance, to shift thousands of cubic metres of dirt to build up the flood plain?

**Mr Mrdak:** I think that is probably one which we will handle when we get to aviation and airports. It deals with environmental and land use planning, which is one for the department.

**CHAIR:** We might have to bring them forward, because we are not going to do this and run out of time at 11 o'clock tonight.

**Mr Mrdak:** We are happy to do that whenever you are ready, but I think it is not one for CASA.

**CHAIR:** We might deal with all this aviation stuff in one block.

**Senator BACK:** I just want to draw your attention to the *Yass Valley Wind Farm—Final Report of a Peer Review of Aviation Impact Assessments and Consultation*, prepared for the New South Wales Department of Planning and Environment by The Airport Group in consideration of an application for the Yass Valley Wind Farm. Is that a report with which you are familiar, by any chance?

**Mr Skidmore:** I am not familiar with the report.

**Senator BACK:** But certainly you and the organisation would be well and truly across technical aviation reports generally?

**Mr Skidmore:** I suspect there is someone in my organisation who is.

**Senator BACK:** On notice, having had a chance to consider the report, could you provide this committee with some advice on your comments on it? Could I take you to a couple of points and ask for your response? In the executive summary of their report to the department, they raise the question as to whether CASA needs additional powers. If I can quote:

Current legislation in Australia does not allow CASA to satisfy this ICAO requirement... the current Australian aviation legislative framework does not satisfy ICAO requirements with respect to the identification and management of man-made obstacles that are located away from the vicinity of aerodromes.

Before I ask you to comment, the report and recommendations of this particular group, The Airport Group, was that this particular wind farm should not proceed, based on a number of what they saw as obstacles, I think, associated with safe aviation.

**Mr Skidmore:** I have Mr Peter Cromarty, my executive manager of airspace and aerodrome regulation, who might be able to assist in that area.

**Mr Cromarty:** We have very limited powers with regard to obstacles away from aerodromes. In fact, we have very limited powers where obstacles are near aerodromes as well. However, as far as the case that you are talking about goes, I am not familiar with that report.

There is an organisation, a body, that has been formed by the department called the Airspace Protection Taskforce, which is looking at gaining powers to cover obstacles around aerodromes, but we have no other authority other than to suggest to developers that they should consider and consult with various bodies such as the low-flying fraternity, the EMS, that we talked about earlier, the agricultural industry and local aerodromes that may or may not have circuit directions which are affected by the obstacles. We leave it to the proponent of the development to talk to these people and to decide what appropriate measures are taken to mitigate the risks.

**Senator BACK:** So in the context of meteorological monitoring, masts and wind turbines, CASA does not actually have a position as such. Is that what I understand you to be saying—that you simply rely on the local appraisal of a proponent and then you assess that?

**Mr Cromarty:** That is correct. The department produced some guidance material for planning authorities called the national aerodrome safeguarding guidelines. They are guidelines for planning authorities to deal with obstacles around aerodromes and away from aerodromes. CASA does not have any specific power to deal with these things.

**Senator BACK:** The point that is made in the documentation given to me is that a wind turbine is a different structure to a tree or powerline, or whatever, simply because, obviously, it has the capacity to generate turbulence. Again, that is not something that, of itself, CASA would have any position on generically.

**Mr Cromarty:** CASA's position on that is that there is no scientific evidence that the weight vortices generated by wind turbines exist long enough after they have been generated by the turbine to create sufficient hazard that they would affect aircraft flight. However, we do provide guidance on that. In fact, the department's guidance provides guidance on that.

**Senator BACK:** Mr Mrdak, this might go a little bit wider than just CASA. There are three recommendations, and perhaps rather than ask for your comments on them, I will read them out from the report from that particular group—first of all, the recommendation that the review include the possible impact of a turbine upon the signal of

a navigation aid; secondly, the recommendation of an assessment surface of 5.24 per cent—three degrees—which is extrapolated from ICAO and CASA criteria, if that is the case; and, thirdly, that CASA and/or the department undertake a full review of wind turbines and their impacts on aviation safety and aviation activities.

Obviously, there are a number of issues—firefighting aircraft come to mind, crop dusting aircraft and, naturally enough, recreational aircraft in the vicinity. If it is the case that you or CASA do not have more information now, I will not take more time of the committee, but I would be very keen to get a response once you have had a chance to consider the report and recommendations of that group. Indeed, their recommendation, which was accepted by the New South Wales department, was that that particular industrial wind turbine facility should not proceed.

**Mr Mrdak:** Certainly, Senator. The issues raised there are, as Mr Cromarty has indicated, matters of grave concern. Over the last three or four years the department has been leading work to try and have state regulatory agencies—land planning agencies—look at these types of aviation issues much more seriously in their planning consideration. The reality is that the Commonwealth has limited powers in relation to such facilities. Our powers are largely concerned with making sure that planning authorities require them to be properly marked. But you are right. For low-flight operations, particularly agriculture aircraft, recreational aircraft and the like, we are seeing an increasing number of hazards coming into our aviation operations. I am happy to look at that report and come back with a full response to you in relation to it. We have the next meeting of Commonwealth state group, the NASAG group, coming up. We will ensure that we come back to you with a full report on how that is traversing.

**Senator BACK:** Thank you very much. I am greatly appreciative.

**Senator STERLE:** Hello, Mr Skidmore, welcome to the rat cave.

**Mr Skidmore:** Thank you.

**Senator STERLE:** I am on my best behaviour, because I got yelled at by the minister. As a West Australian—as are my good friends Senator Back, Minister Cash and Senator Bullock, who has just left—AirAsia is an integral part of our aviation culture in Western Australia, particularly for those who like to flit between Bali and Perth on regular occasions. I want to ask you—and I want to be up-front, without creating hysteria—does CASA have concerns over AirAsia safety since that unfortunate incident out of Surabaya?

**Mr Skidmore:** Are you talking about AirAsia.com or AirAsia Extra or Indonesia AirAsia Extra or Malaysian—

**Senator STERLE:** Why don't we just talk about all AirAsia that fly out of any port in Australia to overseas? Does that make it easier?

**Mr Skidmore:** To a certain degree it does.

**Senator STERLE:** It might be your first one, but you learnt pretty quickly.

**Mr Mrdak:** It is an important distinction, because we have AirAsia, which has a significantly longer operational history than the company that was involved in the accident, as opposed to AirAsia Indonesia.

**Senator STERLE:** Sure. Yes.

**Mr Mrdak:** The company has various stages of maturity and operations, so it is hard for us to give you a generic answer on AirAsia because there are multiple operators. AirAsia is a Malaysian company. There are various subsidiaries which are—

**Senator STERLE:** I am aware. The Philippines and Indonesia—

**Mr Mrdak:** at different stages of operation and have different business patterns to AirAsia's. That is why I cannot give you a—

**Senator STERLE:** Mr Mrdak, in all fairness to AirAsia, I asked the question and we should answer the whole lot. Mr Skidmore should tell us what CASA are thinking. Because out there in travel land people see AirAsia and go 'ooh'—let me tell you. Ask my mate here. In Perth there was a lot of conversation around that time. A lot of people use AirAsia out of Perth, as I said, to Bali. So you can put our minds at rest without starting an absolute fear campaign.

**Mr Mrdak:** Perhaps if we start with the business entity which is seeking regulatory approval to commence operations.

**Senator STERLE:** Spot on. Mr Mrdak, I am sorry to interrupt—while I am being nice and on my best behaviour—but as Senator Back did just say to me, that particular plane had been in service between Perth and Bali. So I think it is a fair question for us to put on the table. Let us have a go.

**Mr Mrdak:** All I was trying to do was assist you by saying that perhaps if Mr Skidmore starts with the progress on the application for new operations, which are AirAsia Indonesia, we can then talk from there about broader surveillance. But perhaps we could start from where the media focus has been, which is new start-up carriers. Does that assist, Mark?

**Mr Skidmore:** That will help, thank you. Indonesia AirAsia Extra is the operator who was asking for a Foreign Aircraft Air Operator's Certificate to operate from Melbourne to Denpasar.

**Senator STERLE:** Oh, have they?

**Mr Skidmore:** That was the one that we were assessing. We were going through the application process at the time that it was advised to us that they were put onto the European black list, which was on 11 December 2014. The black list only gives an identification for us; there is additional information that we might want to seek. We did that, and we have been working with Indonesia AirAsia Extra to get that additional information to be able to make an assessment on their application.

**Senator STERLE:** Sorry, Mr Skidmore. Currently they are on the European black list while you are seeking more information. They are not flying out of Melbourne to Denpasar at this stage?

**Mr Skidmore:** They do not have a Foreign Aircraft Air Operator's Certificate from Australia to allow them to do that.

**Senator STERLE:** Okay. Did you want to add anything else?

**Mr Skidmore:** The processing of the application is underway at the moment. We have conducted a route surveillance on one of their flights from Denpasar to Taipei. It was 6 to 7 February. We continued further on-site audits of Jakarta and Denpasar during the week of 9 February, and we have held meetings with the Directorate General of Civil Aviation in Indonesia as well. There is still more information that we have requested from them but we have not received as yet.

**Senator STERLE:** Have you recommended or considered a suspension of AirAsia Indonesia flying in and out of Australia? Do AirAsia Indonesia fly between Perth and Bali, or any other port in Bali?

**Mr Skidmore:** No. We conduct surveillance of all airlines operating with regard to the air operator's certificate. If they have a foreign aircraft air operator's certificate or Australian air operator's certificate, we will take in whatever information is available in regard to identifying potential risks involved in that and then be able to focus our surveillance activity.

**Senator STERLE:** Just so I do not start a massive scare campaign, Indonesia AirAsia has currently on a European black list, and they were the ones that applied for the Melbourne—

**Mr Skidmore:** It is Indonesia AirAsia Extra. There are a number of airlines on the European black list. It is a significant list, and they just happen to be one of the airlines on there.

**Senator STERLE:** I am not trying to be cute, and I have written down 'Indonesia AirAsia X'.

**Mr Skidmore:** That is correct.

**Senator STERLE:** Are they flying between Australia and anywhere else?

**Mr Skidmore:** Indonesia AirAsia Extra does not have a foreign aircraft air operator's certificate from Australia at this stage, but they have an application in.

**Senator STERLE:** Sure, but they are on the European black list.

**CHAIR:** Just for comfort, is there anyone that is on the black list in Europe that flies into Australia?

**Senator STERLE:** That is a good question.

**Mr Skidmore:** Yes, there is.

**CHAIR:** Holy hell!

**Senator STERLE:** Well, you may as well tell us. The chair has raised it.

**Mr Skidmore:** PT Indonesia AirAsia.

**Senator STERLE:** Are these red and white planes too?

**Mr Skidmore:** Garuda Indonesia.

**Senator STERLE:** PT Indonesia AirAsia. Is that different to Indonesia AirAsia X?

**Mr Skidmore:** Yes.

**Senator STERLE:** Far out! This is like a scene from a Danny Kaye film.

**CHAIR:** Are they the only two?

**Mr Skidmore:** Dr Jonathon Aleck, my Associate Director of Aviation Safety, might be able to assist in that area.

**Dr Aleck:** There are five Indonesian airlines on the black list. Two of those would have operations into Australia. Indonesia AirAsia X is on the black list.

**CHAIR:** Can you table these?

**Dr Aleck:** There are five, and, of the five, not all of them have asked to fly into Australia.

**Senator STERLE:** There is no chance he is going to be on the other three, so you may as well keep going.

**Dr Aleck:** I do not have a list of all five, but I can tell you the Indonesian ones. Indonesia AirAsia X is on the list, Indonesia AirAsia is on the list, and Garuda Indonesia is on the list. The other two do not fly to Australia. I think it was PT City Link or—

**Mr Skidmore:** PT City Link and PT Travel Express.

**Dr Aleck:** The significant thing about that is that the Europeans will put a state on the black list and all of the operators from that state will be banned from operating in the European Union unless the individual carrier makes a submission to the Air Safety Committee of the European Commission and substantiates that, despite the fact that the Europeans have concerns about the state of operation, it is safe for them to operate. Some of those airlines have made submissions to the European Union and succeeded. Indonesia AirAsia X did not make a submission, so they did not have the opportunity to be assessed by that.

**CHAIR:** Two black listed airlines that fly into Australia do not fly into Europe.

**Dr Aleck:** Some of them do. Indonesia AirAsia flies into Europe.

**CHAIR:** But there are only two, you say, that fly into Australia.

**Dr Aleck:** Of those five Indonesian ones, yes.

**CHAIR:** Do they fly into Europe? Are they still banned?

**Dr Aleck:** Garuda did, or they thought to do, and if they did not operate regularly scheduled flights, the expectation was that they would.

**CHAIR:** So this is a fine call for a person who wants to spend money on a tourist trip somewhere. Is it generally known that these planes are of that status for the Australian people that tour themselves by plane to elsewhere?

**Dr Aleck:** I am not sure how generally known it is, but the Europeans publish their list.

**CHAIR:** It will be after this.

**Dr Aleck:** It is a publicly published list.

**CHAIR:** I am pleased I asked that question. Going to the point of why they have black listed, are we able to see the black list document of those airlines that are flying into Australia to see the technical reasons why they are black listed.

**Dr Aleck:** Much of the information giving rise to the decision is published in European legislation.

**CHAIR:** Yes, but it is probably in another language.

**Dr Aleck:** No, it is in English.

**CHAIR:** Could you table to this committee the documents that backed up the black listing of those places that fly into Australia that are black listed in Europe?

**Dr Aleck:** I can provide you with the information that the Europeans have published on that. The actual detailed analysis is not available—

**CHAIR:** How did we allow them? Did they apply, or we have not bothered to inspect? How come they are banned in flying in Europe, but we say, 'She'll be right here'?

**Mr Mrdak:** Can I just jump in. I think we should clarify. Firstly, Garuda does operate to Europe and operates to here. Australia does look at issues like the European black list, but the European black list is not a black list as you might imagine. As Dr Aleck has indicated, the European authorities take certain presumptions in relation to carriers from certain states—

**Senator STERLE:** Ban the whole lot.

**Mr Mrdak:** and carriers then can apply to operate. With Garuda international there were some issues a few years ago. They have been satisfied. They are now regarded as a—

**Mr Skidmore:** Very safe.



**Mr Mrdak:** very safe and very credible airline. I would not want to leave the committee with the impression, on the evidence that has been given today, that there are any suggestions around Garuda Indonesia. In relation to those matters, we do look at issuing international airline licences and foreign AOCs. As to the status of those carriers on the European listing, they are taken into account. Australia does—and I am sure CASA will outline it for you—its own checks in relation to foreign AOCs and also undertakes its own ramp assessments and—

**CHAIR:** But there are still two airlines flying into Australia, as I understand it, that do not have the rights to fly into Europe?

**Mr Mrdak:** Before we are definitive, let me go and check that and give you an accurate piece of information on that evidence so far. Let us take that on notice and come back to you.

**Mr Skidmore:** We can take it on notice and confirm to you exactly the numbers there, but Australia still conducts its own assessment in regards to the application put forward to it.

**CHAIR:** That would be a very interesting difference—why Europe would ban one and Australia would not ban one. I have got no idea why—

**Mr Skidmore:** I think you need to look at the reasons behind it—

**CHAIR:** but I think by the time we finish this exercise, we will know.

**Senator STERLE:** I just want to finish one more. Just put my mind at ease, if you can, bearing in mind that Indonesia AirAsia X is on the—

**Mr Skidmore:** European—

**Senator STERLE:** Yes, on the European—

**CHAIR:** black list.

**Senator STERLE:** They wanted to fly from Melbourne to Denpasar but you guys are not letting them at this stage. But we have got AirAsia X that are transgressing between our ports and Indonesia or wherever at the moment. Who is the AirAsia we have out of Perth—help me out?

**Mr Mrdak:** AirAsia X is a Malaysian carrier.

**Senator STERLE:** The Malaysian carrier. I have got to go back to what Senator Back reminded me of. The plane that went missing had been into Perth on a number of occasions—

**Dr Aleck:** That is Indonesia AirAsia.

**Senator STERLE:** It does not matter. The plane that went down—

**Dr Aleck:** I recognise what you are saying. That airline was on the black list at the time they operated into Australia. It is no longer on the black list.

**Senator STERLE:** With great respect, I get that. We are all so clever that we could substitute racehorses and it took a bit of rain before we found out someone was cheating. How can we be comfortable that you guys are really on top of AirAsia's planes coming in and out of this country—whether there is 'Indonesian' on the front, an 'X' on the black, 'Malaysian' or 'Philippines' or whatever. Put the travelling public's mind at ease, please.

**Mr Skidmore:** I think you want to know and understand our surveillance process and how we actually go through and review applications. Is that where you are trying to go?

**Senator STERLE:** I want you to make the travelling public comfortable. My mate Stan Quinlivan living in Perth hasn't got a lot of good things to say about you, but we will leave that aside—and you are all over him like a cheap suit. And that is true; that is fair dinkum. I did not make that up. I want to know that you are all over the foreign carriers too that are coming in and out, which planes, that you are checking on them.

**Mr Mrdak:** I think probably the best way is if we—

**Senator STERLE:** What are you laughing at, Mr Farquharson? Did I tickle your sense of humour? Are you picking on my mate Mr Quinlivan?

**Mr Farquharson:** I used to be the regional manager in Perth and I know Mr Quinlivan quite well.

**Senator STERLE:** Don't worry; I know he knows you. Anyway keep going. You look a bit like him from here.

**Mr Mrdak:** Perhaps if we come back to the committee with some advice in relation to, firstly, foreign air operators certificate requirements and then our safety surveillance program in relation to foreign carriers. If necessary, we can happily provide a briefing to the committee on those matters.

**CHAIR:** I was just going to suggest that it may be appropriate to prepare a set of documents to brief this committee.

**Mr Mrdak:** I think that would be the best way forward, so we do not mislead the committee or the general community about the status of airlines or the way in which this safety surveillance takes place. It is probably better if we do it that way.

**Senator STERLE:** I agree.

**Dr Aleck:** Can I just add quickly that, in 2009, we amended our legislation specifically to enable us to look at these issues more closely. We exercised those powers in connection with any operator who draws our attention to their activities, and an accident would be a flag.

**CHAIR:** It is a long time since I learned to fly. You may be captured by an area that has been black listed, but generally what goes wrong when an airline gets black listed in Europe?

**Mr Mrdak:** Generally, it starts with a concern about the safety regulator in that country in which the airline is based.

**CHAIR:** The skill of the pilot, the servicing of the plane?

**Mr Mrdak:** Generally, it starts with concerns about the quality of the safety assurance process in the country in which the airline is based, and the safety regulatory record of the jurisdiction before it gets to the individual aircraft operator. It is much more complex than simply the operator itself.

**CHAIR:** Anyhow, you will organise a briefing?

**Mr Mrdak:** I think that is the best way to handle it.

**CHAIR:** I agree.

**Senator STERLE:** In that case, I am finished.

**CHAIR:** I am pleased they asked the question. Senator Xenophon?

**Senator XENOPHON:** Mr Skidmore, in response to question No. 254, which I placed on notice last estimates and which related to the government's Aviation Safety Regulation Review, CASA replied—and I appreciate you were not the Director of CASA at the time—that any response to the review was a matter for the government. Given that the review made very specific and concerning statements in relation to CASA and its relationship with industry, is it still your position that it is not appropriate to respond in respect of that, or is that something that you, as the new Director, may be taking a different view of in terms of responding to the government's Aviation Safety Regulation Review?

**Mr Skidmore:** I am sorry, I did not understand the actual question.

**Senator XENOPHON:** Let me break it down. The government's Aviation Safety Regulation Review contained a number of specific and concerning statements in relation to the relationship between CASA and industry. CASA felt at the time, in answer to my question on notice No. 254, that it was not appropriate to respond in respect of those specific concerns. Is it your view—I do not mind if you take this on notice—that CASA may reconsider that position of not commenting about issues of the relationship between CASA and industry which were described in the government Aviation Safety Regulation Review, which I think objectively would be described as concerning in terms of a breakdown in parts of the relationship between CASA and parts of industry?

**Mr Skidmore:** I think it is fair to say we have only just received the draft statement of expectations. We are rolling and looking at and working with the board in regard to the ASRR responses, and we will be putting that forward as an implementation plan—I will have that by the end of April—but, in regard to any concerns with industry, I am trying to break down the barriers and get communication flying; that is why I am in this job.

**Senator XENOPHON:** So you do concede that there have been, in the past, barriers between industry and CASA?

**Mr Skidmore:** I am aware the ASRR put that forward as a view.

**Senator XENOPHON:** So you are attempting to redress that view?

**Mr Skidmore:** I will attempt to redress a view of that perception. I cannot say, because I was not involved in that discussion, whether it was actually occurring or not. I have four principles that I have been outlining to my people; communication is the first one.

**Senator XENOPHON:** Sure. Can I go to the issue of this committee's report into aviation accident investigations which focused on the Pel-Air ditching off Norfolk Island in 2009. Have you had an opportunity to read that report?

**Mr Skidmore:** I must admit that I was given a number of reviews and reports as I walked into the door and took up the position. I skimmed through it, but I could not give you an exact answer with regard to any recommendations that were in there.

**Senator XENOPHON:** Let me put something to you in relation to that report, in which Senator Fawcett played a pivotal role—I want to acknowledge his role in that very comprehensive report, and the role of the secretariat. That report raised some serious concerns about CASA's interactions with the ATSB in terms of information sharing. I do not think it is unfair to say that there was broad concern that CASA may have withheld information from the ATSB, contrary to the MoU, that revealed deficiencies in CASA's oversight of Pel-Air. My question to you is: how has the culture in CASA changed, or how will it change, to ensure that those concerns and findings in the Senate report will not be repeated?

**Mr Skidmore:** With regard to ensuring that we have good lines of communication between the ATSB and CASA, that is part of the memorandum of understanding that we are in the process of reviewing with the ATSB right now, so I will ensure that that is picked up in that review.

**Senator XENOPHON:** I am happy to ask you further questions on this, because it was quite a seminal report about aviation safety investigations and interrelationship between the agencies. Further, in respect of that report, you may be aware of the significant regulatory failures found within Pel-Air by CASA after the ditching, both in that special audit and in the Chambers report. Does the former chief pilot of Pel-Air, who was with the company when these breaches occurred, now hold, or has he held recently, a regulatory compliance position within CASA?

**Mr Skidmore:** I cannot answer that with my estimation—

**Senator XENOPHON:** Mr Farquharson may know.

**Mr Farquharson:** I am aware that he did.

**Senator XENOPHON:** This is something that Senator Heffernan was particularly interested in, in terms of the former chief pilot of Pel-Air working with CASA.

**Mr Farquharson:** I am aware that he did join CASA. I am not sure whether he is still with us.

**Senator XENOPHON:** Could you take that on notice, please, and if he did leave, on what date did he leave?

**CHAIR:** That was with regard to the downgrading of the incident judgement call.

**Senator XENOPHON:** Yes. What due diligence did CASA undertake to ensure this individual was not responsible for the many and significant breaches found within Pel-Air and was arguably unsuitable to hold such a role within CASA? I am happy if you take it on notice, but it is a key—

**Mr Skidmore:** I think we will have to take it on notice.

**Senator XENOPHON:** Sure. Further, the report raised concerns about the regulatory oversight of aeromedical flights and whether they were appropriately classed as aerial work for the purpose of regulation. Does CASA have any review or further consideration of the aerial work category plan?

**Mr Skidmore:** I will get Mr Peter Boyd, Executive Manager of Standards, to answer that. We are undertaking some work in that area.

**Mr Boyd:** Senator, your question is about whether or not the aeromedical flights have been reviewed in terms of the regulatory approach, and I can say—

**Senator XENOPHON:** Sorry, I did not hear you?

**Mr Boyd:** Your question is about whether the aeromedical flights' regulatory status has been reviewed. I can say yes, it has. There have been a number of CASA and industry meetings around the positioning of those particular flights within the regulatory suite. There has been consultation on their inclusion within the Air Transport Regulatory Rules, CASA parts 121, 135 and 133. At the moment, we are preparing a regulatory package to include them in those regulations.

**Senator XENOPHON:** Further to that, can CASA provide an update on the progress of its discussion paper into community service flights. For instance, have any particular oversight concerns been raised?

**Mr Boyd:** Oversight concerns around the—

**Senator XENOPHON:** In terms of the issue of community service flights.

**Mr Skidmore:** Do you mean with regard to the discussion paper itself?

**Senator XENOPHON:** Yes.

**Mr Skidmore:** The discussion paper came out last year. We had a significant amount of input with regard to the discussion paper. It was a discussion paper to raise a number of areas that CASA wanted to explore and see if there were other options available with regard to the community service flights. I myself had discussions with Angel Flight last year and again earlier this year. We have come to the conclusion that there is no requirement to change anything at this stage, but that does not mean that we are not going to continue to review community service flights.

**Senator XENOPHON:** I do have some technical questions that I will put on notice. I am just concerned about the time constraints, Senator.

**CHAIR:** We are going to do champagne and biscuits at half past six.

**Senator XENOPHON:** Okay. Mr Skidmore, you indicated that there are—

**Senator WONG:** He is joking. Can we put in *Hansard* he is joking, just in case. I am on FebFast, so there is no champagne, no matter what.

**Senator XENOPHON:** I thought it was a given that the chair would be taken to be joking.

**Senator WONG:** You never know.

**Senator XENOPHON:** Mr Skidmore, in terms of the four principles that you referred to, I think you said communications. The other three principles are?

**Mr Skidmore :** Communication, cost, complexity and consistency.

**Senator XENOPHON:** They are all very clear, concise and laudable goals. How do you propose to carry them out?

**Mr Skidmore :** I am starting from the top with regard to getting out there and talking to my people and talking to the aviation community as well; that is the communication part of that. I am looking to cut out and review the cost implications for CASA with regard to regulation change in everything we do. I will also be working with the community to understand what the cost of regulation change is for them. With regard to complexity, I want to drive complexity out of my processes, procedures and regulations, as best we can, through a continuous improvement process. In terms of consistency, I need to ensure that everything we do with regard to the approach we take, our education process, our understanding of the regulation and how we conduct audits and surveillance has got to be consistent.

**CHAIR:** Bloody hell, you would have been good outside Jimmy Sharman's boxing tent!

**Senator XENOPHON:** I want to put on the record that I am grateful for the time that you spent with the Australia Licensed Aircraft Engineers' Association the other day in terms of the genuine concerns they have in respect of some new regulations. I was there for about an hour and a quarter and you were there for all of two hours. The issues have not yet been resolved. Is that right? We are still at loggerheads on that one.

**Mr Skidmore :** Unfortunately, we did not come to a common agreement.

**Senator XENOPHON:** I still live in hope that we might be able to. But I am grateful for the time that you have spent in relation to that. At least there was an effort, and I will get back to the LAMEs—the licensing aircraft maintenance engineers—in relation to that. Chair, I will put some questions on notice. Thank you very much.

**CHAIR:** Does that conclude your interest in CASA?

**Senator XENOPHON:** Yes, it does.

**CHAIR:** We are going to Airservices Australia after the dinner break.

**Proceedings suspended from 18:27 to 19:31**

**Airservices Australia**

**CHAIR:** We will resume. Secretary Mrdak, I think you may have something that you would like to clarify, and perhaps table a document.

**Mr Mrdak:** Yes, Chair, if you do not mind. I have taken the opportunity with my office over the break to get some further advice to the committee on the issue of the European list of airlines. We will table that for you, and that makes it very clear that a number of the airlines we discussed are not on the European blacklist, including Garuda, but it does make clear those airlines which have been blacklisted in the European Union. There are, to my knowledge, no airlines flying to Australia which appear on that list. I will table that for the committee.

**CHAIR:** Thank you. I might as well start while you settle, Senator Xenophon. I want to go to Port Hedland, but before I do that, Mr Rodwell, what does the Executive General Manager, Projects and Engineering, do?

**Mr Rodwell:** My role is responsible for the oversight and coordination of our capital program activities. We have sponsors, who are the executive general managers, for each of the project domains. I work with those sponsors to actually deliver those projects. I also have responsibility for the oversight of our engineering areas, so specifically all of our navigation facilities that are scattered around Australia.

**CHAIR:** Thank you very much for that. Tell me what Mr Jason Harfield does.

**Mr Rodwell:** Jason Harfield is—

**CHAIR:** The allegation I have is that he has been given a job, but it is a no-man's-land job.

**Ms Staib:** Senator, would it be all right if I answered that?

**CHAIR:** Yes. As you know there is a bit of s-h-i-t going on.

**Ms Staib:** Thank you, Senator. Jason Harfield is the Executive General Manager, Future Service Delivery. That is the program delivering our new, replacement air traffic control system.

**CHAIR:** What is the difference between FSD and OneSKY?

**Ms Staib:** OneSKY is the name we give to the program replacing the national air traffic control system. We are working with Defence on that program, so we will, for the first time in this nation's history, have a single, national air traffic control system used by both the military and the civilian sector. Future Services Delivery looks after that as well as the transformation program. In other words, making sure that the whole organisation is ready for this most significant and important change.

**CHAIR:** Is that about a \$400 million program?

**Ms Staib:** OneSKY you are talking about, Senator? That is the portion that is around about what is for Airservices. I am a bit careful about giving the specific numbers because we are in negotiation with the preferred tenderer, but it is in that order.

**CHAIR:** Do you use 457 visas?

**Ms Staib:** We have done, and we have some people on 457s.

**CHAIR:** Could you give us the details of those, on notice?

**Ms Staib:** Yes.

**CHAIR:** There was an allegation that some of those people are inappropriate. With the civil-military airwaves transformation, how do FSD and OneSKY weld that together?

**Ms Staib:** FSD is, as I said, looking after the program, which is called OneSKY—

**CHAIR:** This is what you call 'cutting to the chase', by the way.

**Ms Staib:** It also, as I said, looks after making sure we are ready. There are a number of other projects that have to be delivered. We have a joint program. We have Air Force people working in that team to deliver the program on behalf of Defence and Airservices.

**CHAIR:** We have been briefed on this and we have been through it. It seems quaint to me, but could you explain the supervision of air traffic in Adelaide being done from Melbourne?

**Ms Staib:** I think you are referring to the integration of our terminal control units or our radar approach—one in Adelaide into Melbourne and then Cairns into Brisbane. I will ask Mr Hood—

**CHAIR:** I am just trying to get my head around it. The average punter who flies into Adelaide would probably like to think that the air traffic controller is in that control tower area and that he can see that storm cloud over there and that plane that is too low over there. But, if it is someone in Melbourne and the camera is not focused on that particular sector—

**Ms Staib:** Traffic landing in Adelaide and taking off from Adelaide will continue to be controlled by our people in the tower. That is because you do need visual.

**CHAIR:** That is what I thought!

**Ms Staib:** You need to be able to see the aircraft. Where we are talking about is that intermediate stage of flight that is beyond visual contact. Our controllers already use surveillance radar to do that. Whether they are in Adelaide or in Melbourne, it is still perfectly safe to do that—because they will be using that surveillance picture.

**CHAIR:** Is that why in years to come there will be no need for central business districts?

**Ms Staib:** I am sorry?

**CHAIR:** It is nothing to do with air flying. With modern technology, why do you need to go to the CBD to do business?

**Ms Staib:** I—

**CHAIR:** Do not answer. It seems to me that we have some issues at Port Hedland. Were PWC auditing something at Port Hedland?

**Ms Staib:** Are you referring to PricewaterhouseCoopers?

**CHAIR:** I am. Mr Rodwell, I think you know all about it.

**Mr Rodwell:** PricewaterhouseCoopers are at the moment doing a review of all the projects that sit within our capital program to identify whether there are any projects that should be brought to the attention of the Public Works Committee that have not been. You will recall that, when we were at the Public Works Committee, we brought to the attention of the chair, as well as the committee members, a number of projects between \$2 million and \$15 million that we had not brought to the attention of the committee. We are asking PricewaterhouseCoopers to go back and do a double-check to make sure that we have in fact—

**CHAIR:** This is a bit sensitive and obviously you have a whistleblower. The allegation is that PwC have been told to go slowly—that Airservices really do not want a superclose inspection of what has been going on at Port Hedland—and they are putting the ball in your court.

**Mr Rodwell:** I do not know anything of that. There are agreed terms of reference for PwC to conduct their review. As far as I am aware, they are on track to deliver the report.

**Ms Staib:** Senator, you are not talking about an internal audit matter?

**CHAIR:** A combination of both.

**Ms Staib:** Right. We also have PwC as our partner, if you like, to support the internal—

**CHAIR:** And that does not represent a conflict?

**Ms Staib:** No, Senator; I do not believe so. After we brought to the attention of the Public Works Committee those projects that we had not referred when we should have, I commissioned a separate audit around compliance with our obligations under Public Works Committee. Whilst I was confident that we had rectified the problem, I wanted assurance from our auditors that that was the case. I wanted to have that extra assurance.

**CHAIR:** I think it would be fair to say that you might have inherited an S-sandwich. So the summary of what you are saying is that there have been some serious errors, which are being addressed.

**Ms Staib:** That is correct. There were some omissions, and I brought that to the attention of the Public Works Committee.

**CHAIR:** Did the people who made the omissions get shown the door or get a slap on the wrist?

**Ms Staib:** I think when we are talking about this we need to explain that there were changes in staff et cetera, and I believe that is how this happened. What we have done since is modified all our processes and our procedures about how we commence a project so that it very, very clearly has what our obligations are there. We have also modified our board templates. We have templates to put forward propositions to our board, and it clearly indicates now if it needs to get approval from the Public Works Committee.

**CHAIR:** So the people who now work under you, which I think at an earlier briefing I told to grow up, are no longer white-anting the place?

**Ms Staib:** Senator, we work together as a team. I think it is fair to say that we will have robust discussion, and I think that is appropriate because at the end of the day—

**CHAIR:** Yes, bloody oath. That is why we are here.

**Ms Staib:** Absolutely.

**CHAIR:** So the prospect of anyone getting their credit card and going down to spend 30 grand at the Ottoman or somewhere is no longer possible?

**Ms Staib:** No.

**CHAIR:** Why didn't someone get a bullet in the back of the head over that?

**Ms Staib:** I have to say that was before my time. What we have done, as you know, is improved all the processes. We have got much stricter controls in place. We have processes in place to make sure that we prevent such a thing happening, but we also have very strong processes in place to detect something like that.

**CHAIR:** Without knowing the people responsible for that—and there is a line of responsibility—some of them are still in the system. I hope they have learnt from that experience. They are lucky they did not end up being thrown off the cliff, as it were.

**Senator GALLACHER:** Just on that point, I have received some answers to questions on notice that you have got your credit management instruction. Does anybody get a credit card debt recovered through the payroll before they get paid off? It does say that someone there has to sign off on annual leave entitlements. Has anybody ever had their debt recovered that way?

**Ms Staib:** I believe there have been some that have been. I will just check with Mr Clark if he has the details.

**Senator GALLACHER:** I just want to make sure it is being adhered to.

**Ms Staib:** Yes.

**Mr Clark:** The short answer to the question is yes. I am just trying to find the detail. Over the 2013-14 financial year, there was \$11,000 repaid.

**Senator GALLACHER:** So this protocol is working?

**Mr Clark:** Yes.

**Senator GALLACHER:** I know that other senators have some questions, but I want to briefly touch on a really horrific coronial inquiry report. Mr Mrdak, I note in the government's statement that it says: 'Airservices is accountable to the Australian parliament through the Minister for Infrastructure and Regional Development.' Where do you sit in all that? Do you have any authority over this organisation or not?

**Mr Mrdak:** No. My department provides advice to the minister in relation To Airservices governance matters, but the board has a direct line of accountability to the minister.

**Senator GALLACHER:** So you may as well not be here for these purposes.

**Mr Mrdak:** There are questions about what I do, most days!

**CHAIR:** Don't worry; it is the same with me!

**Mr Mrdak:** We provide government advice. We also ensure coordination across the portfolio in relation to aviation policy and regulatory matters. That is the role the department plays.

**Senator GALLACHER:** There are some findings in the coronial inquiry which are quite damning of Airservices Australia's lack of adherence to proper training and proper procedures, down to the fact that an oversized vehicle, not registered for Northern Territory roads, travelled through an intersection at significantly higher speed than would be expected. Three people are dead. There is a news article saying that Comcare is going to sue Airservices Australia. You have no role in any of that?

**Mr Mrdak:** We do have a role in providing advice to the minister in relation to these matters. Primarily, the responsibility rests with Airservices. Obviously our role is to ensure that proper governance takes place in relation to the organisation.

**Senator GALLACHER:** Clearly there has been a failure of governance, as per the coronial findings, and an indication that another Commonwealth entity is going to sue Airservices Australia.

**Mr Mrdak:** I am not aware of that comment from Comcare but I will take it on notice and check that out.

**Senator GALLACHER:** As recently as in the last fortnight we were advised that Airservices would continue to offer their vehicles off airport. Given these coronial findings, what action, Ms Staib, are you taking to make sure that all of the areas raised in here are addressed?

**Ms Staib:** I will start and then I will ask my executive general manager in charge of the fire service to go through the detail. We are addressing all the recommendations by the coroner in the Northern Territory. For example, you mentioned the driver training piece. We have commenced a program, some 18 months ago, at Mount Cotton—I believe that is where the establishment is—to conduct that sort of training for our firefighters on those heavy vehicles. We have commenced a program where we improve the lighting and the signage on the vehicles so that it is very obvious for people in the public that they are fire rescue vehicles. We did have that signage on the vehicles, and the lights, but they need to be bigger so that they are more easily recognised as emergency vehicles. Ms Bennetts, did you want to add anything more?

**Ms Bennetts:** Probably the only piece that you did not touch on is in relation to the community awareness program that we established immediately following the findings in relation to the coroner's comments about the fact that our vehicles are not necessarily easily recognisable on public roads as emergency services vehicles.

**Senator GALLACHER:** They are not red. People expect a fire-engine to be red.

**Ms Staib:** We have studied this and, based on American studies, lime green is the better colour to use—particularly when you are going through night and day. If you look around the ACT you will see that their fire vehicles are the same, colour.

**Senator GALLACHER:** Well, people expect a fire-engine to be red. That is a motorist's view but you may have a better experience than that. The colour of the vehicle gets a comment in the coronial inquiries as well. I do not want to labour the point but do you have public liability insurance that will cover you in these circumstances? If there is a finding against you, how do you pay for it? Do you put the charges up?

**Ms Staib:** No, we do have insurance. I just confirm that Comcare are going to bring that matter to court.

**Mr Clark:** We do have the insurances. In fact, we have quite a comprehensive insurance program.

**Senator GALLACHER:** So each member of the board will have directors' liability?

**Mr Clark:** Yes, we have got in place directors' and officers' cover, including cover for employees. We ensure all our buildings. All our operations, both land side and in terms of air space control, are insured. In terms of your specific question around the fine, some of that will not be covered by insurance per se. So we will have to pay for that ourselves.

**Senator STERLE:** Ms Staib, I am no expert on colours of fire engines—and, if you could provide that information to the committee, it would be very helpful—

**Ms Staib:** Yes.

**Senator STERLE:** but what are the colour of the fire engines in Darwin, not yours but the Northern Territory fire brigade or whatever they are called?

**Ms Bennetts:** They are red.

**CHAIR:** So there is no differentiation? They are all just plain red?

**Senator STERLE:** So Territorians expect red fire engines coming through.

**Ms Bennetts:** And the direct comment made by the coroner was—

**CHAIR:** And, when they are in operation, there are flashing lights?

**Ms Bennetts:** Yes.

**CHAIR:** I think you would pick that before you picked the red vehicle.

**Senator WONG:** I want to return to the Adelaide TCU and look at a bit of history first. I have gone back to 2001, when, it seems clear, the possibility of closing the Adelaide TCU was explored by your organisation. Is that correct?

**Ms Staib:** That is correct.

**Senator WONG:** Ultimately, the then minister, Mr Truss or Mr Vaile, said no—is that right?

**Ms Staib:** I am sorry, I do not know who it was, but—

**Mr Mrdak:** Sorry, what time period was that?

**Senator WONG:** It was 2001.

**Mr Mrdak:** The minister would have been the Hon. John Anderson.

**Senator WONG:** Yes, but I do not know how long it was before it was knocked off. Does anybody know? This closure was previously attempted some 14 years ago and the then minister at some point said no. Is that right?

**Ms Staib:** That is my understanding, yes.

**Senator WONG:** You were not around?

**Ms Staib:** No.

**CHAIR:** You were in kindergarten.

**Ms Staib:** No, Senator.

**Senator WONG:** When did you start with your organisation?

**Ms Staib:** In October 2012.

**Senator WONG:** But you must have been aware of this having previously been—

**Ms Staib:** Yes.



**Senator WONG:** In the period 2007 to 2013, was there any work done again exploring the closure of the TCU in Adelaide?

**Ms Staib:** There was some research done in preparation for the OneSKY program, which we talked about before, and how the organisation would deliver air traffic control services into the future. Was in 2008?

**Mr Rodwell:** In 2011 there was some—

**Ms Staib:** In 2011 there was a report done by Deloitte to look at that.

**Senator WONG:** But no decision was made to close the TCU?

**Ms Staib:** In 2011?

**Senator WONG:** Correct.

**Ms Staib:** No.

**Senator WONG:** Are you aware what led to the minister and the board—the board ultimately—determining not to proceed with the closure when it was previously attempted?

**Ms Staib:** I would have to go back and look at the records for that.

**Senator WONG:** I suggest to you there was quite a campaign run by particular MPs, Mr Georganas and others, about this issue. Do you have any knowledge of that?

**Ms Staib:** I believe there was activity from politicians and I do believe at the time there was some objection by Civil Air.

**Senator WONG:** But it is different now, is it?

**Ms Staib:** Civil Air have stated that they do not believe it is an issue around safety.

**Senator WONG:** We will come back to that. So you did some work in 2011. What happened after that? Was it PricewaterhouseCoopers, did you say?

**Ms Staib:** No, I said Deloitte.

**Senator WONG:** Sorry, Deloitte. So Deloitte undertook a feasibility study—how did you describe it?

**Ms Staib:** It was looking at the delivery of our future air traffic control services and how that would be done in terms of the centres and the terminal control units.

**Senator WONG:** At which point did the closure of the Adelaide Terminal Control Unit arise as a live option?

**Ms Staib:** At that time.

**Senator WONG:** At which time?

**Ms Staib:** When that study was undertaken in 2011.

**Senator WONG:** What occurred subsequently?

**Ms Staib:** From what I know—because, as I said, before 2012 I was not there—the information was presented, as I understand it, to the board and it was considered that we would continue to deliver air traffic control services from Brisbane and Melbourne and also Perth and we would continue to look at how we would deliver the approach services that are currently delivered at Adelaide, Cairns and Sydney and move those to Melbourne and Brisbane.

**Senator WONG:** Are you telling us that this decision was made some four years ago?

**Mr Rodwell:** Perhaps I can jump in there. In 2011 the board was actually looking at what facilities we would envisage in the future for the introduction of the new air traffic control system in order to be able to prepare the information to go out to market as part of the RFT processes.

**Senator WONG:** RFT for what?

**Mr Rodwell:** For the introduction of the new air traffic control system.

**Senator WONG:** Okay.

**Mr Rodwell:** With that, the configuration of the facilities of how that might look in the year of 2018 was part of the discussion. That is the Deloitte work that helped to inform that discussion. The board took a decision in 2011, as Ms Staib said, to envisage a future configuration of our facilities of the Melbourne and the Brisbane air traffic control centres and the Perth terminal control unit. Then there would be further work undertaken over a number of years to have a look at the future of the terminal control units in the other locations.

**Senator WONG:** Would it be your evidence that, at that point, no decision was made?

**Mr Rodwell:** No decision had been made at that point in time.

**Senator WONG:** When do you say the decision to close the Adelaide TCU was made?

**Mr Rodwell:** Only very recently.

**Senator WONG:** Can I have a date? It is a pretty big decision.

**Ms Staib:** It was at the December board meeting. I will get the exact date for you.

**Senator WONG:** Do you have minutes of that board meeting here?

**Ms Staib:** No.

**Senator WONG:** Well, I am requesting the minutes in relation to that decision.

**Ms Staib:** Yes, Senator.

**CHAIR:** Could you take that question on notice?

**Senator WONG:** Thank you. Subsequent to that decision, did you inform the employees?

**Ms Staib:** Yes, that is right.

**Senator WONG:** And you advised them by email, or CEO—sorry, what was your position again?

**Ms Staib:** I am the chief executive officer.

**Senator WONG:** Yes. Did you do a CEO note or something like that?

**Ms Staib:** There was extensive consultation—

**Senator WONG:** No, I have not asked that question. I will ask that question, but I am actually asking how you informed them of your decision.

**Ms Staib:** Of the board's decision?

**Senator WONG:** Correct.

**Ms Staib:** I would have to check that.

**Senator WONG:** Did you or did you not post a CEO message in which employees were informed, on 12 December?

**Mr Hood:** Each of the employees were advised by their line managers, both in Cairns and in Adelaide.

**Senator WONG:** When?

**Mr Hood:** I believe it was one or two days after the board meeting. I will confirm that on notice.

**Senator WONG:** Do we have the date of the board meeting? You cannot possibly believe that you were not going to be asked questions about this, given the level of controversy in Adelaide and the media attention. You have come along without knowing the dates of these issues? You cannot tell me when the meeting occurred, when the decision was made? Can you at least confirm to me that you posted a CEO message to staff on 12 December in which you advised them, Ms Staib?

**Ms Staib:** Sorry—can you say that again?

**Senator WONG:** Did you or did you not post a CEO message on 12 December in which you advised employees that a decision had been made to close the Adelaide TCU?

**Ms Staib:** I would have to go back and check the date, but I know we did release information after the board had considered the matter.

**Senator WONG:** I would like a copy of whatever correspondence you as CEO or another person in line management provided to employees to advise them of the decision. I want all communications with employees about this. Can you do that?

**Ms Staib:** Yes.

**Senator WONG:** Thank you. At the point when the board made the decision, had you already consulted with the minister's office?

**Ms Staib:** Yes. Sorry: we consulted with the minister's office about the consideration, but it was up to the board to make the decision.

**Senator WONG:** But at the time the board made the decision, what contact in relation to the proposed closure of the Adelaide TCU had been made?

**Ms Staib:** With the minister's office?

**Senator WONG:** Yes, or the minister.

**Ms Staib:** We had briefed the minister's office—I would have to check the dates for you—along with a number of other members of parliament and senators. I would have to get those dates for you.

**Senator WONG:** So, before the board meeting in which the decision was made to proceed with the closure, is it your evidence that you had briefed the minister, his office and some MPs and senators?

**Ms Staib:** Yes.

**Senator WONG:** Who in the minister's office did you brief—the minister himself or another person?

**Ms Staib:** The minister.

**Senator WONG:** About when was that?

**Ms Staib:** It was leading up to the—

**Senator WONG:** December board meeting?

**Ms Staib:** Yes.

**Senator WONG:** Did the minister express any concern?

**Ms Staib:** Yes, he did.

**Senator WONG:** Did he ask you not to proceed with it?

**Ms Staib:** No, he did not.

**Senator WONG:** Was it at the minister or his office's request that you briefed other MPs and senators?

**Ms Staib:** No. That was our undertaking.

**Senator WONG:** Who did you brief?

**Ms Staib:** I would have to get you the list. I can do that.

**Senator WONG:** Who came up with a list?

**Ms Staib:** Myself and the executive general manager, corporate affairs.

**Senator WONG:** Do you want to get the manager, corporate affairs here, because this list is very interesting, because there are four South Australian senators here—well, three here—who I know did not get briefed. I do not know if Senator Edwards got briefed. So can you tell me who you did brief and how you chose them?

**Ms Staib:** We briefed the local member in Adelaide.

**Senator WONG:** Mr Williams?

**Senator EDWARDS:** The member for Hindmarsh.

**Ms Staib:** Yes. We offered a briefing to the members of this committee—or some members, correction.

**Senator WONG:** Which members?

**Ms Staib:** I would have to get that—

**Senator WONG:** Please tell me you did not just offer it to government members. Are you going to answer that question?

**Ms Staib:** It was not just government people. For example, we did brief Mr Albanese.

**Senator STERLE:** Sorry, Senator Wong, but this is very important. Ms Staib, you said you briefed members of this committee. Which members?

**Ms Staib:** Senator Heffernan, Williams—

**Senator WONG:** He is not a member of this committee.

**Senator STERLE:** So New South Wales. Keep going.

**Senator WONG:** Oh, Senator Williams?

**Ms Staib:** Yes.

**Senator WONG:** Oh, sorry.

**Senator STERLE:** So two New South Welshmen. Who else?

**Ms Staib:** Mr Entsch.

**Senator STERLE:** Queensland. Keep going. He is not on our committee.

**Ms Staib:** Senator Fawcett.

**Senator STERLE:** Okay. South Australia. Tick. You have got one out of four. Who else on the committee?

**Ms Staib:** From my recollection—

**Senator STERLE:** So it was not members of the committee. They were certain political people and some happened to be on and off this committee.

**Ms Staib:** We offered a briefing to—

**Senator STERLE:** The secretary is sitting right here. Secretary, did you? No, he did not.

**Senator WONG:** He cannot—

**Senator STERLE:** Ah, it is all the smoke. We all know there was no briefing of this committee.

**Senator WONG:** Sorry, Ms Staib; you wanted to finish the list.

**Ms Staib:** We offered a briefing to Senator Xenophon.

**Senator XENOPHON:** When was that? What date was that?

**Ms Staib:** It was a period when you were away, Senator.

**Senator XENOPHON:** I will find out.

**Senator WONG:** When did the briefing of Mr Williams occur—not Senator Williams but the member for Hindmarsh? When did that occur, approximately?

**Ms Staib:** It was leading up to the board meeting.

**Senator WONG:** So it was prior to the meeting. Did he ask you not to proceed?

**Ms Staib:** No, he did not.

**Senator WONG:** He did not tell you not to proceed?

**Ms Staib:** No.

**Senator WONG:** So the local member did not stand up for jobs in the electorate?

**Senator EDWARDS:** Let's get to the issue.

**Senator WONG:** Okay. You might not think that is an issue, Senator Edwards, but I think—anyway, I will move on.

**CHAIR:** I apologise for being out of the room on another matter. I understand the question was: was I briefed? I was. I think, as the standard members of this committee know, and the Public Service knows, if I have got a bellyache, you will get it. So the place to cop it is here. I thought it was a bit odd, which is why I asked the questions earlier tonight on Adelaide and Melbourne. You have explained. I would like to think, if I were landing a plane, which I no longer do, in Adelaide or anywhere else—except there are some places where you work it out for yourself, I have to say, including the paddock—that the guy in the control tower is in the control tower and not 500 miles away, which you have confirmed he will be in Adelaide. I did think to myself that the appropriate place to have this discussion is in the public forum. There is nothing wrong with a robust contest of ideas; that is what we are here for, to hear both sides of the argument.

**Senator STERLE:** Can I just clarify something? With great respect to you, being out, when Senator Wong was asking about briefings about the Adelaide control tower Ms Staib did say she briefed this committee. That is what started the conversation. She has since cleared up to certain members of parliament, two of whom are on this committee. Just so you know.

**Senator WONG:** Could I, on notice, get a full list of the parliamentarians briefed on this issue, by date, please. I have two issues I want to explore. The first is the safety case. I am new to this committee, so I do not understand all of the technical issues—

**CHAIR:** There is not much technical; it is cultural.

**Senator WONG:** Cultural—those too. If a decision is to be made, how do you go about ensuring that that decision is safe? Is there a full safety case undertaken, which I understand would have to be conducted by CASA? Explain to me what the process has been or should be.

**Mr Hood:** Within the context of our safety management system, whenever we make or propose a major change there are several steps in the process. The initial one is to do a safety case determination and look at the size of the change. If its size is considerable then we are required to prepare a full case. We prepare the safety case and then we submit it to the Civil Aviation Safety Authority.

**Senator WONG:** It is a little bit like the EIS process in the environmental context.

**Mr Hood:** That is correct.

**Senator WONG:** Did you prepare a safety case and submit it to CASA?

**Mr Hood:** We have done an initial risk assessment and safety case determination that says in the context of preparing for the change we are required to prepare a full safety case, and that has to be submitted to the Civil Aviation Safety Authority.

**Senator WONG:** When will that happen?

**Mr Hood:** Preparation of the safety case has commenced.

**Senator WONG:** How can you as a board make a decision to proceed with closure before a safety case has been undertaken?

**Mr Hood:** The initial risk assessment was based on the fact that we already conduct terminal area control unit services—

**Senator WONG:** That is your assertion, and there are a range of other assertions that have been put to me about why what you are saying is incorrect. I do not want to have an argument about that tonight, but just as a matter of logic I do not understand how you can make a decision to change arrangements and assert that they are safe before any safety case has been undertaken. Can you explain that to me?

**Mr Hood:** As I referred to, the precedent in terms of the way in which we already provide terminal area control services for Canberra from Melbourne, and have done for 20 years—

**Senator WONG:** That is not a logical argument. That is a proposition that, presumably, if you are correct, the safety case will tick off on. That is your view, whereas your organisation has made this decision without the regulator considering the safety case. How is that possible?

**Mr Hood:** The organisation's view, particularly at the board level, is that they are satisfied that the initial risk work was adequate to proceed to the full safety case.

**Senator WONG:** But the decision has already been made.

**Senator GALLACHER:** Can I just clarify here that the board has made the decision, irrespective of the safety case or will they take into account—

**Ms Staib:** It is subject to the safety case. We must still submit the full safety case to CASA. If CASA find that they do not believe that we should be doing this it cannot proceed.

**Senator WONG:** If I had known that I would have asked questions of CASA about how other people get to make submissions. Can you confirm that you did not consult the state government at any point prior to making this decision.

**Ms Staib:** That is true. That was an omission.

**Senator WONG:** That was an omission.

**Ms Staib:** Yes.

**Senator WONG:** So you talk to a couple of MPs but you do not tell the state government that you are going to close the TCU?

**Ms Staib:** That is correct. We have subsequently offered briefings to the state government.

**Senator WONG:** That is useful.

**CHAIR:** Could I just assist the committee? You can put those questions to CASA on notice—

**Senator WONG:** Yes, I will. I will, thank you, I appreciate that. Finally, I want to understand the terms of what assurances you are giving employees. What are the terms of these pending redundancies, which are subject to a safety case as yet unfinished? Can you tell me what assurances you have given to employees, what are the terms and conditions of this closure?

**Ms Staib:** Yes. I will just get the executive general manager, ATC to just go through that.

**Mr Hood:** Thank you for the question. The staff affected in Adelaide and Cairns have been offered the opportunity to remain in those locations and have been redeployed to the air traffic control towers themselves in those locations. They have been offered the opportunity to consolidate with Adelaide to the Melbourne facility or with Cairns to the Brisbane facility, or, in fact, they have been offered the opportunity to nominate deployment to any of our other 28 facilities across Australia. Or, in fact, if they decide that they would rather not do so then the redundancy provisions of the enterprise agreement would be applicable to them.

**Senator WONG:** Can I be clear, you get a job if you move, but if you do not want to move, what is the position? You can apply for a job with the tower?

**Mr Hood:** We will appoint you to the tower, even if we have to keep a couple of excess staff in the interim until retirements.

**Senator WONG:** And that is a guarantee at the same rate?

**Mr Hood:** That is a guarantee that they would be able to remain in situ in Adelaide with a job at Airservices.

**Senator WONG:** At the same rate of pay?

**Mr Hood:** I cannot recall the details of that, but I am happy to take that on notice.

**Senator WONG:** Can you also—

**Mr Hood:** In all course events, we would maintain salary for those people.

**Senator WONG:** Can you, on notice, provide the details of what you say are the terms and conditions?

**Mr Hood:** Certainly.

**Senator WONG:** And if the safety case is not up to scratch, do you not proceed with it?

**Ms Staib:** If CASA does not accept the safety case, that is correct.

**Senator WONG:** Well, as a South Australian senator, I am asking you not to proceed with it. So you should be clear, on the record, it is my view and I suspect it is the view of many of my colleagues. We do not want this decision made. We do not want these jobs shifted. We certainly do not want what we regard, from what we have been told and what I see the state government saying, something that compromises these arrangements at Adelaide airport.

**Senator EDWARDS:** Just following on that line of question, is it true that the genesis for this policy actually exists in a previous government? No, the genesis for this is laid dormant but was a policy of a previous government.

**Mr Hood:** Senator, if I can take that—

**Senator EDWARDS:** Sorry?

**Senator WONG:** It is happening under you.

**Mr Hood:** The two-centre policy was a strategy of the board that originated back in the 1990s, when all of the airspace management for Australia would be done from the Brisbane and Melbourne centre. We would still have control towers, but the airspace would be done from the Brisbane and Melbourne centres. Since the early 1990s, we have consolidated airspace continuously into the Brisbane and Melbourne centres. It is not just the last government; it goes back to the early nineties.

**Senator EDWARDS:** But that is done on the basis of what—technology or resources? What is the catalyst for this consolidation? I bought a television which was this big and that wide and that fat 10 years ago, and it cost me \$5,000. I can buy one twice as big now, that wide and that long for a tenth of the money. What is driving this consolidation?

**Ms Staib:** At the moment, for example, our flight information region, which is about 11 per cent of the earth's airspace, we divide into two because of the limitations of our hardware and software. But you are right, over the several decades technology has improved. You might like to talk about the improvements in surveillance over the years.

**CHAIR:** Could we talk about the improvements in technology? When it was £4.10 an hour for me to learn to fly, we used to have an aluminium calculator to work out the wind so that we ended up in Hay and not Ivanhoe. Things have changed since then. Because Senator Wong is a prominent visitor in our company here tonight, I would like to point out to her that the airspace that involves the Norfolk Island incident was controlled by New Zealand. That is technology.

**Senator GALLACHER:** Could I just follow up on the last point. It has been put to me by someone who has a detailed knowledge of the people who actually pay Airservices—in terms of charges for providing these air traffic controller services—that, if your business case is true and you can do things remotely, transferring from Cairns to Brisbane and from Adelaide to Melbourne is going to be more expensive in the long haul for those people and that they would be better serviced by decentralised employment. It is cheaper to live in Adelaide and it is cheaper to employ in Adelaide than it is in Melbourne. I think that is probably going to be self-evident. The same goes for Cairns. And their view is—

**Senator EDWARDS:** Are there any job losses?

**Senator GALLACHER:** Hang on a second. I want an answer to my question.

**Senator EDWARDS:** No, that is your contention.

**Senator GALLACHER:** No, my question is very clear. It has been put to me by people who pay your charges that consolidating into Brisbane and Melbourne will inevitably have them pay more in charges, whereas, if it continued to be decentralised, charges would not rise as much.

**Senator STERLE:** You got that one wrong, Sean!

**Mr Mrdak:** If you look at the remuneration, my understanding is—

**Senator GALLACHER:** I did not think you had anything to do with this crew.

*Senator Sterle interjecting—*

**Mr Mrdak:** I was just going to add that my understanding of the enterprise agreement is that the salary levels for air traffic controllers are uniform across the country.

**Ms Staib:** Senators, as I understand it, you are asking about charges—

**Senator GALLACHER:** I am talking about user charges, landed tonnes.

**Ms Staib:** from industry. There is a suggestion from industry that the fees will be increased. I will get Mr Clark to address that.

**Mr Clark:** Our user charges basically apply to three service lines. We generate an en-route service on which we bill for distance flying between city pairs, based on 100-kilometre units. We also levy—

**CHAIR:** Maybe you just need to turn your microphone around a little.

**Mr Clark:** You cannot hear me?

**Senator XENOPHON:** No, don't touch the mike. Move closer to it.

**Mr Clark:** Don't touch it?

**CHAIR:** That was better.

**Senator Cash:** You have to lean forward.

**Mr Clark:** Right. I will lean forward. We also levy a terminal navigation services charge that relates to the tower and approach services in and around aerodromes up to about 35 to 40 miles from the aerodrome, and of course there is an aviation rescue and firefighting charge. The en-route charge itself is a network based charge, in essence, for the assets and the services used to provide that service—and 'network' in the sense that it applies right across Australia. So it is the one rate per tonne regardless of where you land, ultimately, at the end of the day, but it is based on distance. In this particular case, if you were flying from Abu Dhabi to Melbourne as opposed to from Singapore to Melbourne, you would pay more for the former than for the latter, as an example. It is purely based on distance.

The terminal navigation charge relates to the costs at the location and the asset base that is associated with that location, although there are elements of cross-subsidy that exist between, say, Sydney, Bankstown and other locations. Similarly, with aviation rescue and firefighting, there is a cross-subsidy that exists between larger aircraft and smaller aircraft, but there are components of both networked and location-specific pricing.

In that sense, without going into too much more detail about the construct, even though we might shift costs from one location to another, at its highest order level there would not be an increase in charge. If you look at the TCU, the savings that can actually be made in efficiency from an economy-of-scale perspective—particularly if we look at maintaining TCU's locations in Adelaide and Cairns—are not insignificant. So, as we roll out new systems and systems adaptation—we were talking about OneSKY previously—we would have to put that technology into those locations. We have to maintain what is otherwise a reasonably large facility and amenity. From a pure cost, business case perspective, it will not increase the charges. Over the medium to longer term, it will actually have a positive impact on reducing them.

**Senator GALLACHER:** Thank you.

**CHAIR:** I do not want you to have a heart attack, Senator Xenophon, so I think we better let you have a go.

**Senator XENOPHON:** I have already had open heart surgery. Do you want to see the scar?

**CHAIR:** Too much detail.

**Senator EDWARDS:** It proved you had one, anyhow.

**Senator XENOPHON:** Yes, thank you. Nothing like a vet giving you medical advice! I do not want any ketamine. I just want to go further to those questions raised by Senator Wong, Ms Staib. Has a safety case been prepared to CASA?

**Ms Staib:** It is currently being prepared.

**Senator XENOPHON:** Can you provide us with a copy of that case?

**Ms Staib:** When it is completed.

**Senator XENOPHON:** Is the decision revocable or subject to the safety case?

**Ms Staib:** No, it is subject to the safety case—absolutely.

**Senator XENOPHON:** You may remember that during this committee's inquiry on 28 November last year, there were issues in respect of LAHSO where there was a breach of CASA regulations in respect of LAHSO, but Airservices Australia still went ahead with that. Was that something that was inadvertent?

**Ms Staib:** Yes.

**Senator XENOPHON:** That was inadvertent? What is the process? You go to CASA; will there be an opportunity for others than Airservices Australia to make submissions in respect to that case? Or is it just a closed shop between CASA and Airservices Australia?

**Ms Staib:** It is my understanding that it is normal practice that Airservices submits the safety case. In regard to how CASA reviews that, do you, Mr Hood—

**Mr Hood:** No, I do not.

**Senator XENOPHON:** We may need to call back CASA or have a separate hearing in relation to that, Chair. It is a very important issue. Okay, so we will check that with CASA. I want to ask whether Airservices has prepared—

**CHAIR:** Just to assist you, Senator Xenophon, it was suggested to CASA earlier that we may have a private briefing. That may be the opportunity for you to pursue whatever you are after.

**Senator XENOPHON:** Sure. Has Airservices prepared a business case regarding the move that justifies the proposed savings and the like?

**Ms Staib:** Yes, that is correct.

**Senator XENOPHON:** Has this been released publicly?

**Ms Staib:** No.

**Senator XENOPHON:** Why not?

**Ms Staib:** That is not our normal practice to do that, because it was a submission put to the exec and then to the board.

**Senator XENOPHON:** You are not suggesting it is commercial-in-confidence, are you?

**Ms Staib:** There are some commercial—but if you wish to see the business case I can furnish that for you.

**Senator XENOPHON:** I cannot see how it would be commercial-in-confidence when Airservices is a government entity with no competitors.

**Ms Staib:** As I said, if you wish to see that business case I can furnish that to you.

**Senator XENOPHON:** To the committee?

**Ms Staib:** To the committee, certainly.

**Senator XENOPHON:** There is nothing there that will cause any commercial harm to Airservices given that you are a monopoly provider of these services.

**Ms Staib:** In that particular case, there is not.

**Senator XENOPHON:** Okay. So, on notice, could you provide that to the committee as a matter of urgency. The issue of the safety case has been dealt with. One of the areas of concern that has been raised with my office is the need for local knowledge—that is the need for air traffic controllers to be familiar with the local area, the landmarks, the suburbs and so on. This is particularly important when dealing with non-commercial traffic. How will Airservices maintain this local knowledge if the proposed move goes ahead?

**Mr Hood:** I suppose there are a couple of issues. One of them is that we employ a range of people from overseas at Airservices—from the United States, New Zealand, Denmark. All of those people do not have the specific local knowledge about where they perform the services in the long term, too. So the way in which we address the local knowledge issue is through training.

**Senator XENOPHON:** But those controllers, whether they are from Denmark or Kazakhstan, are operating out of a tower dealing with local traffic. Correct?



**Mr Hood:** In some cases, yes—or, in some cases, remotely. We have controllers that control Canberra approach from Melbourne. We have controllers that control Gold Coast approach from Brisbane. So it is not always in the location for which they provide the services.

**CHAIR:** For the uninitiated, so that people can understand what you have just said, when you say 'control the approach', at what stage of the let-down does the local tower take over?

**Mr Hood:** For example, if you get your flight tomorrow from Canberra to Melbourne, when you get in your aircraft and you pushback and taxi you are in the jurisdiction of the control tower itself. Everybody knows the control tower; it sits up there and stands out on the tarmac of the aerodrome. Once your wheels are off the deck out of Canberra heading for Melbourne, the frequency will change and you are being controlled by a unit called Canberra Approach, but in actual fact it is in the Melbourne air traffic control centre. The way that we ensure the controllers have adequate local knowledge is that we train for that. There are overhead maps for it, there are maps on the screen for that, and there are obviously rating papers and tests to ensure that controllers are tested for the local knowledge.

**Senator GALLACHER:** I accept that Airservices Australia does a fantastic job, but we are dealing with an organisation that has had a couple of failures in governance. One of those failures is actually a coronial inquiry, where you did not follow any procedures and you may be sued by another government department. You are expecting us to take this process you are going through now as a given, without any proper substantiation of the safety of the travelling public. I have to look back and say that, if I can read about a coronial inquiry where you did not do the right thing, I have serious misgivings, and I join Senator Wong, and other senators and members of parliament I am sure, to say that this should not go ahead. The track record of this organisation is not giving me any confidence at the due diligence level and the governance level—but not at the ground level, where the work is done.

**Senator XENOPHON:** I have a number of questions on a number of critical safety issues. How will the knowledge be passed on if ATCs do not continue to come in from Adelaide? Are you saying that it is training, even though they will not have that local knowledge? How much money are we saving with this proposed move?

**Ms Staib:** This was not about saving money. This was about improving our delivery of our services. There will be avoidance—

**Senator XENOPHON:** Will you end up saving money, was well?

**Ms Staib:** We will avoid further expenditure. I am not trying to be cute. I am not slashing the budget but I am trying to avoid—

**Senator XENOPHON:** So you will be saving money?

**Ms Staib:** That is one way of looking at it.

**Senator XENOPHON:** Okay!

**Senator Cash:** To be fair, that is not the reason for what is being undertaken by the board. Clearly, that is her evidence. There are other reasons that the board has made the decision. That is the evidence that I have taken, and it did not have anything to do with cost savings.

**Ms Staib:** That is correct.

**Senator XENOPHON:** Does that mean the new system is going to be more expensive?

**Senator Cash:** No.

**Ms Staib:** No.

**Senator XENOPHON:** But it will happen to be cheaper?

**Ms Staib:** It goes to the issue of us preparing for the future and the increase in growth of traffic. We are trying to deliver our services in a more efficient way so that we can deliver value for money in a very safe way.

**Senator XENOPHON:** If you do not do this subject to the safety case, it will end up costing you more money. Is that a fair summary?

**Ms Staib:** Yes. We are moving into the future and preparing for the new system.

**Senator XENOPHON:** My understanding was that one of the aims of the proposed move was a greater centralisation of services. Is that part of it?

**Ms Staib:** Yes, increased consolidation of services.

**Senator XENOPHON:** That is something that Senator Cash, as a Western Australian, should always be wary of! I want to go to a couple of specific issues that have been put to me by pilots and by information from air

traffic controllers. I refer to an incident that occurred on Friday, 13 February this year—a rather ominous date. In the evening in Melbourne, with at least nine aircraft taxiing and trying to depart the airport, runway 16 was in use. I am informed that around 10 pm, with some aircraft trying to leave before curfew restrictions in Sydney forced diversions, the INTAS ground radar, a vital component, failed. Are you aware of that?

**Mr Hood:** I am.

**Senator XENOPHON:** This I understand that all information relayed to aircraft in their position on the taxiways was lost. Is that right?

**Mr Hood:** If you can finish the line of questioning I might be able to provide you with a comprehensive answer.

**Senator XENOPHON:** I am told that the ground controller, although very calm, advised that they had lost all information pertaining to aircraft movements. I want to find out whether that is true. Someone on the ground frequency asked, 'Was it INTAS again?' I presume that may have been one of the pilots speaking to the controller. The answer, I am informed, was 'Yes.' Can you confirm this, because I am getting a number of complains about INTAS. If this was a foggy night in Melbourne it potentially could have been quite a serious incident.

**Mr Hood:** If I can outline the circumstances. Firstly, I have not got the detail with me. I did not expect that to come as a question. But I am aware of the incident and I am happy to talk to it. Firstly, my understanding of the night in question is that there was thunderstorm activity and a number of aircraft taxiing in from the runway after landing were unable to reach their gate because, obviously, what happens in thunderstorms now is that ground handlers vacate the tarmac and you are left with several aircraft in stand-off bays that are unable to get in there. Sometimes you can be sitting on the aeroplane for more than an hour. I will confirm all of this on notice, because I do not have the details with me.

The variable system parameter for INTAS for the strips disappearing after landing is an hour, because you never actually could be expected to taxi in an hour after you landed on the runway. So it is my understanding that once these aircraft that were taxiing in towards the bay could not get there—some of them for over an hour—and the strips completed what is called a finishing event and disappeared from the surface movement controllers display. That was reported. Once again, I dearly love my workforce. I sometimes wish they would take issues with me instead of with others—

**Senator XENOPHON:** What do you mean by that?

**Mr Hood:** We have a number of—

**Senator XENOPHON:** Are you saying I should not be asking this?

**Mr Hood:** I am delighted to answer any questions—

**Senator XENOPHON:** You just implied that you wish it was raised with you first. Is that what you are saying?

**Senator BACK:** With respect, Senator Xenophon, you are drawing a long bow. The gentleman simply answered your question.

**Senator XENOPHON:** No.

**CHAIR:** Order!

**Senator XENOPHON:** Mr Hood, a number of pilots were inconvenienced that night. Has it occurred to you that it may not be your workforce and it may be some pilots who have spoken to me?

**Mr Hood:** My controllers did report it to me, because we did submit the ESIR event. So they did report it to me. In fact we have taken immediate action. Looking at the parameter of what happens, if it happens again, if there is another thunderstorm in Melbourne and they are taxiing in, and it is for longer than one hour, will the strip disappear? So we have taken action immediately, following the receipt of that event, to change—

**Senator XENOPHON:** I have a text message from somebody who was there that night saying, 'Crap, the storm had passed.' Could you just check that for me?

**Mr Hood:** Certainly.

**Senator XENOPHON:** I am just quoting the text message.

**Mr Hood:** I did not bring the details with me and I am happy to confirm it on notice. But we have taken action to change the system parameter for strips finishing to a five-hour period instead of a one-hour period.

**Senator XENOPHON:** You do not see this as a further indication of teething problem—real problems—with INTAS?

**Mr Hood:** I have talked to controllers in Melbourne, Adelaide, Broome and Rockhampton. If I could put on the record my thanks to the controllers at Rockhampton, who did an outstanding job this week during tropical cyclone Marcia. I have talked to controllers in all four of those locations—the system is good. Is the system perfect? The answer is no. Can the system be better? The answer is yes.

**CHAIR:** If I could interrupt, Mr Rodwell, you just gave a bit of a kick with your elbow. Did you want to say something?

**Mr Rodwell:** I was just going to point out to Mr Hood that the controllers can continue to see the aircraft from the tower. This is a system setting that is put in place in the INTAS system so that when the aircraft has landed and completed its movement and is proceeding onto the bay, and the controllers no longer need that information, there is an hour set aside there for that normally to occur. The situation that occurred here was that because the aircraft were sitting waiting to get onto the bays, the parameter that had been set to an hour was triggered and a number of the aircraft strip displays were removed. We are addressing that by adjusting that out to five hours so that if we ever do get another situation where we have aircraft sitting on the ground waiting for a long period of time to go onto their bays that information is still available to the controllers.

**CHAIR:** And this is triggered by the safety of the ground crew on the ground, which I can relate to, having had someone in my family who was recently leaning on a gate when lightning struck the fence a mile away.

**Senator XENOPHON:** I want to go to a specific incident that occurred on 12 November 2013. There were departures from Melbourne runway 16 and Essendon runway 26. I think Essendon is to the south of Melbourne airport. Is that correct?

**Mr Hood:** Correct.

**Senator XENOPHON:** Those two runways intersect south of Melbourne airport when aircraft are taking off.

**Mr Hood:** That is correct.

**Senator XENOPHON:** Such a runway setup needs coordination between Melbourne tower and Essendon tower. That is pretty axiomatic.

**Mr Hood:** That is correct.

**Senator XENOPHON:** The information I have is that this did not occur—that for a period of time no coordination was in effect. Can I put this to you. In their report dated 12 November 2013, Airservices reported the incident as a breakdown of communication. Is that correct?

**Mr Hood:** I do not have that with me but my understanding is that that is correct.

**Senator XENOPHON:** You may want to take some of this on notice because these are actually—

**Mr Hood:** If I can, that would be great, because that one was a fair while ago.

**Senator XENOPHON:** To the extent you can answer please do so. This report basically talks about a breakdown in communication, although the answer to question on notice No. 237 makes reference to approximately three hours having elapsed before the error was corrected, and I think we are talking about the same period. That is quite a significant period of time. The ATSB would have reviewed this report and noted the breakdown of communication and filed it, as would have CASA. Is that correct?

**Mr Hood:** That is correct.

**Senator XENOPHON:** Some time later a REPCON, which is the confidential reporting system for an issue involving a safety issue, was generated that said a loss of separation and separation assurance occurred. That is much more serious, isn't it? A breakdown in communication and a loss of separation and separation assurance is fundamentally much more serious than a breakdown of communication?

**Mr Hood:** It can be. We treat each of them as a serious incident. A breakdown in coordination can of course lead to something worse, and a breakdown of separation assurance can lead to something worse.

**Senator XENOPHON:** This may have to be the subject of a separate hearing, but the information I have received today is that the ATSB went back to Airservices and were again assured that it was a breakdown of communication that occurred. Can you confirm—

**Mr Hood:** I will take that on notice. It was a fair while ago. I am aware that the coordination between Essendon goes to the terminal area coordinator, which goes to the controller, which goes to the tower. So there are a number of links in that chain.

**Senator XENOPHON:** Sure, but this was a three-hour period when there was not only a breakdown in communication but there would have been a loss of separation or issues in respect of loss of separation.

**Mr Hood:** I will certainly look into that. I will take it on notice.

**Senator XENOPHON:** You could perhaps tell me how many take-offs and landings there were on those two runways at Essendon and Melbourne airports for that three-hour period.

**Mr Hood:** I will let you know that, too.

**Senator XENOPHON:** If what I have put to you is correct, as I believe it is, should this have gone straight to the ATSB and CASA as a safety matter, not as a breakdown in communications?

**Mr Hood:** I suppose a breakdown of communications is also a potential safety matter. And, of course, when that was reported through our ESIRs system that goes automatically to both the regulator and to the ATSB.

**Senator XENOPHON:** There is one thing that got my back up in answer to questions No. 237—which some people have responded to me on. You cannot always assume it is your employees. There are lots of people who talk to me who are not employees of Airservices.

**Mr Hood:** I love them dearly.

**Senator XENOPHON:** And God bless all of the people who keep talking to me. Airservices state that 'the provision of the other information requested is complex and would require a significant diversion of resources'. Do you remember that?

**Mr Hood:** No, I do not. As I said, I will take that on notice if I may.

**Senator XENOPHON:** Can I suggest to you that that is actually untrue. The information I have is that getting this information is less than six mouse clicks away. So could you please revisit that issue, because my information is that from multiple sources you could obtain this information very easily and Airservices purported statement that it is too complex and requires too many resources is not accurate at all.

**Mr Hood:** I will certainly look at that.

**Senator XENOPHON:** I have more questions but I will stop now to give others a go.

**Senator EDWARDS:** Ms Staib, what is the first priority for Airservices Australia?

**Ms Staib:** Senator, it is safety.

**Senator EDWARDS:** The safety of?

**Ms Staib:** Air traffic management, and also the provision of our fire-fighting service.

**Senator EDWARDS:** Do you have a history of operating other terminals in the same way as what you are proposing between Adelaide and Melbourne?

**Ms Staib:** Sorry, I am trying to understand your question.

**Senator EDWARDS:** You are looking to locate the services currently being operated in Adelaide from Melbourne. Do you have any other examples of that?

**Ms Staib:** Yes, we do.

**Senator EDWARDS:** Can you give me those examples, please?

**Ms Staib:** We provide the approach services for Canberra in the Melbourne centre, and we provide the approach services for Coolangatta in the Brisbane centre.

**Senator GALLACHER:** The pull I suppose is: were there controllers in those Coolangatta and Canberra airports before you removed them?

**Ms Staib:** Before, yes.

**Senator EDWARDS:** How long has that been in operation?

**Ms Staib:** Some 20 years.

**Senator EDWARDS:** So that was 20 years, which was back in, what, the Hawke-Keating days when that change was made, or when that policy was developed?

**Ms Staib:** Well, it was 20 years ago.

**Mr Hood:** It is over 20 years.

**Senator EDWARDS:** The Airservices Australia board has been established for a long time. Has there been any diminished safety in that 20 years by virtue of that policy initiative?

**Ms Staib:** No, Senator.

**Senator EDWARDS:** Has there been any issue at all? Have there been budgetary savings? Has there been any compromise to your first order of priority, being safety?

**Ms Staib:** No, Senator.

**Senator EDWARDS:** Okay. Then we will go to a local issue,—and the air has been pumped into the tyres of it here, today—will there be any reduction in the number of air traffic controllers, control towers or the level of service provided to the aviation industry as a result of the collocation?

**Ms Staib:** No, Senator. The number of air traffic control towers remain—

*Senator Sterle interjecting—*

**Senator EDWARDS:** You can push this out.

**Senator STERLE:** We are wasting time.

**Senator EDWARDS:** Senator Wong pedalled this information, and I am looking for clarification. I am interested. I come from Adelaide.

*An honourable senator interjecting—*

**Senator EDWARDS:** I did not interrupt you, and I have not interrupted anybody else.

*Senator Sterle interjecting—*

**Senator EDWARDS:** I am not. I am interested in the facts. Are there going to be any job losses by virtue of this policy change?

**Ms Staib:** No, Senator.

**Senator EDWARDS:** Will controllers be offered retraining in accordance with their personal preferences?

**Ms Staib:** That is correct, Senator.

**Senator EDWARDS:** Can you tell me: of the two examples that you gave me that Canberra and Gold Coast are operated from Melbourne and Brisbane, how much of Australia's air space is under this type of policy jurisdiction emanating from Melbourne and Brisbane? How much of Australia's air space is controlled?

**Mr Hood:** Around about six per cent of the world's surface area is controlled from Melbourne. Around about five per cent of the world's surface area is controlled from the Brisbane centre.

**Senator EDWARDS:** Okay, well give me the Australian air space.

**Mr Hood:** Eleven per cent, and 60 per cent of your flight from Dubai to Sydney is in our air space.

**Senator EDWARDS:** From Melbourne or Sydney?

**Mr Hood:** From Melbourne.

**Senator EDWARDS:** Sorry, from Melbourne or Brisbane?

**Mr Hood:** From Melbourne.

**Senator EDWARDS:** So, how much of Australia's air space does Brisbane and Melbourne control?

**Mr Hood:** Eleven per cent all up, sorry, of the world's air space.

**Senator EDWARDS:** No, I am interested in Australia's.

**Mr Hood:** All except for pockets that belong to the Department of Defence for RAAF—Cairns approach, 30 miles around Cairns; Sydney approach, about 50 miles around Sydney; Adelaide approach, around 30 miles; and in Perth around 30 miles.

**Senator EDWARDS:** So we are talking, what, one per cent, 10 per cent?

**Mr Hood:** A very low percentage, Senator.

**Senator EDWARDS:** Single figures?

**Mr Hood:** Single figures.

**Senator EDWARDS:** Single figures. So this is not really something that you have not been involved in before. In actual fact it is not a major shift from what you are currently doing.

**Mr Hood:** That is correct, Senator.

**Senator EDWARDS:** And no job losses?

**Mr Hood:** That is correct, Senator.

**Senator EDWARDS:** Nobody is going to be put in a headlock and told that they are now cleaning the toilets?

**Mr Hood:** That is correct, Senator. Well, I am glad that we got that on the record.

**CHAIR:** Out of curiosity, is the tower vacant in Wagga Wagga?

**Mr Hood:** Yes, Senator, it is, but we are actually watching Wagga Wagga carefully because that is where Rex has its training college. We work with the regulator to have a look at any rising levels of risk. If we think there are those, then we will do an aeronautical study in conjunction with the regulator to review the level of service provided.

**CHAIR:** I have to confess, back in 1965, my instructor and I took off on the taxiway past the tower.

*Honourable senators interjecting—*

**Senator RICE:** I want to talk about East Melbourne. I understand that the issue of aircraft noise over East Melbourne was raised with you in Senate estimates by my colleague Lee Rhiannon in 2013, and that Adam Bandt MP has made representations to you about this issue since 2013. I am interested to find out what Airservices Australia has done in this time to respond to the concern of East Melbourne residents?

**Ms Staib:** I will ask my colleague from corporate affairs to join me, just to amplify my answer and just in case you want further detail. My staff have met—I have not met with the member—and we have worked with him and some constituents to certainly explain how we manage noise and what processes are available to people to submit suggestions for improvement. I cannot recall, but it was several months ago when we did respond to that letter.

**Ms Barton:** I do not have the specifics of how we have addressed that issue, so I would need to take it on notice. Certainly, I can talk more generally about how we address aircraft noise issues. Aircraft noise is a key challenge for Airservices, and is something we take very seriously because of the accountability we have been given as the noise complaints receiver. The strong growth in aircraft movements is obviously resulting in a bigger impact of noise for residents, and we understand that. Unfortunately it is a complex issue because, when you have more aircraft travelling, particularly in built-up urban areas, it is virtually impossible to remove all aircraft noise. Having said that though, we have implemented a number of initiatives in recent years in order to improve the way we are managing noise. Those initiatives include active participation in community forums in around 21 airports around Australia to ensure that we are consulting and receiving feedback from the community; using short-term trials in order to test out flight path changes where we can.

**Senator RICE:** Have you done those in East Melbourne?

**Ms Barton:** I do not have specifics of that. As I said, I will need to come back to you with specifics on East Melbourne.

**Senator RICE:** Perhaps if you have not got specific East Melbourne examples, let us not use up the time of the committee.

**Ms Barton:** I will take that on notice.

**Senator RICE:** Does Airservices Australia monitor the number of flights in the East Melbourne area?

**Ms Barton:** We monitor all flights and we record that information.

**Senator RICE:** Can you tell us how many flights there and the increase in flights over a period of time, say, over the last 10 years?

**Ms Barton:** We can absolutely provide that information, so I will take that on notice.

**Senator RICE:** What noise monitoring has Airservices Australia conducted in East Melbourne?

**Ms Barton:** Again, I would need to take on notice specifically about what is happening in East Melbourne.

**Senator RICE:** So you do not know.

**Ms Barton:** I do not have that information to hand.

**Senator RICE:** Can Airservices Australia commit to formal noise monitoring for East Melbourne, given it has been a live issue, as you have been aware, for the last two years?

**Ms Barton:** That is a matter that would be discussed at the community forums, and then decisions are made based on where we have an issue.

**Senator RICE:** Is there a regular community forum in East Melbourne for the East Melbourne residents?

**Ms Barton:** It would be a community forum that is based around aircraft movements from Tullamarine or Essendon.

**Senator RICE:** It is mostly helicopter movements largely, as I understand it. So it is not related to Tullamarine or Essendon.

**Ms Barton:** Yes—

**Senator RICE:** So you do not know.

**Ms Barton:** We can deploy mobile noise detection units. As I said, I do not know what has been put in place for East Melbourne.

**CHAIR:** Can I just get an explanation? Are we talking about having aircraft noise near an airport?

**Ms Barton:** Yes, we are.

**CHAIR:** Holy hell!

**Senator RICE:** Basically it is helicopter noise.

**CHAIR:** But they are landing, are they?

**Senator RICE:** Residents have been keeping records of the level of noise and the frequency of flights. What the residents want is an end to leisure helicopter flights over the area and limits on the period of time aircraft can hover in the area. They want flights over the MCG, of which there are a lot, to fly over the south side rather than over the north side. These are quite reasonable minor changes.

**CHAIR:** But we are not over in the Middle East, where the aircraft noise is a bit more serious.

**Senator RICE:** They want aircraft to fly over highways and waterways instead of over residential areas and given you have got the Yarra there that is a possibility. They stress that they have no concerns about aviation noise from emergency services.

**CHAIR:** Can you put the rest of your questions on notice? Senator Xenophon has some questions.

**Senator RICE:** I just have a couple more questions. I may as well finish it rather than put them on notice. Given that you have been talking with residents—and it was raised in estimates in 2013 and it has been raised with Mr Bandt—does Airservices Australia acknowledge that noise has increased?

**Ms Barton:** We acknowledge that noise issues are increasing right around Australia due to the exponential growth of air traffic movements, yes. It is a complex issue because where you have aircraft movements you cannot remove aircraft noise altogether. As I said, notwithstanding that, we do not back away from trying to address the challenge and trying to improve the situation where we can, which means consulting—

**Senator RICE:** But you basically do not know. You have not done the monitoring that is required in East Melbourne, as far as you know.

**Ms Barton:** I have not said that, Senator. What I have said is that I do not have the specifics of what we have done in East Melbourne and I would be really pleased to take that on notice and come back to you with a thorough brief and in fact would be very happy to sit down with you and take you through what we have in relation to that.

**Senator RICE:** I have another couple of questions. Are aircraft operators bound by any regulations relating to noise and amenity for residents? Is there anything more than voluntary commitments that can be made to limit aircraft noise in East Melbourne?

**Mr Mrdak:** Yes, there is, Senator. There are requirements in terms of the certification of the aircraft, there are requirements in terms of the height of overflight of residential areas and there is also, as you describe, fly neighbourly and arrangements in terms of environmentally sensitive fly paths to try to minimise overflight. A number of the examples you have cited, though, are very difficult to move. They are effectively part of the urban life of Melbourne.

**Senator RICE:** But it sounds like there are some measures that actually could be required of operators if Air Services Australian asked.

**Mr Mrdak:** As Ms Barton has indicated, wherever possible we try to accommodate that, and I think she has indicated to you a willingness to look at that.

**CHAIR:** Can we also do something about Harley motorbikes? They give me the heebies. They are too bloody noisy.

**Senator XENOPHON:** Can I follow on with the line of questioning in respect of the incident on 12 November. I have got a copy of this document from your website. Is it Cirrus?

**Mr Hood:** Yes, Cirrus.

**Senator XENOPHON:** Just looking at it, maybe I have misread it. There does not appear to be any mention there of the three-hour period when this occurred when not only was there a breakdown in communication but, arguably, loss of separation, given what occurred. Can you take that on notice? I do not see any reference to that. If there is no mention of the time in this seminal report, as distinct from what was answered on notice, I would

have thought that CASA and the ATSB would have taken much more interest in it if it was a three-hour time period. How many aircraft movements can you have out of Melbourne Airport—one a minute?

**Mr Hood:** Probably up to 60 or so, depending on which runway and the configuration.

**Senator XENOPHON:** Sixty an hour? If it is a three-hour period we are potentially looking at up to 180.

**Mr Hood:** Sixty in a three-hour period—20 or so departures per hour.

**Senator XENOPHON:** So if you are looking at 60 and if you are looking at major passenger aircraft you are looking at a number of thousand passengers that may have been on the deck.

**Mr Hood:** I am happy to take that on notice, Senator.

**Senator XENOPHON:** You said you were undertaking your last operations which will inform the full circumstances and then you will give an update to the committee which will be provided when it is finalised. Can you indicate when that review will be provided to the committee—or has it been provided and I blinked and missed it?

**Ms Staib:** When we spoke about that issue last time, I gave the undertaking that we would furnish that report to the committee. At that time I thought it would be ready in January. I apologise, but because it is going through a complete review with CASA and the board—

**Senator XENOPHON:** What time frame are we looking at?

**Ms Staib:** April. As I committed to, we will furnish that report.

**CHAIR:** Has the head contractor at Port Hedland gone into liquidation due to non-payment from Airservices?

**Ms Staib:** The head contractor at Port Hedland working on that project has gone into liquidation, but nearly all the work had been done and payments by Airservices had been made. There was an amount outstanding. One of the arrangements we had in place for that contract was that, as milestones for payment were approached, we insisted that the head contractor provide a statutory declaration to us to say that they had paid their subcontractors.

**CHAIR:** I advise Airservices that I think it might be appropriate if we have a confidential briefing, because I have information here—which I will not deal with now—which indicates some serious financial mismanagement at Port Hedland by a range of people.

**Ms Staib:** I would be very happy to provide that confidential briefing, including all the financial details.

**CHAIR:** Thank you all very much.

#### **Proceedings suspended from 20:56 to 21:21**

**CHAIR:** We are going to try to put as many questions as we can on notice. It appears that we may have to have—which I am not happy about—a small spillover on Friday week. Could I go to the destruction of the floodplain on the Georges River adjacent to the Bankstown Airport. Bankstown Airport, as you know, is a conundrum. It was hived off by the Commonwealth to a company that is a pain in the guts. Could someone explain to me what the environmental approval process was on the build-up of the floodplain?

**Mr Mrdak:** Certainly, Senator, I will ask Mr Doherty to give you a briefing, or Ms Horrocks.

**CHAIR:** Who authorised it? Let's go there. Who authorised the floodplain?

**Mr Doherty:** Senator, I wonder if you could be specific? Bankstown Airport has been under development for a period.

**CHAIR:** The south-west corner. Have you been there and had a look?

**Mr Doherty:** Yes.

**CHAIR:** The floodplain has been filled. I want to know: what was the source of the fill, what was the approval process, and I would like to see the approval? Who actually authorised the fill of the floodplain? The local residents now have woken up, as you would if you were out on a farm or lived at St George where they put levee banks up which keep the flood out of the town but flood someone else. By filling up the floodplain at Bankstown Airport, if there is a serious event, it is going to flood houses.

**Mr Wilson:** If I could start and then Ms Horrocks could add some additional detail. I do not have the date at which the approval was granted, but the airport building controller, who is employed by the Commonwealth, the department, approved the development on the government's behalf. The fill is from lot 803 which is on the site. The work is underway as we speak, and will continue underway. The building controller on site will monitor that work. As you would be aware—and we have had this conversation before—Bankstown Airport Limited has a flood mitigation strategy in place, but they have recently agreed with Bankstown City Council to undertake an



additional piece of work. So they will work together with Bankstown City Council to undertake a flood mitigation strategy for the surrounding area as well as the airport site.

**CHAIR:** Could you provide to this committee the environmental approval that allowed that build-up to be done?

**Mr Wilson:** Certainly, Senator. I do not have it with me, but I can take that on notice.

**CHAIR:** In relation to the fill that was used was it, for environmental purposes, remediated as it was filled?

**Mr Wilson:** Senator, the advice I have here is that they have identified that there are small quantities of fibrous asbestos in the fill—

**CHAIR:** It was a complete bullshit process.

**Mr Wilson:** and they are monitoring it.

**CHAIR:** Well, it was allegedly done with an environmental approval and the fill contains asbestos. This is a dodgy deal, let me tell you.

**Mr Wilson:** We are currently looking into the issue associated with that fibrous material. I do not have a report with me in terms of the quantity per cubic metre.

**CHAIR:** No, you are going to have to pull the whole of the fill out to find it. Let me tell you, I am in the business, I know. This is a breach of the Airports Act 1996. What action is being taken to remove the contamination?

**Mr Wilson:** Senator, the advice I have is that it is not a breach of the Airports Act—

**CHAIR:** Well, we have conflicting legal advice.

**Mr Wilson:** because the works are being undertaken in accordance with—

**CHAIR:** The works were not undertaken as per the environmental approval. You have got dodgy guys who knocked down some stuff and said, 'Shit, we'll dump it over there,' and it is full of bloody asbestos. There was no supervision. I will go in camera if you want me to tell you the dodgy guys behind it. The destruction of the flood plain is a breach of the state Environmental Planning and Assessment Amendment Act as well as the federal environment act. Why was the flood plain allowed to be destroyed? I can tell you why—because a couple of developers wanted to get a quid, but go on, you give me your answer.

**Mr Wilson:** Senator, I cannot give you the approval. I do not have the approval with me now. In terms of the claim in regard to a breach of the New South Wales environmental act, that is not the case. The New South Wales environmental act does not apply because it is a Commonwealth site.

**CHAIR:** The state land is owned by the Commonwealth, but it is under the law of New South Wales. I am sorry to have to tell you that.

**Mr Wilson:** I am sorry, Senator. It is Commonwealth land; it is not under the law of New South Wales.

**CHAIR:** It is registered in the state of New South Wales as a Commonwealth folio.

**Mr Wilson:** Which means that it comes under Commonwealth law.

**CHAIR:** Clause 30 of the lease over this land says that the lease is governed by and construed in accordance with the laws of New South Wales. Refer yourself to clause 30.

**Mr Wilson:** Senator, I do not have the lease with me.

**CHAIR:** Well, I do.

**Senator BACK:** Again, are we going anywhere with this? Is the officer going to get a chance to answer, or are we taking it on notice?

**CHAIR:** He is answering.

**Senator BACK:** No, he is not. You are not giving him a chance to.

**Mr Wilson:** Without seeing the clause, Senator, and the context in which the clause is written, I cannot answer.

**CHAIR:** Well, I will just go a bit further if you cannot answer. I will just give you a few other tips. The certifier of this process was a private certifier?

**Mr Wilson:** He is our building controller.

**CHAIR:** A private certifier cannot approve the destruction of a flood plain, only the relevant council.

**Mr Wilson:** Senator, in accordance with this—

**CHAIR:** In this case it is Bankstown City Council.

**Mr Mrdak:** What we might do, Senator, is, if you could set out the issues, then we will answer what we can tonight or take them on notice and give you detailed answers. So, if you could give to us your questions or assertions.

**CHAIR:** As you know, the destruction of this flood plain is going to have an affect on the residential people in the area in the event of a flood incident. It is going to have a serious impact on the people who have had nothing to do with this dodgy deal, but who happen to live adjacent. The flood plain has been filled and the flood has to go somewhere. The council knows about it and the guys that did it knew about it as they were doing it. To add to that the fill, which was the cheapest that they could find, is full of contaminated material, which allegedly was supposed to be supervised under the environment approval process. I rest my case. You have a problem, boys.

**Mr Mrdak:** Senator, with those matters, we will take them up and come back to you with a detailed response.

**CHAIR:** Thank you.

**Senator LEYONHJELM:** I will be much quicker. At the last estimates I asked Treasury about the issue of aviation or shipping cabotage restrictions and options to reduce them. I was told that Treasury is aware that work has been done elsewhere in the public service on these issues and 'we have contributed a briefing, if you like'—those are Treasury's words. Will your department release documents it has worked on in the past year on aviation cabotage restrictions and options to reduce restrictions?

**Mr Mrdak:** I am not aware of any specific work that we have done on aviation cabotage in that form. There have been proposals—for instance, our response to the Harper competition review. As indicated, I am happy to provide you with that material—our submission to the Harper review—but I am not aware of any specific proposals that we have worked on in relation to aviation cabotage beyond that competition review.

**Senator LEYONHJELM:** I am perplexed. Treasury said somebody did and I assumed it was you.

**Mr Mrdak:** We certainly did provide a submission to the Harper competition review, which I am very happy to provide you, which sets out our comments in relation to the proposal in the competition review to look at aviation cabotage.

**Senator LEYONHJELM:** I would like to see it.

**Mr Mrdak:** Certainly. I am happy to provide that.

**Senator LEYONHJELM:** Thank you very much. How have reduced aviation cabotage restrictions within Europe and the US affected prices and services, as far as you know?

**Mr Mrdak:** The United States has not opened up its domestic market. The United States operates a very restrictive regime in relation to the capacity of foreign ownership of its domestic airlines. Australia operates one of the most liberal foreign ownership regimes. We permit 100 per cent foreign ownership of domestic carriers that are based in Australia. There have obviously been a number of examples where foreign carriers have set up Australian entities. In relation to Europe, access to the domestic market is only available to EU based carriers and is part of the European union arrangements. Access within the EU is available to EU based carriers owned by EU nationals. It is a different situation. Ownership restrictions tend to also dominate. Australia is one of the few countries that has opened its domestic market through easing foreign ownership restrictions but also through our single aviation market with New Zealand, where we permit New Zealand carriers to operate in our domestic market. We have reciprocal access to the New Zealand market.

**Senator LEYONHJELM:** That is all I have.

**Senator BULLOCK:** I would not have done this except that the Harper review was mentioned. I note from your submission, Mr Mrdak, that you said:

... the Department considers the current policy of reserving the Australian domestic market for Australian-based airlines ensures domestic airlines all operate on the same level playing field in relation to industrial relations and taxation, as well as under the safety and security oversight of the Australian Government.

I wonder why the government believes that a level playing field on industrial relations is important in domestic aviation legs on international aviation.

**Mr Mrdak:** The specific proposal was to look at opening access for international carriers to the Australian domestic market, which is what was being flagged in the competition review. Our view is that any such opening of the market would have a number of implications, not least of which is that Australian carriers operating under Australian industrial relations requirements would be at somewhat of a disadvantage in their operating costs relative to foreign carriers in that market. For those reasons, we believe it would not be a fair and balanced

opening of the market were international carriers able to operate under the industrial relations systems of their foreign country and able to operate under the safety regulation of foreign oversight.

**Senator BULLOCK:** Mr Mrdak, I just could not agree with you more. I ask the minister whether she holds the same view with regard to the domestic legs of international shipping.

**Mr Mrdak:** I will add that the Australian government is looking at various options for the coastal trade. That is a separate consideration to what is the department's—

**Senator BULLOCK:** But your logic was so persuasive.

**Mr Mrdak:** It is fair to say that they operate in completely different markets.

**Senator BULLOCK:** We did hear today from the track people that coastal shipping was impacting on rail and that there were also concerns expressed by other logistics companies. It is not a totally different market to other transport sectors.

**Mr Mrdak:** I would be interested to see some of the data in relation to the impact on coastal shipping, because the alternative position being put by many in transport and the users of shipping is that there has been some restriction in relation to access to coastal shipping over the last few years. There is a counterargument put by many shippers that, over the last three to four years, there has been a reduction in availability of foreign shipping.

**Senator BULLOCK:** I am on your side, Mr Mrdak, because I think that the arguments for a level playing field with regard to industrial relations, taxation and safety trump those other considerations, but I might be biased in your favour.

**Senator STERLE:** We will have some more conversation on that. Minister and Mr Mrdak, there has been a suggestion put to the committee, amongst the committee, with the indulgence of the chair, me and committee members, that we will do our best under the circumstances to keep going tonight to see if we can finish and avoid a spillover day. Bear in mind, all those out there listening, I would sincerely ask: there are senators who are full-time members on this committee and have sat here day in and day out, so, if senators are out there who think it is an opportunity to come in and run their own little thing and we have never seen you before, I would ask you to sincerely contemplate putting your questions on notice and extending the courtesy to the full-time members of this committee and the senators who had advised the secretary that they wanted to ask questions prior to the last half an hour. On your behalf, Chair, I push that for tonight. Chair, we have finished with aviation and airports. I have questions that we will put on notice.

**CHAIR:** If senators are not here to ask questions, they can put them on notice for ATSB.

**Senator STERLE:** I have questions for surface transport and I have a number of them. It will take a little bit of time. I will try to put some on notice. My questions to Surface Transport Policy Division go to the cabotage policy. I want to talk about the ship called the *Caledonian Sky*. For the benefit of the committee, I have something out of the paper. I should table it so that everyone is aware of it. It was a newspaper article by Tony Raggatt headed 'Reforms bid forces tourism firm to sell'. Are you aware of this article?

**Ms Zielke:** I am not aware of the specific article, but I am aware of the issue.

**Senator STERLE:** Let's work our way through it. I refer to the comment by member for Leichhardt, Mr Warren Entsch, in the *Cairns Post*, date 28 January 2015. In that article Mr Entsch described the issue of a licence to *Caledonian Sky* as a 'departmental stuff up'. Ms Zielke, could you give us a rundown on what happened to the *Caledonian Sky*?

**Ms Zielke:** I do not believe I can give that detail to you, Senator. I would need to refresh my memory on the case.

**Senator STERLE:** Can you just tell me whether you are aware of it?

**Ms Zielke:** I am aware of the issue but I do not have the details off the top of my head.

**Senator STERLE:** What is the issue you are aware of, Ms Zielke?

**Ms Zielke:** As I understand it, a licence was issued to a competitor firm and therefore the company has a concern that a licence for coastal trading and the movement of passengers has been issued to a competitor firm.

**Senator STERLE:** Who is the competitor firm?

**Ms Zielke:** I am afraid I cannot answer that off the top of my head.

**Senator STERLE:** Is there someone behind you who can? This is important and you should know. There are a heap of Australian jobs that have been lost and the company has packed up. Do you know who the competitor company was?

**Ms Zielke:** I cannot recall the name of it.

**Senator STERLE:** Are they Australian based?

**Ms Zielke:** I understand it is a foreign owned ship. Senator, my colleague, Michael Sutton will assist you with this.

**Senator STERLE:** Fantastic. Thank you, Mr Sutton. Did you hear my line of questioning? Were you in the room?

**Mr Sutton:** Yes, Senator. Like Ms Zielke, I am not aware of the specific details of the temporary licence. I have taken up this position since the temporary licence was issued, but I am aware of the general situation. The temporary licence was issued after application of the criteria that are in the Coastal Trading Act, which relate to the issues of the delegate—

**Senator STERLE:** I am not trying to be rude, but I am aware of the time. How could a temporary licence put this shipping expedition out of business? What is the temporary licence for?

**Mr Sutton:** The temporary licence was to cover voyages for a certain number of passengers, and that was specified in the temporary licence application. The decision, as I understand it, was made on the basis of seeking advice from licensed shippers—those with a general licence—as to whether they could carry the passengers specified in the application.

**Senator STERLE:** Let me put this in layman's terms so that I do not waste too much of the Senate's time. We have an Australian owned ship, the *Caledonian Sky*. Is that correct?

**Mr Sutton:** I think you will find that the *Caledonian Sky* is foreign owned.

**Senator STERLE:** Is it?

**Mr Sutton:** Let me see if I can refresh my memory. The article indicates that the *Caledonian Sky* is a foreign crewed, Bermuda flagged cruise ship. The article further indicates that the issues related to the Cairns based Coral Princess Cruises—

**Senator STERLE:** I am sorry.

**Mr Sutton:** which operates the Australian licensed ships.

**Senator STERLE:** What is the name of the Australian ship?

**Mr Sutton:** The one in the photograph is the *Oceanic Discoverer*, and, from recollection, Coral Princess operates a couple of vessels that are of similar dimensions.

**Senator STERLE:** So the *Oceanic Discoverer* is the Australian ship. It is Australian owned. Is it Australian crewed?

**Mr Sutton:** My understanding is that, yes, it is. It is Australian licensed and Australian crewed.

**Senator STERLE:** So what has now happened is that a small business person from Cairns has sold out because the department has issued a temporary licence to a foreign owned and foreign crewed vessel; is that correct?

**Mr Sutton:** The decision to issue a temporary licence to the *Caledonian Sky* would have been made on the basis of applying the criteria for issuing temporary licences that are contained in the coastal trading act.

**Senator STERLE:** But in layman's terms an Australian business has packed up and gone. Have they dismissed their Australian workers, to the best of your knowledge?

**Mr Sutton:** I could not answer that.

**Senator STERLE:** I will help you out. They have. It is a passenger vessel, not a container vessel. It has now lost its market because of the department's, in Mr Entsch's words, which I agree with, 'stuff-up' in letting a foreign company in. Do we know what the workers of the foreign owned and foreign crewed vessel are paid compared to the workers of the Australian owned and Australian crewed vessel?

**Ms Zielke:** Can I give you some more information—

**Senator STERLE:** Please do. Help me out.

**Ms Zielke:** by noting that the licence would not have been granted—again, I will note that we are taking these questions without having all of the detail in front of us, so we will confirm our answers later—had the voyages been able to be undertaken by the Coral Princess cruise ship.

**Senator STERLE:** So you are saying that the Coral Princess ship could not do the work that was required of it?

**Ms Zielke:** That is the requirement that they would have been assessed against. *Caledonian Sky* would not have been given the voyages had the Coral Princess ship been able to undertake the voyages as were requested.

**Senator STERLE:** What are those voyages?

**Ms Zielke:** Again, I do not have the detail in front of me.

**Senator STERLE:** You have more information than me, obviously. This is not the bullies from the Maritime Union! I am saying that with tongue in cheek because I reckon they are decent, hardworking Australians. This is an Australian business. So you have some information that this ship, this Australian owned and Australian crewed vessel, could not do the work that the temporary licence was issued to the foreign vessel to do. You know that much.

**Senator Cash:** That is not exactly the evidence that the executive director has given. The ability to issue the licence is contingent upon certain conditions being or not being met.

**Senator STERLE:** Tell us what they are.

**Ms Zielke:** Had the Coral Princess ship been able to undertake the voyages—

**Senator STERLE:** Which are?

**Ms Zielke:** Whichever voyages the *Caledonian Sky* were asking to undertake.

**Senator STERLE:** Someone please find out what those are. For me over on this side where I do not know, it sounds sneaky—and I do not think you are being sneaky at all.

**Ms Zielke:** No—

**Senator Cash:** This is under the current act that is in place.

**Senator STERLE:** I know what is in place.

**Ms Zielke:** These are some of the issues that we have with the inflexibility of the current legislation.

**Senator STERLE:** So the Australian owned vessel with an Australian crew could not do the work that the *Caledonian Sky*—

**Ms Zielke:** That is the requirement of the legislation. The legislation says that we need to look at the Australian vessel and see if it can undertake the work that is being asked of it. If it could have undertaken that work then the licence would have been given to the Australian vessel.

**Senator STERLE:** What was the work?

**Ms Zielke:** I do not have the details with me.

**Senator STERLE:** Is there somebody who can find that out for me?

**Ms Zielke:** Not at this stage. We would have to take that on notice for you.

**Senator STERLE:** Oh, goodness me.

**Senator Cash:** You do understand what the executive director is saying: the condition precedent for the giving of the licence is that work is able to be undertaken—

**Senator STERLE:** Minister, I understand—

**Senator Cash:** I just wanted to make sure. It is under the legislation that your government put in place. That is the whole point. It is the inflexibility of the legislation that has meant that—

**Senator STERLE:** You have to understand. Am I cranky because an Australian business was put out of work? Yes, of course I am. I do not want to see an Australian business put out of work.

**Senator Cash:** No, it is unfortunately due, as the executive director has said, to the way in which the legislation currently works.

**Senator STERLE:** Mr Entsch is obviously pretty peed off too, so I just think you should be able to tell me what—

**Ms Zielke:** I can give you examples of the criteria. For example, could they travel on the dates that the cruise was looking to travel? Were they able to carry the number of passengers?

From my recollection—but, again, I would need to check—the vessel could not carry the number of passengers that were actually required for the cruise.

**Senator STERLE:** Okay. Take it on notice: how many ventures were there, how many voyages were there, how many passengers were they required to carry and from where to where in what time—because I would not see one trip putting an Australian business out of work. That would not be cheap, a boat like that.

**Ms Zielke:** No, and I also cannot understand how one voyage would actually put another business out of business.

**Senator STERLE:** Yes. So can you come back to us notice and let us know all that. Plus I want to know how many people were put off, please—how many people lost their employment—and what are the foreign crews working under.

**Ms Zielke:** Happy to.

**Senator STERLE:** And I want to know how it assists our Northern Australia jobs strategy, because this is up the Top End. We do have a Northern Australia jobs strategy.

**Ms Zielke:** We do; however, that is not a consideration under the current legislation.

**Senator STERLE:** Okay. But I want to know how that assists the job strategy, because if we hide behind that—

**Ms Zielke:** It does not.

**Senator STERLE:** Yes, exactly. Okay. You have answered that, so do not take it on notice. It does not assist. Can you tell me how this is consistent with cabotage policy?

**Mr Mrdak:** It is, I think as we discussed, consistent with the act that is in place.

**Senator STERLE:** Yes. Well, you are going to find me all those stories. If this man has gone out of business because he could not do one trip, there is something wrong. But we will find out more, anyway. I do not think that he is.

**Ms Zielke:** Certainly.

**Senator STERLE:** Okay. I want to talk about the star-rating safety program. Who do I talk to about that? Mr Mrdak.

**Mr Mrdak:** This is the right place.

**Senator STERLE:** Do I talk to you?

**Mr Mrdak:** You can.

**Senator STERLE:** I assume this is the right place to ask about this?

**Mr Mrdak:** Yes.

**Senator STERLE:** It is about the National Heavy Vehicle Regulator, okay. Is that right?

**Mr Mrdak:** Yes.

**Senator STERLE:** Mr Mrdak, are you aware that the government has advised stakeholders that it will not be further funding this proposal?

**Mr Mrdak:** Yes. The Deputy Prime Minister has advised the steering committee through the chair and also the Chairman of the National Heavy Vehicle Regulator that, at this point in time, the Australian government will not be providing funding to progress the proposal for what was previously called the five-star trucking safety rating—what is called the safety rating system for heavy vehicles.

**Senator STERLE:** Why is the government no longer funding a five-star safety rating program for vehicles?

**Mr Mrdak:** There are a number of reasons sitting behind the government's position. Firstly, there was work funded to develop the project concept. The National Heavy Vehicle Regulator sought funding in the order of, I think, \$1.8 million for the next stage of the pilot work.

**Senator STERLE:** How long was that for?

**Mr Mrdak:** It would have been about six months to a year or so of pilot work—a year or so of work. This was considered and discussed informally by transport ministers when they last met in Launceston late last year to canvass support. The funding for this proposal was coming from two sources, the Australian and New South Wales governments. On reflection and on further advice, the Australian government has taken the view that it will not provide funding at this stage on the following grounds. Firstly, there is not complete support across the Australian trucking industry for the initiative. In fact, there are elements of the Australian trucking industry who do not support such a safety rating system being developed at this time because of the potential conflict with other truck safety accreditation schemes, such as TruckSafe and other industry led schemes. There was concern that the work done to date had not sufficiently identified how those overlaps might be addressed and concern about the pace at which it was being developed. Secondly—

**Senator STERLE:** Pace? As in too fast?

**Mr Mrdak:** Too fast—and that, at this stage, there was not broad support for such a new system. There was a concern raised by others in the trucking industry that it would increase the regulatory compliance burden on some operators in the industry and it would not, as currently proposed, provide an adequate representation of the safety management systems in companies. Finally, ministers were concerned because the National Heavy Vehicle Regulator has quite a lot on its plate at the moment. It is into its first year of operation, and it was felt that at this stage it would be overly burdensome on the NHVR to take on this additional task. Hence, the Deputy Prime Minister has advised the chair of the steering committee that he will not be progressing funding for the initiative at this time.

**Senator STERLE:** He has advised the deputy chair?

**Mr Mrdak:** No, he has advised the chair of the safety rating system steering committee, Mr Finemore—

**Senator STERLE:** Mr Finemore, okay.

**Mr Mrdak:** and also the Chairman of the NHVR that he will not be progressing the initiative at this stage. That is essentially the rationale. I will just check with my colleagues.

**Senator STERLE:** That is a very comprehensive answer. Thank you very much. There will be other questions later, but we will go to someone else.

**Senator BACK:** I might stay on that same issue. There will be some form of rating in the future?

**Mr Mrdak:** There are currently a number of industry accreditation schemes, such as the one run by the Australian Trucking Association, TruckSafe. There are also a number of firm specific accreditation schemes. So there is no doubt that there have been various attempts in the past, and certainly ATA, for instance, is looking to expand the coverage of TruckSafe which is about an accreditation based on safety management systems and the like of the company. It is not a rating scale, per se, based on safety performance; there are various permeations of trying to get accredited schemes. At the same time, the National Heavy Vehicle Regulator and the National Transport Commissioner currently are reviewing how to improve safety management, particularly of maintenance and operating systems. There is a whole range of streams of work happening to try and get better accreditation of the existing schemes before a new scheme is considered.

**Senator URQUHART:** I want to talk about the Productivity Commission inquiry report on Tasmanian shipping and freight.

**Mr Mrdak:** Yes, Senator.

**Senator URQUHART:** The government has had the Productivity Commission inquiry report on Tasmanian shipping and freight since 7 March 2014. On 18 February 2015, the department refused to answer a number of detailed questions and said that the government was currently considering the report and will be responding in due course—that was the comment. Can you provide a timeframe around when you plan to respond to the productivity report, because 'in due course' is no longer acceptable to the Tasmanian exporters who were promised action on the cost of shipping.

**Ms Zielke:** Senator, I am afraid I am not able to give much more detail than the response that was given to those questions on notice, other than to note that I understand that government will be considering those issues shortly.

**Senator URQUHART:** What is the difference between 'shortly' and 'in due course'?

**Ms Zielke:** In coming months, Senator.

**Senator BACK:** That is 'shortly' around here.

**Senator URQUHART:** So is that the expectation before the end of this quarter or before the half year?

**Ms Zielke:** I am unable to give a definite answer on that, Senator, but at the moment, it is expected that would be considered within the next few months.

**Senator URQUHART:** Are you able to follow that up and advise? Or is that the answer?

**Ms Zielke:** I can ask the question, Senator, but I expect that the answer will be the same. I am happy to take that on notice and come back and confirm.

**Senator URQUHART:** Thank you. Has the Bureau of Infrastructure, Transport and Regional Economics or the department provided the minister with any advice or options regarding your response to the productivity report?

**Ms Zielke:** We are, of course, providing government with briefing as a result of the consultation process that has been undertaken.

**Senator URQUHART:** So you have provided advice and options?

**Ms Zielke:** We have provided advice to government on that issue.

**Senator URQUHART:** Are you able to provide that to us?

**Ms Zielke:** Not at this time, Senator.

**Senator URQUHART:** When would that be?

**Ms Zielke:** When the response is provided.

**Senator URQUHART:** In the coming months?

**Ms Zielke:** Yes.

**Senator URQUHART:** I would appreciate some detail around what the definition of 'coming months' is.

**Ms Zielke:** Thank you, Senator.

**Senator BULLOCK:** Are you aware of the coastal shipping need for change document circulated to some industry participants on 2 February this year?

**Ms Zielke:** Yes, Senator, I am.

**Senator BULLOCK:** What are the department's estimates of the employment consequences of that document for Australian seafarers?

**Ms Zielke:** That document put forward a range of options as part of an industry roundtable consultation. It was not a definitive document and therefore it does not equate to exact numbers in that regard.

**Senator BULLOCK:** I suppose what I am talking about is proposals to our foreign ships to enter and take up our coastal shipping.

**Ms Zielke:** We took some question on notice that were tabled subsequent to estimates in relation to what figures we have on the seafarers involved. A census was undertaken around two years ago, and it is on that basis that we provided some responses to that information. I will just start by noting that we had only about a 60 per cent response rate from industry to that census at the time. However, we found that around 10,300 seafarers were part of that census. Of that, we had 4,500 who were actually employed by Navy or Customs and Border Control in that regard. Following that, we had another 2,900, roughly, who were in unaffected pilotage or dredging type arrangements. So the figures come down to around 2½ thousand who may be impacted, noting that, from that group again, it is expected it would be smaller. But, without knowing the exact proposal, it is difficult to assess that.

**Senator BULLOCK:** Let's just imagine for a moment that foreign flagged shipping was waved through to compete on coastal shipping. You say there are 2½ thousand people potentially affected. What would your estimate be of the impact if that were the proposal?

**Ms Zielke:** At the moment, we have a situation under the legislation, as was being pointed out earlier, that very little flexibility is provided in relation to consideration of voyagers. That is actually constraining not only Australian vessels in being able to accept offers but also our producers and manufacturers in that regard.

**Senator BULLOCK:** I am sure that is a great answer to a different question.

**Ms Zielke:** I am afraid I cannot break that number down any further. It depends on whatever decision government takes in relation to employment, but obviously, if the coast were to be opened and there was greater access for foreign ships, more foreign crew may be employed here locally. I will argue, though, that it is not obvious that, therefore, foreign crew are the only people who are employed. There is nothing to stop Australian crew being employed on foreign owned vessels—and that currently is the case. A number of Australians are employed on foreign owned vessels.

**Senator BULLOCK:** I suppose my concern is to protect Australian wages and conditions, which would be under threat and which would provide the competitive advantage for those foreign firms should they enter that trade.

**Ms Zielke:** One of our problems has been that we are unable to—

**CHAIR:** I am just checking with Hansard. Senator Bullock, you are a long way from the microphone and speaking very gently. Speak up, son.

**Senator BULLOCK:** I will speak up. Let us assume that there was a significant impact on employment if that were to be the case. In the aftermath of that impact, on what ships does the department believe that Australian seafarers will be able to obtain sea time and, as required by regulation, to obtain VET qualifications and AMSA occupational licences under marine orders made under the Navigation Act?



**Ms Zielke:** I do not believe I can answer that question directly.

**Senator Cash:** It is a hypothetical question. You have assumed something that may not actually be the case because no decision has been made in relation to the changes.

**Senator BULLOCK:** Yes, is it not a proper consideration to ask, if the opportunities for seafaring are significantly limited, how would people be able to obtain and maintain their qualifications? Is that not something that should really be front and centre of people's considerations before the decision is made? If that consideration is characterised as hypothetical, on what basis can proper decisions be made?

**Ms Zielke:** I will note that, in the document that was circulated on 2 February, I recall that there was a point about ensuring that training requirements were maintained as part of what government was looking at. However, I do not have the exact point in front of me at the moment. I note that the—

**Senator BULLOCK:** Can you recall broadly how that was proposed to be achieved?

**Ms Zielke:** No, I think it was a statement. The document was very much a dot point document. It did not go into a huge amount of detail. I note, though, that driving efficiencies in the shipping industry is exactly what the review process is about, in particular also in a way that benefits the broader Australian economy. What we are looking for is to achieve something that not only benefits the Australian shipping industry but also benefits those manufacturers and producers—

**Senator BULLOCK:** You are having a wonderful bash at answering that other question again! If anybody had asked it, you have had two good goes at it.

**Ms Zielke:** I am conscious, though, that, when the current legislation has an objective that actually leaves us sitting on the fence between those two, without a clear guidance in relation to which of those two we are supposed to be benefiting from, I therefore as a delegate under the program need to consider both of those issues every time I consider an application.

**Senator BULLOCK:** It is getting late, so let's try and restrict the answers to the questions. Deputy Prime Minister Truss wants to remove barriers to competition in coastal shipping by providing easier access to foreign registered and foreign crewed ships to compete for the coastal trade. Does the minister also intend to open up the road and rail freight sectors to foreign trucking and rail operators using foreign labour at international rates of pay, which is the basis for the comparative price competition advantage for foreign ships?

**CHAIR:** Just say, 'No.'

**Ms Zielke:** I am not aware if the minister has considered that. I am here to talk about the coastal shipping review.

**CHAIR:** This is political posturing. We have to cop a certain amount of it.

**Senator BULLOCK:** I am embarrassed, but nevertheless I have to do it myself.

**CHAIR:** Just for the guidance of the committee, Senator Bullock, are we going to put some of these on notice later on?

**Senator BULLOCK:** Senator Sterle has a whole raft of questions under this heading to put on notice. He has just flicked me the ones that—

**CHAIR:** You have to have a little bit of humour in amongst the angst.

**Senator BULLOCK:** On international shipping: is it true to say that container ships are getting bigger and visiting less but, overall, delivering more?

**Ms Zielke:** As I understand it, yes.

**Senator BULLOCK:** AMSA's *Port State Control Report 2013* said this about foreign-flagged ship arrivals:

Average deadweight carrying capacity per port arrival rose by 7.8 per cent. Total foreign fleet deadweight capacity over the year rose by 10.3 per cent, reflecting the combined impact of more arrivals by larger ships. This continues the trend in recent years of ships becoming larger, on average, such that increases in cargo volumes are being served by a combination of larger ships as well as increased port arrivals.

**CHAIR:** The same as the aircraft.

**Senator BULLOCK:** This trend of foreign ships being fewer ships but bigger ones—is this correct?

**CHAIR:** Go on—say 'yes'.

**Ms Zielke:** It is a statement in the AMSA report, so I assume it is correct.

**Senator BULLOCK:** Are Australian ports equipped to handle these larger ships?

**Mr Mrdak:** Yes.

**Senator BULLOCK:** What steps are being taken to address the increasing size of ships visiting Australia?

**Mr Mrdak:** A number of ports in Australia have undertaken extensive dredging operations in recent years, and also have made major investments in their port infrastructure and in their cranes and other infrastructure to handle the lifts off these ships.

**Senator BULLOCK:** Is it possible that these larger ships will visit fewer ports and rely on coastal and land freight more to deliver around the country?

**Mr Mrdak:** That may be the case in relation to certain markets. As the global shipping industry moves to larger ships, particularly for containers but also for bulk, there may be a consolidation of ports. Certainly, in Australia what we have seen is very strong growth in container trade in the east coast ports and Perth, with less growth at some of the other capital city and regional ports.

**Senator BULLOCK:** Finally, should local businesses be given the opportunity to capture this business, rather than have it handed to foreign ships with foreign crews that undercut Australian environmental and safety standards?

**Ms Zielke:** I think that was the intention of the legislation that was introduced in 2012.

**Mr Mrdak:** I am not aware of any circumvention of Australian environmental or safety laws.

**Senator EDWARDS:** Me neither.

#### **Australian Maritime Safety Authority**

[22:09]

**CHAIR:** Thank you. AMSA, Senator Rice has some questions for you.

**Senator RICE:** Can you outline AMSA's response to the recent incident where a coal bulk carrier attempted to sail through Hydrographers Passage, a compulsory pilotage area of the Great Barrier Reef Marine Park, without a pilot.

**Mr Kinley:** I assume you are referring to the *China Steel Developer*—

**Senator RICE:** Yes.

**Mr Kinley:** which was detected by the reef vessel traffic service on 1 January this year entering the compulsory pilotage area. REEFVTS, which is run jointly by Maritime Safety Queensland and AMSA contacted the vessel. They witnessed it passing across the line. Alerts were triggered to the operators because it did not have a pilot onboard. At that stage they contacted the vessel, which turned around when it was about four kilometres across the line, which is, let's say, about 16 kilometres before the waters become constricted. The vessel responded, turned around, went to anchor, took a pilot and then, eventually, continued on its voyage. We passed on that information to the Great Barrier Reef Marine Park Authority. They boarded the vessel with one of our officers when it was in Newcastle earlier this month and it was prosecuted with the assistance of the Australian Federal Police and the magistrates court in Newcastle, resulting in an \$8,000 fine.

**Senator RICE:** Do you anticipate increasing surveillance of shipping, given this incident and others?

**Mr Kinley:** We have very good surveillance of ships right through the Great Barrier Reef. The REEFVTS is extended to the southern border of the Great Barrier Reef Marine Park. We have radar sensors as well as automatic identification system senses, which are onboard ship, which are also detected by satellites, so we have a very good picture of where vessels are. The REEFVTS effectively sets up electronic corridors and alarm limits, so when a ship crosses somewhere it is not meant to be if it crosses a pilotage line without a pilot onboard the operators are alerted and they will contact the vessel. I am confident that we have quite good surveillance. At the moment, we are working with the International Maritime Organization seeking to have the particularly sensitive sea area that currently covers the Great Barrier Reef extended into the Coral Sea. We are currently working with new technology to monitor vessels better outside of coastal radio. So we have quite good surface picture of where vessels are and what they are doing, and we are working on better active monitoring

**Senator RICE:** Would that include increasing the mandatory pilotage area?

**Mr Kinley:** We recently undertook an exercise called the North-East Shipping Management Plan in conjunction with the Queensland government and other federal agencies, including GBRMPA. Part of that is to forecast of where we think shipping is intended to grow. At that stage the projections were quite high. They have now come off a bit. One of the things that are on the cards, should the increasing traffic levels and risk warrant it, is to consider whether compulsory pilotage may be extended, if the risk warrants it and if it is seen to be an acceptable risk reduction measure.

**Senator RICE:** Good. In recent years, the major shipping incidents and accidents in Australia that have posed a threat to the environment have all involved foreign flagged vessels. Does the authority have any reflections on or responses to the particular issues of managing international ships to Australian standards?

**Mr Kinley:** In our view the flag is not the issue with ships. It is a bit like saying that if someone comes from a particular country there is an issue. It is actually about the company and the operators that operate the ship. There have been incidents with Australian ships in the past and there have been incidents with foreign flagged ships as well. The most recent I think was the *Shen Neng 1* up on Douglas Shoal. We do continually monitor and do a lot of statistical analysis of the risk the ships pose. One thing I can tell you, for example, is that Australian ships have more average deficiencies per inspection than foreign ships.

**Senator RICE:** That is not the information that I have had. For example, in September last year, AMSA inspected 351 foreign ships and found 1,030 deficiencies.

**Mr Kinley:** Yes, I said deficiencies per inspection, so for flag state inspections I think we have about four deficiencies per inspection, and for Port State Control it is about 2.5 deficiencies per inspection. That is not necessarily a reflection on the quality or the risk otherwise of the ship, but I am just saying that there are different ways to look at these things—for example, the number of Australian ships in the Great Barrier Reef. In port arrivals in 2014, there were only 62 ship arrivals out of 2,632. That is about 2.4 per cent of arrivals being Australian ships, so there is actually a much smaller percentage of ships, and therefore I would expect Australian ships to be involved in a much lower number of incidents. Our data does not give any particular correlation between the quality or the risk of ships versus the flag. As I said, it is the operator.

**Senator RICE:** Is it the operator, or is it the frequency of visiting Australian waters? If they are only here very irregularly and infrequently, they might not keep to Australian standards, which are higher standards than elsewhere.

**Mr Kinley:** The Australian standards are effectively the international standards. The International Maritime Organisation and the International Labour Organisation standards are the worldwide benchmark, and that is what we are very, very vigorous about pursuing with our Port State Control program. We spend a lot of time trying to target the ships that are the risk and present risks that are particular to our Australian coasts. I can tell you, for us, that powered groundings and drift groundings are the two biggest things that concern me and the GBR, and we are particularly focussed on the navigation safety aspects of ships there. I cannot simply say there is any particular correlation between whether it is Australian flagged or foreign flagged. A competent foreign crew with the information that is available—

**Senator RICE:** Do you have any information about what does correlate with the number of ships that you are detaining, that have deficiencies?

**Mr Kinley:** In what regard?

**Senator RICE:** You are saying there is no correlation between whether they are Australian or foreign flagged.

**Mr Kinley:** What are the risk factors?

**Senator RICE:** Yes.

**Mr Kinley:** Predominantly in our data, age is one of the highest risk factors. The older the ship, the more risk there is of finding, particularly, hardware deficiencies. The Port State Control or flag state control history is a good indicator, and we are doing a lot more analysis on companies.

**Senator RICE:** What about for particular flag states? Although you are saying there is no correlation with foreign ships overall, there are particular flag states for which you are saying there are correlations?

**Mr Kinley:** There are some flag states in the world which are known to be particularly rogue, with poor quality and poor supervision flags. We generally do not get them coming to Australia because our Port State Control regime is known worldwide, and it is known that if you bring a poor ship here, you are going to get busted. So there are certain flags I know that will appear in other parts of Asia and Europe that basically do not show up here.

**Senator RICE:** Do you have some particular flags that wave a red flag to you, that you think need to be kept a closer eye on?

**Mr Kinley:** If a North Korean flagged ship turned up, I can tell you we would be very interested to inspect it.

**Senator STERLE:** Why?

**Mr Kinley:** Just because of experiences in other parts of the world with the Paris MOU.

**Senator STERLE:** It would probably be smart to want to look.

**Mr Kinley:** Yes. Port State Control is a global exercise, and we have good linkages with the Tokyo memorandum of understanding, which is right around the Asia-Pacific, and they have had experience with those flagged ships, and we have access to their inspection records and their data. It is the same with the European MOU, the Paris MOU.

**Senator RICE:** I asked questions about noise pollution at the October estimates, where you informed me that less than 10 per cent of one full-time equivalent staff member was devoted to working on the issue and that you were developing a guideline about noise pollution. Can you give us an update on whether anything has progressed since October?

**Mr Kinley:** I can give you an update. I can basically say that not a lot has happened. We continue to work with Maritime Safety Queensland and the Great Barrier Reef Marine Park Authority. We have supplied vessel data to a researcher who is looking to provide better data for predicting where humpback whales are. We are sharing information with Maritime Safety Queensland again and looking at how we can distribute that to pilots who are taking ships through the reef, so there has not been a huge amount of progress but it is something that we are still—

**Senator RICE:** Is the staffing level similar to what it was in October?

**Mr Kinley:** It is not a full-time job, yes. That is right.

**Senator RICE:** Would you say the less than 10 per cent of one full-time equivalent you forgot you estimated in October is the same now?

**Mr Kinley:** Yes.

**Senator RICE:** When do you think we will see the guideline noise pollution?

**Mr Kinley:** There are already IMO guidelines on whale-strike and I have to make sure I do not get mixed up between whale-strike and noise pollution. Noise pollution for ships is going to be a much longer project, because that is about designing—

**Senator RICE:** You do not think it might be valuable to put some more staff on than one-tenth of a full-time equivalent, given the importance of the issue?

**Mr Kinley:** We know that ship designers worldwide are looking at the issue and how they design and acquire machinery into ships. Until that work is basically done and the IMO—we will work with the IMO about how they then promulgate those guidelines and how that is then built into shipping—if you look into the life cycle of a ship you are looking at a 20-year asset. Those new changes are not going to happen overnight.

**Senator RICE:** So, no, you are not going to do everything in a hurry.

**Senator EDWARDS:** You are not giving the chief executive officer HR advice at 20 past 10, are you?

**Senator RICE:** In terms of what you expect to be in that guideline, and perhaps it is relevant with the international work you have been citing, do you think it will contain any measures to stop underwater noise from disrupting and damaging the reef's ecosystems, like recommendations for re-routing ships or speed limits or no-go zones?

**Mr Kinley:** Certainly, if we can get scientific evidence that those impacts are happening and that taking those measures will mitigate those impacts, they are certainly things we will be considering, working with Great Barrier Reef Marine Park and their marine scientists as well.

**Senator STERLE:** You mentioned the name of a Chinese ship; what was it?

**Mr Kinley:** *China Steel Developer* or the—

**Senator STERLE:** You said something about—put it this way, I want to ask about the Chinese ship that snuck through the reef.

**Mr Kinley:** The *China Steel Developer* that was prosecuted in Newcastle earlier this month?

**Senator STERLE:** Was it? Is that the same ship you just mentioned. I did not realise that noise damaged the reef from boats or ships. I was not listening. I was talking. Sorry. So you are aware of it, and it is in your purview. Did you prosecute?

**Mr Kinley:** The Great Barrier Reef Marine Park prosecuted.

**Senator STERLE:** I will come straight to the point: how did the ship get out? I am led to believe it was in dock, it got out of the dock and then bolted.

**Mr Kinley:** In the *China Steel Developer* instance, my understanding is that the ship left. It had a pilot booked for Hydrographers Passage. The port pilot took it out of port, at Hay Point. Normally the coastal pilot would

board before it got into Hydrographers Passage, which is about 40 kilometres off the coast. My understanding is that the booked pilot fell ill, did not turn up. The master—for whatever reason—decided he was just going to go through. Reef ETS detected him as soon as he crossed the line without the pilot, contacted the vessel, he turned around, came back and took a pilot.

**Senator STERLE:** So he did not do a runner and set off on the high seas.

**Mr Kinley:** No. In fact, he turned around before he was in the constricted part of Hydrographers Passage. The system worked, as the system was meant to.

**Senator STERLE:** I heard you talking about foreign flagged vessels. Can you explain why Panamanian flagged ships visit Australia so often. I am told 22 per cent.

**Mr Kinley:** Panama is the biggest fleet in the world.

**Senator STERLE:** That is why they come in. Most ships have flags in Panama.

**Mr Kinley:** Yes.

**Senator STERLE:** What about Liberian flagged ships.

**Mr Kinley:** I think Liberia is either No. 2 or 3 and Marshall Islands is right up there now, and the Bahamas and Hong Kong.

**Senator STERLE:** I have Hong Kong. Do shipowners flag there because their costs are lower?

**Mr Kinley:** I assume so.

**Senator STERLE:** Is it because they have far more relaxed regulations than apply to our ships?

**Mr Kinley:** Not in my understanding.

**Senator STERLE:** So they are all the same?

**Mr Kinley:** The worldwide benchmark set by the IMO and the ILO is what is standard.

**Senator STERLE:** So environmental regulations are the same for foreign flagged ships as they are for ours?

**Mr Kinley:** Yes. There are the MARPOL regulations.

**Senator STERLE:** Ship safety regulations are all the same?

**Mr Kinley:** SOLAS, load line convention, STCW—that is the standards of training and certification—all of these things are governed by international conventions.

**Senator STERLE:** Do Australian crews have higher certification or training?

**Mr Kinley:** Australian crews are certified under the STCW convention. We give effect to Australia's obligations under that convention.

**Senator STERLE:** So the basic minimum, STCW—do Australian seamen have higher conditions or are they on that base?

**Mr Kinley:** I think Australian companies have traditionally trained to the highest level they can. Certainly they send people off to do other courses.

**Senator STERLE:** What I am trying to get to, and I am not attacking foreign seamen, let us be clear, is: is the standard of competence of foreign seamen the same as Australians or are we generally higher?

**Mr Kinley:** I could not actually answer that one in a straightforward way. There are international companies—TK is an international tanker company that runs a lot of foreign ships and spends a lot of time training its people above and beyond the bare minimum. If it comes back to the companies—

**Senator STERLE:** So there could be a difference.

**Mr Kinley:** I am sure there is not absolute blanket consistency of training right around the world.

**Senator WILLIAMS:** There is a minimum standard.

**Mr Kinley:** Yes.

**Senator STERLE:** I am assuming that our seamen are trained to a pretty high standard. There is no argument about that. We do know that there are lower wages and conditions for the international ones, and you did nod, Mr Kinley—that does not pick up for Hansard.

**Mr Kinley:** Generally, conditions of Australian ships and Australian seafarers are known to be well above the global average.

**Senator STERLE:** And we as a nation should be proud of that. What about taxation? Do you know whether they are paying the same taxation as Australian vessels.

**Mr Kinley:** You are getting outside my sphere.

**Senator STERLE:** Do you know where their nations pay their taxes?

**Mr Kinley:** I am not an expert on the Panamanian tax regime or the Liberian tax regime or any of those countries.

**Senator STERLE:** I do not expect you to answer, but I will throw one out there and if anyone is listening they can correct me. I reckon they are well below Australian taxation standards. I do not think anyone is going to argue with me, but if they do I will mention their name and address and we will talk it out with the rest of the committee.

What about the far lower capacity for these countries to enforce laws against large multinational corporations? Is AMSA aware of what goes on there? Do you whether these companies, when they step out of line, are pulled in by the Liberian government or the Panamanian government?

**Mr Kinley:** Again, it depends on the flag states. Whenever we detain a ship, for example, or have deficiencies we contact the flag state and let them know about the issues. Some flag states respond very actively, and some of those are open registers, which is the polite term for flag of convenience, or FOC. Some of them are excellent in the response they give.

**Senator STERLE:** What about the Panamanians, Liberians and Marshall Islanders?

**Mr Kinley:** The Marshall Islands are excellent.

**Senator STERLE:** Does that mean Liberia and Panama are not excellent?

**Mr Kinley:** Generally they are responsive.

**Senator STERLE:** But they are nowhere near the standard of the Marshall Islands, so AMSA has its challenges.

**Mr Kinley:** Yes.

**Senator STERLE:** In what way?

**Mr Kinley:** Our challenges are basically (a) making sure that shipowners are aware that if they bring a substandard ship here it will be identified and we will take action.

**Senator STERLE:** So you bail them up?

**Mr Kinley:** Yes. We can detain ships. We have recently under the new Navigation Act got powers to issue directions to ships. We have recently directed ships not to come back into Australian ports because they have been detained on several occasions and did not seem to be getting the message.

**Senator STERLE:** On notice, Mr Kinley, can you let us know, for the last four or five years, say, how many ships from what countries have been detained and for what reason?

**Mr Kinley:** From our port state control report, I can give you that. They have all those statistics.

**Senator STERLE:** If you take that on notice, that would be very helpful. What about these ships that come in with these flags of other countries? Does anyone know who actually owns these ships?

**Mr Kinley:** We certainly know who the registered owners are. There are information sources which can tell you who the beneficial owners are.

**Senator STERLE:** It cannot be a drug cartel or something like that? You actually know spot-on, ridgy-didge?

**Mr Kinley:** I know who the registered owners of those ships are.

**Senator STERLE:** But do you know what is behind the registered owners? I am not trying to ask a loaded question here, but this issue is important, especially now with Australia in this situation of being very alert. We are in an unstable world.

**Mr Kinley:** I would have to go back and investigate. We do know who the owners are. How you identify whether a company is involved in any of those things that you raised—certainly my experience is that the operators and the companies that come to Australia are bona fide transport companies. They are generally quite well known to us.

**Senator STERLE:** There are not any two-bob shelf companies with Colombians behind them or something like that—do you know?

**Mr Kinley:** An interesting fact of the international shipping world is that most ships are owned by one-ship companies. That tends to be the structure that the industry is based on. It is all about limiting liability.

**CHAIR:** Tax liability?

**Mr Kinley:** And incident liability—insurance liability. It is so if something goes wrong, for example if you spill oil somewhere and are going to be up for a huge liability, you do not put the whole company at stake. You have the ships registered under a one-ship company so that you limit that.

**Senator STERLE:** You know exactly who those owners are and you know what is behind that company. There is no way known there could be a \$2 cover-up company with some evil intentions behind it?

**Mr Kinley:** I could not say that.

**Senator STERLE:** So we have established that there could be some gaps in what we know. Mr Kinley, can you confirm that all the nations with flagged ships that visit Australia have ratified the SOLAS Convention?

**Mr Kinley:** Again, there is a big table that the International Maritime Organization puts out which tells you exactly what the flag states have ratified. Generally, SOLAS, MARPOL, load lines, STCW—to save you going through them all—are all ratified. If a ship turned up here and they had not ratified them, we would treat it under the no-more-favourable-treatment clause, which is in the convention—

**Senator STERLE:** So no-one can sneak through, do whatever they are doing and then sneak out. You will know and you will get them. What is the system? You warn them once, twice, three times?

**Mr Kinley:** If they turned up without the appropriate certifications or conditions of the convention they would be detained until such time as it was fixed. They would not be allowed to sail until they were compliant.

**Senator STERLE:** We have established that some of them can come to our shores without that—that can happen. My concern is that, if they have not signed certain protocols, we do not know exactly where they sit with environmental crew conditions in our waters. We have no idea, have we, until you catch them?

**Mr Kinley:** I can tell you that the instances of ships coming into our ports without having the appropriate certification that complies with the conventions we expect—I cannot even remember the last time it happened.

**Senator STERLE:** Is that because you have a bad memory or are we talking about a hundred years?

**Mr Kinley:** That is because it is so rare.

**Senator STERLE:** Okay, but it can happen—we know that. Can you tell us if the companies with Liberian flagged ships are headquartered in Liberia? Do you have that knowledge?

**Mr Kinley:** Again, I am just going off what I recall. I think the Liberian registry is actually operated out of New York.

**Senator STERLE:** Fine. It goes to Senator Heffernan's phobia about tax avoidance. What about cruise ship companies? Do any of them have Liberian-registered ships, or are any of the cruise ship companies registered in Liberia?

**Mr Kinley:** I would have to check on that. My experience is they tend to mostly be flagged in Bermuda or the Bahamas.

**Senator STERLE:** Are the companies that flag their fleets Liberian normally associated with Liberia at all?

**Mr Kinley:** Not in my understanding.

**Senator STERLE:** All right, that is fine. Why do you reckon they are flagging Liberia?

**Mr Kinley:** From the history of that. Again, this is what I know of the history of the industry. I believe that the Liberian registry was originally set up by Americans as part of that development of open registers. Liberia and Panama were two of the first registers.

**Senator STERLE:** It is like Swiss cheese. We try our best, but we cannot guarantee that everything is Mickey Mouse.

**Mr Kinley:** This is what I have been saying. Beneficial owners can be quite difficult to track down.

**Senator STERLE:** I will leave it at that, but I really have a serious concern, particularly in the world as it is now, if we are throwing our coast open. I am a fantastic supporter of the Jones act, and I reckon we should be doing that here in Australia, particularly while we have security issues. We know where our Australian crew come from. We know exactly what they are doing. We know that they are trained up to the max. We know that they would be more than capable, and that they will work to every single protocol—so stop bringing in foreign ships.

**CHAIR:** Goodnight, Mr Kinley. You can go.

**National Capital Authority**

[10:37]

**CHAIR:** Thank you ladies and gentlemen. I apologise for the hour of the night. There is a semi-crisis in the building over parking arrangements and the fact that parking in this building now has a value. The tax office now has a view that maybe it is a fringe benefit to park here. We have people like cleaners who come here on what you would call pretty average wages and work hard, and, if we are going to hit them with pay parking, in my view, that is bullshit. Do you have any influence over this process? I guess you have initiated the value-adding in the surrounding areas. Do you have a flow-on impact in this building?

**Mr Snow:** No, we do not. Parliament House and the Australian War Memorial were specifically excluded from the pay-parking schemes, and those institutions were left to settle their own arrangements in respect of whether they charge for parking in their carparks.

**CHAIR:** So were you consulted by DPS?

**Mr Snow:** No, we were not. We were contacted recently by the Department of Parliamentary Services in relation to whether or not we would be prepared to provide parking enforcement services within the building.

**CHAIR:** Are you able to give us a quick estimate of whatever it is going to be? It is going to be some Coles-type giveaway plan, and if you shop at the local shop you will get parking at a discount or parking free or something. They say they are going to have an income of \$250,000 from the carparks in this building. But there are people like cleaners that come in here at three o'clock in the bloody morning who can ill afford it. Just for the record, just so you guys know—because it has nothing to do with you—they originally thought it would cost \$1.3 million to do up the DPS secretary's office here in this building. It is now \$4 million to refurbish an office in this building. So 10 years of the income from the car parking that they are going to slug people coming into this building is going to pay for the renovations of the secretary's office. It is a great system. Could you assist us by trying to estimate the cost of supervising and the wherewithal to set up the car parks as a paid proposition?

**Mr Snow:** Within Parliament House?

**CHAIR:** Yes.

**Mr Snow:** As I said, we have no control over the Parliament House area.

**CHAIR:** No, but do you have an idea of the cost? What I am trying to get to is how much it is going to cost to do this and what is the cost-benefit analysis of the car parking. What does it cost for a swipe-put-your-card-in or whatever the system is? How much does all of that cost? You must know if you are going to do it, or you have done it.

**Mr Snow:** It is a completely different parking arrangement. The arrangement that Parliament House has gone with is akin to a shopping centre. The scheme that we have been asked to implement by government relates to parking in open lot surface car park areas. It is a meter system; it is a ticket machine system. It is not a comparable system, so I do not believe we would be able to assist you.

**CHAIR:** How much does it cost for your system?

**Mr Snow:** You mean in terms of a parking fee?

**CHAIR:** Per year, per park.

**Mr Snow:** Per year, per park?

**CHAIR:** The administrative overheads, which includes the capital.

**Senator XENOPHON:** I will try and assist you. As I understand Mr Snow's evidence, it is quite a different system of paying, because you have got—

**CHAIR:** I understand all that.

**Senator XENOPHON:** But it may be relevant. In terms of the amount of revenue that you collect, Mr Snow, how much of that is chewed up in overheads? In other words, if you collect \$100,000, how much of that is overheads, administrative costs, capital costs and the like to install the parking system?

**Mr Snow:** Thank you, Senator. I would have to take that on notice. The scheme has only been operating for less than five months. A number of the services you are referring to—the enforcement, coin collection—those services have only just been introduced. I would be pleased to try and make that calculation and provide that to you.

**Senator XENOPHON:** Roughly, is it a third; a quarter?

**Mr Snow:** I would say it is approximately a fifth; it is certainly less than a quarter.



**Senator XENOPHON:** So a 20 per cent cost in admin?

**Mr Snow:** Yes.

**Senator BULLOCK:** Just looking through the estimates, and this is just my reading of the sums—and maybe I have got this wrong—but on page 109 it says, 'Expense measures—paid parking on national land in the suburbs of Parkes, Barton, Russell and Acton'. Total expense measures looking out into the forward years are \$3.465 million. Then on page 115 it says:

The pay parking scheme was programmed to commence in July 2014 but was delayed until October 2014. An ongoing increase in parking revenue over forward years is expected to be in the order of \$5.0m per annum.

I would have thought, in answer to your question, the difference is between \$3½ million and \$5 million—so spend \$3½ million and you will get \$1½ million.

**Senator STERLE:** So it is sweet FA.

**CHAIR:** The cost-benefit analysis may well be marginal, but the financial impact on people who service this building could be horrific. In this afternoon's *Canberra Times* there is an article: 'Credit card fraud'. Have you read it?

**Mr Snow:** Yes.

**CHAIR:** Could you take us through that?

**Mr Snow:** There has been an issue in relation to credit card transactions. The operator of the ticket machines undertook a software upgrade earlier this month and, as a result of doing that, he advised us that they had detected that transactions that had occurred in an earlier period had not flowed through to the bank and had actually appeared in people's statements. The complaints that have been received in the last few days have been from people who have received their credit card statements and have seen one or more transactions in relation to a parking fee that they have paid with their credit card. In fact, those multiple payments date back to an earlier time, but the transactions have only just appeared on their statements. So no-one is out of pocket. What has happened is that transactions that were done in October and November or December have only just appeared on people's statements, as a result of this software glitch.

**CHAIR:** What is the explanation of the glitch?

**Mr Snow:** The contractor is saying that there was a glitch and that the upgrade that they undertook, earlier this month—they assure us—has corrected this problem, but it had been undetected up until that point.

**CHAIR:** So the National Capital Authority would wear that as an extra fixed charge—the cost of the upgrade?

**Mr Snow:** No. The agreement with that particular contractor allows them to undertake those software upgrades at their cost. What we are seeking assurances on is that the standards related to the operation of that transaction are occurring efficiently, and that is what we are holding them to account for.

**CHAIR:** Did you pay for the capital works to enable that contractor to take the contract for the car parking?

**Mr Snow:** That is correct. It went through a public tender process in conjunction with the ACT government.

**CHAIR:** Did the contractor who does the supervision of that go through a public contract too?

**Mr Snow:** It is the one and the same operator. The supplier of the machines is also the company we are contracting with to make sure that that software and the transactions occur promptly.

**CHAIR:** And the commission, as it were, the income, is about 25 per cent of the total take that that contractor gets, is it?

**Mr Snow:** Can you just clarify the question again?

**CHAIR:** I pay 10 bucks for the car park. What does the contractor who collects the 10 bucks get—and who puts the machine in and, I suppose, provides security?

**Senator BACK:** Maintains them, does the software upgrades.

**CHAIR:** In other words, what do you actually finish up with—sweet FA, a fair bit or—?

**Mr Snow:** As I said, it was through a public tender process.

**CHAIR:** But I am asking you: what is the net in the National Capital Authority's pocket after you have gone to the trouble of installing all this paid car parking?

**Mr Snow:** The NCA receives nothing. All revenue goes to consolidated revenue.

**CHAIR:** Do not play games. How much finishes up in consolidated revenue? How much goes on expenditure before it gets to consolidated revenue—proportion and dollars? If you do not know that, you should not be doing what you are doing—or don't you care?

**Mr Snow:** No; we do care.

**CHAIR:** Well, tell us.

**Mr Snow:** We are monitoring the scheme and we will be reporting.

**CHAIR:** You do not know.

**Mr Snow:** I do not know that—

**CHAIR:** If you do not know, say you do not know.

**Mr Snow:** I do not know that detail.

**CHAIR:** So you have started a scheme and you have got no idea what the financial outcome is?

**Mr Mrdak:** I think Senator Bullock drew attention to the tables in the additional estimates document, which provide revenue and cost estimates.

**CHAIR:** But that is estimates. I am talking about reality.

**Mr Mrdak:** The scheme has been running for five months. I think it is fair to say—

**CHAIR:** I would have thought that at least every three months you would have some sort of accounting process.

**Mr Mrdak:** I think at this stage what we are hearing from the NCA—

**CHAIR:** They do not know.

**Mr Mrdak:** is that it is operating within the budget estimates that are there.

**CHAIR:** How do they know that? They do not even know what is coming in and what is going out.

**Mr Mrdak:** I do not think that is the question you are asking.

**Senator STERLE:** Yes, it is. That is exactly what Senator Heffernan is asking. We are screwed for 10 bucks or whatever it is, and this mob cannot tell us how much you are going to make out of it.

**CHAIR:** Down the road.

**Mr Mrdak:** I do not think that is the case. I think the estimates that are available in the PAES document are the government's estimates of revenue and expense.

**CHAIR:** Estimates are one thing. Given my experience with DPS squirting money all over the place with no accountability—and bloody getting rid of security, for God's sake, out of the building to save \$400,000, and it has cost them millions to put it back—I am just wondering whether this is one of those futile exercises to make the books look right, the same as trying to prop the shop up by saying, 'We'll give you a \$25 parking voucher if you spend \$25 at the bloody shop.' That is a direct subsidy to the shop, right?

**Mr Mrdak:** Yes.

**CHAIR:** I want to know what the net effect is. In getting to that message, I would like to know what the net effect of the Parliamentary Triangle parliament arrangements is. If you have not got a three-monthly and a six-monthly accountability, how do you know somebody is not touching you?

**Mr Mrdak:** The essence is that I am sure the NCA has that data in terms of what is happening. The question then is: has the take-up of parking in the Parliamentary Triangle since paid parking was introduced matched revenue estimates?

**CHAIR:** No, I am not interested in revenue estimates. I am interested in what is in the bank—

**Mr Mrdak:** That is what I am saying.

**CHAIR:** and what it cost to get that in the bank. So, if you could take that on notice—

**Mr Mrdak:** We will.

**CHAIR:** and give us a three-monthly, a six-monthly and then a nine-monthly and a 12-monthly update, I would be grateful.

**Mr Mrdak:** That is fine.

**CHAIR:** And if you cannot do it in three-monthly grabs, how do you know someone is not taking you down in the meantime?

**Mr Mrdak:** I think we have clarity now about what we are being asked for.

**CHAIR:** You have all these people sitting around and going home bored every night from work. If it was my bloody business, I would want to know what was happening every week.

**Senator Cash:** I think the point is taken.

**Mr Mrdak:** The point is taken, and I think we now understand the information you are after. We will take that on notice.

**CHAIR:** But isn't it negligent for us not to have to say that? Isn't that sloppy business, Mr Snow?

**Senator Cash:** I think your point is taken.

**Mr Snow:** We will provide information. We have made a commitment that we will publicly report on a quarterly basis the performance of the scheme in relation to whether it is achieving the targets.

**CHAIR:** No, not whether it is achieving the targets. I am not interested in that but in what the reality is. Bugger the targets. We can get them. We want to know what the actual outcome is. I want to know if someone has collected the money but not put it into the till—that sort of thing. How do you know that? You do not have any records. The contractor could be taking three-quarters of it home and putting it through the pokie machines.

**Mr Snow:** That is not possible, because the machines are smart enough to actually tell us what has gone into the machines, and there is a reconciliation process—

**CHAIR:** If they are smart enough to tell you that, then why can't they tell you that every week?

**Mr Snow:** Well, we can tell you that.

**CHAIR:** But why wouldn't you, as a smart business person, want to know that anyhow? Up until tonight, it seems, no-one was worried.

**Mr Snow:** No, we monitor the transactions very closely.

**CHAIR:** This might be a little battle we have to fight, but, given that hopefully you might be making—what was it, Senator Bullock? About \$1 million or \$1¼ million?

**Senator BULLOCK:** One and a half.

**CHAIR:** And about one third of the income goes to profits.

**Senator BULLOCK:** Thirty per cent. And that is not counting capital costs; that is looking three years out at the estimated profit.

**CHAIR:** Do you have a cost recovery—you are going to get your money back in so many years? According to those figures, you are going to get 30 per cent on your money this year without capital costs.

**Mr Mrdak:** As I think Mr Snow has indicated, the NCA has had appropriation to install the system. The revenue goes back to consolidated revenue.

**CHAIR:** I understand that. I want to know if what is going to go back to revenue is 30 per cent of what was spent—the cost-efficiency of the deal.

**Mr Mrdak:** We will get that.

**CHAIR:** Unfortunately I am on the Public Works Committee, and I have never seen so many dodgy deals, including the new offices out at Woden or wherever it is. They are seriously dodgy deals, and the Public Works Committee, in one interrogation, has saved the Commonwealth \$50 million because of the largesse of dealing with the government. It is like getting your car fixed if it is under insurance, or if you go to the panelbeater and say, 'I'm going to pay for it myself.' It will cost you a lot less than when it is under insurance. That is what it is to do business with the government, and I am wondering if this is not the same.

**Senator STERLE:** You would not know. This would not come to your committee.

**CHAIR:** No.

[22:53]

**CHAIR:** We will move on to Local Government and Territories.

**Senator STERLE:** I am going to try to put a lot on notice, and I want to talk about the FAG funding. We did touch on it today, and I am sure you would have heard it, so perhaps we can get straight to it. Could you let us know whether the department has done any analysis on the loss to each local government because of the FAG cut?

**Mr Mrdak:** We certainly have done analysis of the quantum of the impact on local government from the nonindexation, but we have not done an analysis of the impact of that. We have the quantum amounts but not an analysis impact.

**Senator STERLE:** Can you supply us with that, or are you taking it on notice? Do you have it here?

**Mr Mrdak:** No, we do not have that here.

**Senator STERLE:** Then perhaps you could take that on notice.

**Mr Mrdak:** For each council?

**Senator STERLE:** Yes, please. How many do we have? About 520, I believe—is that right?

**Mr Mrdak:** I will take that on notice.

**Ms Fleming:** Was the question how many local councils there are?

**Senator STERLE:** Yes.

**Ms Fleming:** There are 571 local governing bodies that are paid or receive money under the Financial Assistance Grants program.

**Senator STERLE:** So, you will be able to tell us the loss to each council.

**Ms Fleming:** We can tell you the variation in the payments. It is not as easy to tell you a loss. Perhaps I could take a second to explain the indexation.

**Senator STERLE:** Please do.

**Ms Fleming:** Indexation is applied as a factor of CPI and population. There was a population change. There was a pause to the indexation factor. So, at the national pool level—the national pool of the Financial Assistance Grants—\$2.3 billion a year was held steady. Population variations, though, continue to occur, and those estimates are applied at the state level. Each state got a slightly different amount of money based on shifts in population. That money is then allocated through the Grants Commission each year. So, you cannot just assume that a council would have got what it got last year with four per cent or three per cent, because every year a state grants commission makes variations based on the horizontal equalisation factors that are specified in the legislation. Money goes up and down, and some councils got more money this year than they got last year, despite the pause.

**CHAIR:** It is late at night, and I have got a thick head. Does your mob supervise the doling out of grants?

**Ms Fleming:** We make payments to the states, and the state grants commissions make the allocations.

**CHAIR:** So, you actually process the Commonwealth money to the states?

**Ms Fleming:** Correct.

**CHAIR:** How many people work in that process?

**Ms Fleming:** 1.5.

**Senator STERLE:** They would be 1½ busy people! So, you can tell us what states—how much they are going to be different each year?

**Ms Fleming:** Yes, and each payment is actually published on our website, for each council. That is readily available on our website.

**Senator STERLE:** So, you can tell us, roughly. Forget about population and—

**Ms Fleming:** The variations in payments.

**Senator STERLE:** Yes. And I can say that this year I got this and this year I might get this, for the whole 571 councils.

**Ms Fleming:** Correct.

**CHAIR:** Of course, I think there are more than 1.5 people sitting at the table. I think that bloke has legs; yes, I can see his legs. The 1.5 people in your department who dole out the—

**Ms Fleming:** There is 1.5 people who actually work on the Financial Assistance Grants payments scheme.

**CHAIR:** What do the rest of you do?

**Ms Fleming:** There is local government policy, local government awards, which have been going for 25 years almost, and territories.

**CHAIR:** How many people in your set-up altogether? That is really what I was asking.

**Ms Fleming:** There are about 90 people in the division—maybe around 100.

**CHAIR:** In New South Wales, there is endemic corruption in local government—a strong statement, but it is true—mostly through real estate agents, developers and the like being on councils and involved in the development world. Do you think it is appropriate in local government to have a convicted criminal as a mayor?

**Senator Cash:** I think we now are really crossing a boundary, perhaps because it is—is it after 11 o'clock?

**CHAIR:** Yes, it is 11 o'clock now.

**Mr Mrdak:** I think it is best dealt with elsewhere. I do not think we can assist you with that one.

**Senator STERLE:** I have some rough calculations on a council—Western Downs in Queensland is one that was given to me. Under the cuts, they stand to lose about \$7.6 million over four years, I am told, because of the decision to pause the indexation of FAG. Could you confirm whether that is true? Would you have that in front of you?

**Mr Wilson:** We will take that on notice. I do not think we would be able to confirm the differential across the four years.

**Senator STERLE:** Yes, take that on notice, because you are going to come back to us with the figures that you do have so that we can put figures next to councils and states and all that sort of stuff. Has the minister received any correspondence from local governments complaining about the cuts?

**Mr Wilson:** Yes.

**Senator STERLE:** Could the department tell us which councils have written to the government?

**Mr Wilson:** We would have to take that on notice.

**Senator STERLE:** Please do, because I have written to every council in Western Australia. That is no secret. People know that. Half of them shit themselves because they think, 'Why is a Labor senator writing to a Liberal council?' It was because I actually wanted to know. It is amazing what they wrote back. Has the minister received any representations from any members of any parliaments regarding the paused indexation, to your knowledge?

**Mr Wilson:** I would think that the Deputy Prime Minister and the assistant minister would have had conversations with members of parliament regarding the issue. But I cannot give you a detailed—

**Senator STERLE:** Because you do not know.

**Mr Wilson:** list of who that might be at the moment.

**Senator STERLE:** But if you do know, can you give it to us?

**Mr Wilson:** Certainly.

**Senator STERLE:** You are taking that on notice. Great. Has the department been consulted on any plans to continue the pause on the indexation of Financial Assistance Grants?

**Mr Mrdak:** No.

**Senator STERLE:** So, there is no plan to continue it?

**Mr Mrdak:** Sorry—to continue?

**Senator STERLE:** To continue past the four years—there is no plan.

**Mr Mrdak:** Not at this stage. The government has made clear its intention that they would like to see a return of the indexation, but that will be contingent on the budget fiscal situation being improved.

**Senator STERLE:** Has the department been consulted on the government's reform of the federation paper?

**Mr Mrdak:** Yes.

**Senator STERLE:** Has the department been consulted on the funding arrangements for local government as part of the reform of the federation paper?

**Mr Mrdak:** Yes, I think there have been conversations with the Department of the Prime Minister and Cabinet in relation to where local government funding may sit in any federal structures.

**Senator STERLE:** Have you been asked to do an analysis?

**Mr Mrdak:** Not at this stage.

**Senator STERLE:** Is the department aware that local government is very concerned and wants to be consulted on the white paper?

**Mr Wilson:** I am aware that that they want to be consulted.

**Senator STERLE:** And will they be?

**Mr Mrdak:** I think the development of the white paper involves extensive consultation. Issues papers have been going out, so there are opportunities for everyone to be giving their views.

**Mr Wilson:** I believe the question would be more properly directed to the Department of the Prime Minister and Cabinet, but my understanding is that there has been over the last four or five weeks considerable

consultation around a number of issues to be contained within the context of the paper, and that has included local government.

**Senator STERLE:** Sure, and I know it is a conversation at this stage. I am not going to be cheeky enough to ask you to tell me—although I would love it if you could tell me who has been involved and what they have been talking about! But you will take that on notice.

**Mr Wilson:** It is not a question for this portfolio.

**Senator STERLE:** Okay. That will do. I will put the rest of them on notice.

[23:03]

**CHAIR:** We now have the Policy and Research Division.

**Senator BACK:** I would like to go to the *State of Australian cities 2014* report. Has it yet been released?

**Mr Mrdak:** No.

**Senator BACK:** Can you tell me when it is likely to be released?

**Mr Mrdak:** We envisage that over the next few months the government will release that and a companion publication on the state of Australian regions.

**Senator BACK:** That confirms that the department is continuing with the development and preparation of the report.

**Mr Mrdak:** Yes.

**Senator BACK:** Tell me about the state of the regions. How will that either complement or vary from it? Are they similar formats in terms of the subject matters to be covered?

**Mr Mrdak:** It is a new publication which will draw heavily on the work that was published in our yearbook in December. I will ask Ms Power to add to that.

**Ms Power:** As the secretary said, it is a new publication. Both it and the *State of Australian cities* draw on the *Yearbook 2014*, which pulls together a range of data and statistics across Australia's regions, both urban and nonurban. The *State of Australian regions* will look at that data and do some analysis on what it is telling us about developments in different regions across Australia. It is a bit of a different format from *State of Australian cities* because the level of data available to us differs. We will use case study approaches, analysis of the data—that sort of thing—to give us a picture of what sorts of issues are at play in Australia's regions and affecting rates of development in different areas.

**Senator BACK:** If you are going to the effort—which I applaud—of doing a state of the regions report as well as a state of the cities report, would it not be more usable for the wider community, including ourselves, to have an overall 'state of Australia' report so that we could get a more holistic view and overview? I ask in the context of whether we are going to need to go back and look at different parameters and criteria in the state of the cities report as opposed to the state of the regions report.

**Mr Mrdak:** In many ways our yearbook, which was published in December, provides that state of the nation. It provides some analysis of the ABS data, our bureau data and the like, which paints a pretty comprehensive picture of a number of major indicators across the nation, ranging from health, income, right through to transport.

**Senator BACK:** So how are these two going to be different?

**Mr Mrdak:** The two additional publications will contain a more specific narrative drawing out some of the key messages, it is fair to say. But in most cases the yearbook has provided that overall analysis, as I think you are seeking it to do. We would see the three publications sitting together as a suite.

**Senator BACK:** I am going to turn from state of the cities to urban policy.

**Senator STERLE:** Before you do, I would just seek clarification. You talk about the *State of Australian cities* report, but in estimates last October, you said that they would be released in December 2014. It is now in early March. Where are they?

**Mr Mrdak:** The yearbook was released in December; *State of Australian cities* has not yet been completed.

**Senator STERLE:** Okay, but you said December. What is the delay—not allowed to let it out yet, lost it?

**Mr Mrdak:** We will release it with the two publications—*State of Australian regions* and *State of Australian cities* together as joint publications.

**Senator STERLE:** Why, when you said in October it would be out in December? Just tell us why.

**Mr Mrdak:** We have not been ready to release *State of the cities* as yet.

**Senator STERLE:** Is there a secret?

**Mr Mrdak:** No secret.

**Senator STERLE:** Is it finished?

**Mr Mrdak:** No.

[23:08]

**CHAIR:** We will now go to questions on the Policy and Research Division.

**Senator URQUHART:** I want to talk about Tasmanian irrigation schemes. On Thursday, 19 February, the Prime Minister, Tony Abbott, confirmed that the federal government would contribute \$60 million towards the Scottsdale, Swan Valley, Southern Highlands, Circular Head and North Esk irrigation projects pending approval of their business cases. Based on Tasmania's own figures, \$110 million of federal funding is needed to complete these five projects, in addition to state government and private funding. So why has the government announced only slightly more than half of the funding that is needed to complete the five projects listed under tranche 2 of the Tasmanian irrigation scheme? Is there an expectation that the private sector would make up the underfunding?

**Mr Mrdak:** My understanding—and Ms Power will correct me—is that that is the quantum being requested by the proponents. The rest will be made up by private sector funding.

**Ms O'Connell:** And the state government.

**Mr Mrdak:** Philippa, is that right?

**Ms Power:** Yes. The amount, as you have said, Senator, was \$110 million. The Commonwealth has agreed a funding formula that sees the state government commit one-third with the Commonwealth committing two-thirds. The Commonwealth's contribution is dependent on the state's contribution, and the state government has committed \$30 million.

**Senator URQUHART:** The state has not committed to a full third yet?

**Ms Power:** That is the funding formula.

**Senator URQUHART:** Are you aware that the Prime Minister has said that more money might be forthcoming?

**Ms Power:** No, I am not aware of that.

**Senator URQUHART:** So, as far as you are aware, that two-thirds is what the federal government will be providing. I wondered what money he was talking about, but you are not aware that there is additional money?

**Ms Power:** I am not aware of it.

**Senator URQUHART:** What would be the trigger for additional money if there was a trigger?

**Ms Power:** The proponent could make a request, but there are a number of steps that would have to be considered before a funding decision would be made, depending on the amount of money requested from the Commonwealth. If it was over \$100 million, it would require consideration from Infrastructure Australia and a positive assessment of the BCA et cetera. But, as far as I am aware, no further requests are forthcoming at this stage.

**Senator URQUHART:** Given that some of these projects were shovel ready for funding 18 months ago, why was the funding delayed?

**Ms Power:** There was not a delay. The Commonwealth has responded to the request made by the Tasmanian government.

**Senator URQUHART:** When was that request made?

**Ms Power:** I am not aware of the exact date, but 18 months seems long to me. But I am not aware of the exact date.

**Senator URQUHART:** Are you suggesting that there is not a delay?

**Ms Power:** Certainly these projects were considered as part of the work of the Water Infrastructure Ministerial Working Group. But I am not aware of the exact date that it was first raised with the Commonwealth government.

**Senator URQUHART:** Are you happy to take that on notice and get back to me?

**Ms Power:** Yes.

**Senator URQUHART:** What program is the \$60 million coming out of?

**Ms Power:** The \$60 million will be offset across a number of government departments, including this department.

**Senator URQUHART:** And which other departments?

**Ms Power:** Environment, Agriculture and Austrade.

**Senator URQUHART:** Can you tell us how much funding in which years the \$60 million is made up of? And what are the department's expectations around construction schedules?

**Ms Power:** That sort of detail would have to be directed to the Department of the Environment, as they will be administering the program.

**Senator URQUHART:** They are administering the whole \$60 million?

**Ms Power:** Yes.

**Senator URQUHART:** The Department of the Environment?

**Ms Power:** Yes.

**Senator URQUHART:** Can you tell me which of the five schemes have the current business cases?

**Ms Power:** I do not have that detail in front of me.

**Senator URQUHART:** Are you able to take that on notice?

**Ms Geiger:** Again, those details are being worked through by the Department of the Environment. They have a process of due diligence that they have to go through. As part of the Prime Minister's announcement, he said that they would have to go through those final processes and that the funding would be subject to that. The Department of the Environment would be able to answer those questions.

**Senator URQUHART:** So that is another one for the Department of the Environment. Again, are those business cases submitted to the Department of the Environment or to—

**Ms Geiger:** That is right. All discussions will happen now with the Department of the Environment.

**Senator URQUHART:** Do you know if all five projects have been assessed by Infrastructure Australia?

**Ms Geiger:** My understanding is that they were assessed in December 2013 and that the Tasmanian government has since provided further information to Infrastructure Australia.

**Senator URQUHART:** What was the advice?

**Ms Geiger:** My understanding is that Infrastructure Australia has not provided any further advice to the government on those projects.

**Senator URQUHART:** When were the assessments complete, or when will they be complete?

**Ms Geiger:** The assessment process and the due diligence process is in the Department of the Environment's purview.

**Senator URQUHART:** So that is another question for the environment department; it is lucky we are getting them back. Thank you.

**Senator STERLE:** I want to talk about the Commonwealth spending figures done by BITRE on page 39 of this fancy booklet. Who has that?

**Mr Mrdak:** My eyesight is failing me. What booklet is that?

**Senator STERLE:** It is the *Budget 2014-15: building Australia's infrastructure*.

**Mr Mrdak:** Yes.

**Senator STERLE:** Who do I put it to? You, Mr Mrdak?

**Mr Mrdak:** Start with me.

**Senator STERLE:** Let's go to appendix B.

**Ms O'Connell:** We do not have a copy of the document in front of us.

**Senator STERLE:** Well, I am going to have a ball here, and I am not going to let you off the hook. Appendix B is 'Commonwealth expenditure on infrastructure'. You really need a copy, seriously. You are going to have to trust me. Do you trust me?

**Mr Mrdak:** Go ahead, and we will see if we can assist. Otherwise me might have to take it on notice.

**Senator STERLE:** Right down the bottom of page 39 it says, 'BITRE is the source of these numbers unless otherwise specified'.

**Ms O'Connell:** The BITRE verified numbers, you are saying, is the footnote, yes.



**Senator STERLE:** No, I cannot ask the questions. Can you get a copy? I will get this photocopied for you. Can we go to someone else, and come back to this? I do not want anything on notice.

**Senator BACK:** I was just going to ask about the abolition of the Urban Policy Forum. Can you tell me what would have been the ongoing cost if the Urban Policy Forum had continued to be conducted?

**Mr Collett:** The Urban Policy Forum was not actually at a cost to the Commonwealth other than, I think, on a couple of occasions one or two members asked to have some of their travel expenses met when they were only coming to Canberra for that specific purpose. But the vast majority of members covered their own travel expenses and meetings took place on departmental premises, so there was not any actual cost associated with that other than the time of departmental officers to prepare and attend the meetings.

**Senator BACK:** Can you tell me if there are members of the former policy forum, who will not be consulted in the future on matters that pertain to the forum's activities?

**Mr Collett:** My expectation would be that, across a variety of different meetings that occur throughout the year—some of which are hosted by the department, and a number of which are hosted by other entities, where we attend and where some of the members who previously made up the Urban Policy Forum also attend—during the course of the year, the vast majority, if not all, of those members would have some contact with the department, probably through my area and that we would discuss with them issues of mutual interest and urban policy matters more broadly and engage with them on a number of those issues. I think that we would probably have some engagement with pretty much all of them across the course of the year.

**Senator BACK:** I notice that the document has appeared now, so I will defer back to Senator Sterle. Thank you very much, Mr Collett, for those answers.

**Senator STERLE:** Appendix B on page 39, we have established that it is BITRE. So if we go down to the bottom, let us look at footnote A. This indicates some spending in 2013-14. Do you see that?

**Ms O'Connell:** Yes.

**Senator STERLE:** Can you indicate how much spending in this column occurred in 2013-14?

**Ms O'Connell:** I am struggling to see where the A is.

**Senator STERLE:** Under the star.

**Ms O'Connell:** I see where it is down in the legend, but where is it used in the actual document?

**Senator STERLE:** You will see that there are stars on here. Now I have lost them.

**Ms O'Connell:** Is it in the green?

**Senator STERLE:** It is up the top in the green. It says 'forward estimates'. Can you see it?

**Mr Collett:** We have it, I think.

**Senator STERLE:** Okay. Can you indicate how much of the spending in this column—in the green—occurred? It says 35 down the bottom, but can you tell us how much you have spent?

**Ms O'Connell:** Senator, we will have to take that on notice. Obviously the green column is the forward estimates but, as that footnote says, it includes some 2013-14 investment expenditures. We will need to identify exactly which projects include 2013-14, and how much.

**Senator STERLE:** If you could please, that would be great. Thank you. What I am alluding to is that I do not think that all of that has been spent. You will also see \$4½ billion of Commonwealth investment expenditure—so we are unsure in which year it will be spent; all we know is that it is after 2020, or two elections away. That is in the blue column next to it. Is that correct?

**Mr Mrdak:** Yes, beyond 2019-20.

**Senator STERLE:** Okay. Including that money on the never-never, there is over three billion for the Bruce Highway, is that correct?

**Mr Mrdak:** Yes, that is part of the government's 10-year Bruce Highway program: \$6.7 billion over 10 years.

**Senator STERLE:** Ten years, yes.

**Senator BACK:** Visionary!

**Senator STERLE:** Yes. One could use that term, visionary. And then we see there is over one billion in Western Sydney, which is over two elections away. Is that correct?

**Mr Mrdak:** That completes the infrastructure investment program in Western Sydney roads, yes. That is a 10-year program as well.

**Senator STERLE:** Yes, okay. So how much is that?

**Mr Mrdak:** That is a \$2.9-billion Australian government program and a \$600-million New South Wales government program.

**Senator STERLE:** Yes. So Commonwealth investment expenditure in the five years from the Abbott government's 2014-15 budget is less than \$40 billion when 2014 spending is taken out. Do you reckon that sounds about right? I notice that you did take it on notice—Mr Wilson is up the back smiling; he knows!

**Mr Mrdak:** Sorry; if you take out the beyond 2019-20, that gives you—

**Senator STERLE:** But you see there is a figure down there that makes it look like the government is spending—what is it? How much is it?

**Mr Mrdak:** You have got 45.8—

**Senator STERLE:** I thought it was 45.3, that is how well I am doing!

**Mr Mrdak:** up until 2018-19; you have got 4.5 beyond 2019-20, which gives you a total of 45.3; yes. And then the asset recycling initiative. And that gives you the figure which the government uses of a \$50-billion investment program.

**Senator STERLE:** Yes. What I really want to know is what construction will occur after 2019-20. I am alluding to the fact that there are a lot of figures there and, on that glossy table there, it looks like there is a heck of a lot of spending being done. I really want to decipher how much has already been in the previous 2012-13 budget, because that—without any secrets—is not the Abbott government's spend; it is money that has already been allocated. And then we are talking about 10 billion years so, when you take out the asset recycling, I think that these figures have been blown up to look a lot better than what can actually be credited to the Abbott government. I do not think that is an unfair question.

**Senator Cash:** Albeit still a significant investment, Senator Sterle.

**Senator STERLE:** Senator Cash, at this late hour, I would be bitterly disappointed if you sat there and could even for one minute think, 'uh-oh, maybe we have been a little bit flippant with the figures'.

**Senator Cash:** It is a significant investment, and it is something that I have to say the government is very proud of.

**Senator STERLE:** But let us not let the truth get in the way of a really good story. Can you please find that out for me, Ms O'Connell, and take that on notice?

**Ms O'Connell:** We will take that on notice, Senator.

**Senator STERLE:** Thank you. And if we need the record corrected, I am going to be asking for it at the May budget estimates, so that the people of Australia can see how much is actually being spent by this government, and how much has not been spent by this government but was allocated by previous governments.

**CHAIR:** There being no further questions, we have finished with the Policy and Research Division. Thank you, Mr Mrdak.

[23:24]

**CHAIR:** We will go to the Office of Transport Security. Senator Xenophon, do you have any questions?

**Senator XENOPHON:** No; there is a separate Senate inquiry on transport, so I do not have any questions today.

**Senator BACK:** That is the one we participated in in Melbourne?

**Senator XENOPHON:** Yes.

**Senator BACK:** So you do not have any questions on that. Senator Bullock, do you have questions for the Office of Transport Security?

**Senator BULLOCK:** It is my painful duty to ask the questions!

**Senator BACK:** Don't be long doing it, whatever you do!

**Senator BULLOCK:** How many maritime crew visas are issued each year?

**Mr Mrdak:** Crew visas or maritime security cards?

**Senator BULLOCK:** No, maritime crew visas—the visas for overseas folk.

**Senator Cash:** We do not issue those.

**Mr Mrdak:** We do not deal with that, sorry. The maritime crew visas are matters for Immigration.

**Senator BULLOCK:** Beauty. That gets me off the hook! I am done.

**Senator STERLE:** While we are waiting for the ATSB, I will put a couple on notice. Don't panic. Mr Mrdak, you will be able to help me here. On notice, how many meetings of the high-speed rail senior officials group have occurred to date, in 2014-15? You might even be able to tell us while we are waiting.

**Mr Mrdak:** I will take that on notice.

**Senator STERLE:** Okay—and the dates if you can, please, Mr Mrdak.

**Mr Mrdak:** Certainly.

**Senator STERLE:** I want to refer to written answer 205, part 7, from October estimates, about changed station locations. Have these changes come about?

**Mr Mrdak:** Changed station locations for high-speed rail?

**Senator STERLE:** Yes.

**Mr Mrdak:** I will check those. Thank you.

#### Australian Transport Safety Bureau

[23:27]

**Senator BACK:** I welcome back the ATSB.

**Senator XENOPHON:** Can I just apologise; I was out of the room when you were called initially. I am sorry; it is the way the new estimates works. I genuinely and sincerely apologise for any inconvenience. I am not sure whether you heard the evidence of Airservices Australia earlier on—whether you had an opportunity to hear that.

**Mr Dolan:** We heard most of it. It was hard to hear over the noise levels.

**Senator XENOPHON:** I think that the safest thing to do is put it on notice so that you have an opportunity to see the transcript and the answers from Airservices Australia. There is an issue there in relation to a REPCON about a serious report—

**Mr Dolan:** I did hear that exchange.

**Senator XENOPHON:** Perhaps you could take on notice whether the ATSB's views would have been different if they were aware that, for three hours, the INTAS failed. I will clarify these questions on notice for you, to assist. The concern I have is that both CASA and the ATSB may not have been, for whatever reason, fully appraised of the circumstances of that night of 12 November 2013.

**Mr Dolan:** Happy to take it notice. The only point I would make is we did receive a REPCON on this which we looked into very carefully, including obtaining a copy of the radar tapes, and we are satisfied that there was no loss of separation.

**Senator XENOPHON:** Okay. I might speak to my contacts about that, but I am reassured by what you have said to me, in the sense that you have provided me with that information. But it was looked at thoroughly by the ATSB; is that correct?

**Mr Dolan:** Yes.

**Senator XENOPHON:** Thank you. If there are some questions on notice, I will elaborate on that and a couple of other matters.

I do want to get to one issue going to the Pel-Air inquiry. Mr Dolan, you will recall from the references committee's inquiry into the Pel-Air ditching the discussions we had regarding CASA's special audit of Pel-Air and the impact or otherwise this audit had on the ATSB's investigation and report.

**Mr Dolan:** Yes.

**Senator XENOPHON:** It was your position during that inquiry that the special audit was not relevant to the ATSB's investigation. Is that a fair summary of your position?

**Mr Dolan:** That it did not change the conclusions we arrived at in the course of the investigation would be a fair reflection. But it did not change the outcome of the investigation.

**Senator XENOPHON:** In the *Hansard* of 15 February 2013, there was an exchange where I asked: You are aware that CASA had conducted a special audit, but you did not think it was relevant to your investigations to get a copy of that special audit into Pel-Air?

You said:

We were happy that our investigations were covering the territory we needed to cover in understanding the facts.

There may have been some noise in the room. I said:

Sorry, could you say that again, I could not hear you?

You said:

We were happy that our investigation was covering the relevant territory. On analysing the special audit report—and I believe we supplied a table reflecting this to the committee—we satisfied ourselves that the major lines of inquiry that had been undertaken through the special audit were ones that we had also turned our minds to.

Is that a fair summary of your position?

**Mr Dolan:** Yes.

**Senator XENOPHON:** There were similar statements from you in the hearings of 22 October and 21 November 2012. However, the report from the TSB, the Transport Safety Bureau of Canada, that looked as this states, on pages 18 and 19—and I quote so it is not out of context:

In reviewing the report, the Commissioners expressed concern that there was insufficient factual information and analysis in the report to support the revised finding on the company's oversight of its operations.

I presume that 'the Commissioners' is referring to the ATSB. That is my understanding.

**Mr Dolan:** I am sorry, could you through that again. I do not have the text in front of me.

**Senator XENOPHON:** The Canadian TSB report refers to 'the Commissioners'. I presume that is the—

**Mr Dolan:** The commissioners of the ATSB, yes.

**Senator XENOPHON:** It goes on to say:

The Commission also wondered why the CASA special audit of Pel-Air had not been relied upon more extensively to support the findings.

These comments by the Commission did not result in changes to the report.

Ultimately, the finding related to Pel-Air's oversight of its operations was removed from the report, and on 17 August 2012, the report was approved for public release.

Further, on page 30 of the Canadian TSB report, it states:

When the Commission reviewed the report in June and July 2012, the commissioners expressed concern that there was insufficient factual information and analysis in the report to support a finding related to oversight of aeromedical operations by Pel-Air. The Commission was also concerned that the CASA special audit of Pel-Air was not relied upon more extensively.

What I am trying to understand is this: do you consider there are inconsistencies in these statements in respect of what the Canadian TSB stated about what it appears to be relying on what the ATSB told it and evidence previously to the committee? I am genuinely just trying to understand whether there is a contradiction between the two, because on the face of it there does appear to be.

**Mr Dolan:** I understand the point of your question. I think you will find that the key to that is in fact the table we supplied to the inquiry, which was the result of the query of the commissioners. What is the work that took the special audit and how does that relate to the matters that we raised in our report? The table that we supplied to the committee was the answer to the commission's question: what is the relevance of the special audit to this investigation? So that is the missing bit that is not picked up in—

**Senator XENOPHON:** You can understand it is not unreasonable to conclude that there appears on the surface to be an inconsistency, but you are saying that it is dealt with by the table.

**Mr Dolan:** Yes.

**Senator XENOPHON:** And that table, just remind me, gave an analysis of what was—

**Mr Dolan:** That went through the various findings of the special audit and—I am relying on my memory here—matched them against the matters in the report. It was really a lining-up to say: 'These matters were considered in the development of the report.' I am not sure whether Mr Sangston has any further memory.

**Mr Sangston:** That is the case; it was a comparative.

**Senator XENOPHON:** Can I invite you genuinely, if you feel that there is something that you want to add, to take it on notice to elaborate on that. I would happy for you to do so. I guess the further question is whether, Mr Dolan, you and other commissioners were concerned about the lack of reliance on the special audit, despite what appeared to have been told to the committee. Or do you and the commissioners still not see the special audit as relevant, despite what, on the surface, appears to have been told to the committee and TSB?

**Mr Dolan:** To separate that question, the point in time where we approved the final report was after we considered that table that matched the work that had been done with—

**Senator XENOPHON:** Sorry. Can you say that again. The final report?

**Mr Dolan:** Regarding the final report, as it then was, that was being discussed in the Senate inquiry, at that point in time we had been satisfied that the matters raised in the special audit were adequately addressed. We are no longer of that view, and we expect that the reopened investigation will revisit the question of the special audit.

**Senator XENOPHON:** So you are no longer of that view in relation to the weight of the special audit?

**Mr Dolan:** That is something that we expect will be revisited in the course of the reopened investigation.

**Senator XENOPHON:** In other words, will the special audit and the Chambers report be considered in the new investigation into the Pel-Air ditching?

**Mr Dolan:** Yes.

**Senator XENOPHON:** This is something that concerns me: will any of the same staff from the previous investigation be involved in the new investigation?

**Mr Dolan:** No, with one small exception. Dr Walker, who is the investigator in charge, had a small involvement in reviewing some work that was done in relation specifically to fatigue in the original report, but that is the only connection of anyone who is involved in the team.

**Senator XENOPHON:** It is still part of the same organisation. There is that whole issue of being part of the same institution. The Canadian TSB basically suggested that there ought to be a new report done or a new investigation carried out.

**Mr Dolan:** I do not think the Canadians formed a view on that. They drew attention to areas where they considered that we had not adequately applied our own methodologies and processes.

**Senator XENOPHON:** To be fair, the Canadian TSB basically said that the ATSB has good methodology and good processes but they were not fully carried out in respect of the Pel-Air ditching.

**Mr Dolan:** That is correct.

**Senator XENOPHON:** I think that is a very neutral way of putting it.

**Mr Dolan:** And that is the basis on which the commission determined to reopen the investigation.

**Senator XENOPHON:** How can you assure this committee, and indeed all those involved in the Pel-Air ditching, that there will be no bias on the part of the ATSB—that it will be a de novo, a fresh look, at what was a very serious incident?

**Mr Dolan:** There are three things. With that minor exception that I referred to, those that are involved in this round of the investigation were not involved in the original, and then reopened, investigation. They were not involved in the original investigation. Secondly, the point that the Canadians most particularly made was that although our methodologies are sound they were not adequately applied or supervised in this case, and we have a new oversight of this arrangement.

**Senator XENOPHON:** Who will oversee that?

**Mr Dolan:** Mr Walsh will be overseeing the work of the investigator in charge in this case.

**Senator XENOPHON:** Mr Walsh was not involved in the Pel-Air case at all?

**Mr Dolan:** No. He was not. He was involved in giving evidence to the committee about the broader shape of the ATSB's policies, procedures and so on, because that is part of his territory. Dr Mike Walker, who is the investigator in charge, is a highly regarded world expert on matters of organisational and human factors in safety investigations and is, in large part, responsible for the methodologies and the analysis arrangements that the ATSB has in place that the TSB was quite satisfied with. We have the clear indication from our colleagues in the Transportation Safety Board, from the point of view of the commission, as to those areas where there was insufficient review, governance and appropriate control of the original investigation. So, we feel that there is a capacity there to run a perfectly good investigation, which of course will be judged by the quality of the final report.

**Senator XENOPHON:** You do not think there is a risk of a perception of Caesar judging Caesar with respect to this?

**Mr Dolan:** I think there is a possibility of that perception. The other point I would make is that the only power to reopen an investigation of a safety matter of this kind is under the TSI Act and must be with the ATSB.

**Senator XENOPHON:** So there is no capacity to outsource it to another similar body? In other words, could you ask the Canadian TSB to do the investigation de novo?

**Mr Dolan:** No.

**Senator XENOPHON:** There is no capacity in the legislation?

**Mr Dolan:** As I understand it there is no capacity, and the requirement is in the end that the commission of the ATSB consider the final report and publish it.

**Senator XENOPHON:** In terms of procedural fairness, will you be reinterviewing the pilots involved?

**Mr Dolan:** We will be reinterviewing all parties involved

**Senator XENOPHON:** Including Pel-Air?

**Mr Dolan:** Including Pel-Air and including CASA, as necessary. We have already put in a request for additional information from Pel-Air and from CASA and we will have our normal directly involved party processes where a draft of the report will be provided for comment to all involved parties.

**Senator XENOPHON:** What time frame are you looking at for this exercise?

**Mr Dolan:** Our objective, the target, for completion and publication of a final report of this reopened investigation is before Christmas.

**CHAIR:** Does that mean that this committee might not have been far off the mark?

**Mr Dolan:** The committee made recommendations that we should reopen the investigation and that we should retrieve the flight data recorders. We have agreed to reopen the investigation and we will also proceed to retrieve the flight data recorders.

**Senator XENOPHON:** That is quite significant because it is at 42 metres, is it?

**Mr Walsh:** It is at around 49 metres.

**Senator XENOPHON:** I have a couple of mates who are happy to put some scuba gear on. I say that lightly. Obviously there are occupational health and safety issues. Senator Heffernan might be able to dive down for it. When will that flight data recorder be retrieved?

**Mr Walsh:** We are working to do that as soon as reasonably practicable. An important initial part of the process will be to do a reconnaissance of the site to confirm its location, that it is still there.

**CHAIR:** It could be anywhere by now.

**Mr Dolan:** No, Senator. We have imagery of it pretty much in situ.

**CHAIR:** What sort of material is it?

**Mr Dolan:** It is solid state recording equipment.

**Senator XENOPHON:** Historically, was it five years or six years ago?

**Mr Walsh:** It would be going on for six years.

**Senator XENOPHON:** Are there other flight data recorders that have been recovered at that sort of age that are still okay?

**Mr Walsh:** Yes. We are confident that, provided the recording devices were functioning correctly and were recording correctly, there is no reason why there should not be good usable data off the recorders.

**Senator XENOPHON:** Would there be any difficulty, once they are recovered and digital copies are made, for a copy of that to be provided to this committee, if the committee was minded to request it?

**Mr Walsh:** I would need to take that on notice. There would certainly be issues to address in terms of the CVR, more so than the FDR. The flight data recorder information would be classified as restricted information, and obviously there are mechanisms to provide that to the committee. The CVR data obviously is a lot more sensitive and comes under the guise of an on-board recording. I would need to understand a bit more fully the implications of that.

**Senator XENOPHON:** But presumably the pilot, Dominic James, would be given an opportunity to have access to those as a matter of course?

**Mr Walsh:** Yes, that is correct.

**Mr Dolan:** That will definitely be done. The broader question, given the very strong protections that are put in place for cockpit voice recorders, is the extent to which we are entitled to release it.

**Senator XENOPHON:** If the committee were minded to ask for regular updates on the progress of the report—without in any way compromising confidential information; just to get a broad outline of where you are at—would there be any difficulty with the ATSB providing the committee with that information?

**Mr Dolan:** The commissioner has asked for regular updates on the progress of the reports and that is the extent of our involvement at this stage, so we would be happy to provide that material to this committee as well.

**Senator XENOPHON:** I think that would be useful to the committee. I think there is a consensus that it would be.

**CHAIR:** The thing that was odd about this to me at the time was that it was downgraded from a critical incident—what do you call it?

**Mr Dolan:** A safety issue.

**CHAIR:** From a critical safety issue to something else. Just remind me, was it the chief pilot of Pel-Air who went to work over at CASA? Where did he go to work?

**Mr Dolan:** I genuinely cannot recall.

**CHAIR:** There is someone who, I think, is completely uninvolved, at the back of the room nodding his head. I think it was CASA. I actually thought that had the potential to be a conflict of interest. Anyhow. All of that behind us, we are going to have another crack.

**Senator BACK:** Mr Foley, can you just give us a very brief update on the progress of the MH370 recovery and the number of vessels now in the recovery operation?

**Mr Foley:** I am the Program Director, Operational Search for MH370. We have currently got four vessels working in the search area. Three of those are contracted jointly by the Malaysian and Australian governments. They are the Fugro vessels—the *Fugro Supporter*, the *Fugro Equator*, the *Fugro Discovery*—

**Senator BACK:** Those are the Dutch vessels?

**Mr Foley:** Dutch mother company. The actual local company is based here in Australia. It is Fugro Survey Pty Ltd. The contract is with them as the Australian entity. The fourth vessel, *GO Phoenix*, is actually contracted by DefTech, a Malaysian defence contractor.

**Senator BACK:** Can you tell us approximately the number of square kilometres of the priority area that have now been searched and what does that represent percentage wise—35, 50?

**Mr Foley:** We have done about 24,000 square kilometres, which represents about 40 per cent of the initial priority search area of 60,000 square kilometres.

**Senator BACK:** Can you give us some indication when you think that that balance of about another 3½ thousand square kilometres—

**Mr Foley:** In what sense?

**Senator BACK:** When will you have completed the search of this priority zone?

**Mr Foley:** We anticipate that 60,000 square kilometres will be completed towards the end of May.

**Senator BACK:** Can you give us any indication whether the four vessels have come up with anything of interest or promise?

**Mr Foley:** The four vessels have certainly identified various objects on the sea floor, which may be man-made. But at this point—we have expert analysis of the sonar data and imagery—there is nothing that indicates that it is likely to be an aircraft debris field. There are some isolated objects which, by and large, could be man-made but we have not positively identified any of them as such.

**Senator BACK:** Are you saying that preparations are in place in the event that wreckage is found?

**Mr Foley:** Yes, we have been making preparations. As you may be aware, we requested expressions of interest for a recovery operation. We ran a 25-day open tender process through AusTender. That closed last week. We are in the process of assessing those expressions of interest to participate in a further tender process for the recovery operation.

**Senator BACK:** So there was a level of interest, competence and expertise to do that?

**Mr Foley:** There was a good response.

**Senator BACK:** Thank you.

**Mr Dolan:** Senator, if I could just make clear: governments have not yet decided or authorised recovery. We are making preparations against the event of—

**Senator BACK:** I can understand that. Thanks, Mr Dolan.

**Senator STERLE:** These four items—are they the size of a suitcase or a desk?

**Mr Foley:** More than four, Senator Sterle. We have a system of classification. We are very careful in the way we treat the sonar data in terms of its acquisition, how we gather it and indeed how we assess and analyse it. We have a system of classification for objects, so we have three levels, if you like—one, two and three. Level 3 is

items of potential interest—an object detected on sonar of some interest. Level 2 is likely to be something that is a bit more interesting, probably man-made. A level 1 object we need to investigate immediately. It could be an aircraft debris field. We have not had any level 1s. We have, to date, according to my memory, had about eight level 2s. And we have had well over 100 level 3s. I would hazard a guess that some have the dimensions of a shipping container, but we do not know until we get photo imagery. You are not taking a picture with sonar.

**Senator STERLE:** Thank you.

**Senator BULLOCK:** I had a little look at the Canadian review, just to go back there. I thought the 14 recommendations at the back, pages 49 to 55, were quite helpful. I presume that you will be making a detailed formal response to the Canadians on their review at some point?

**Mr Dolan:** The Canadians have indicated to us that they do not require us to make a full response to them. But, equally, the minister has made it clear to us that he is keenly interested in our response to the Canadian recommendations. We will be briefing him. The commission has already determined that we accept all 14 recommendations and the only question is how best to implement them as quickly and effectively as possible. We will inform our Canadian colleagues of the results of that. We are completing the plan to do that.

**Senator BULLOCK:** Of course, had you been going to respond to the Canadians, I would have asked you to provide a copy of the response. Given that you are responding to the minister, I do not know whether I can. But if I could, I would.

**Mr Dolan:** We will check with the minister, once we provide something to him.

**Mr Mrdak:** Probably as part of the update to the committee.

**Senator Cash:** Thank you very much, Chair.

**CHAIR:** Gob bless you all! Thank you, Hansard, for your patience and endurance.

**Committee adjourned at 23:51**