



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

ESTIMATES

**(Additional Estimates)**

TUESDAY, 24 FEBRUARY 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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

**Tuesday, 24 February 2009**

**Members:** Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), and Senators Farrell, Heffernan, Hutchins, McGauran, O'Brien and Williams

**Participating members:** Senators Abetz, Adams, Arbib, Barnett, Bernardi, Birmingham, Bilyk, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Fielding, Fieravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Lundy, Macdonald, Marshall, Mason, McEwen, McLucas, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Wortley and Xenophon

**Senators in attendance:** Senators Bernardi, Bushby, Cormann, Colbeck, Farrell, Forshaw, Furner, Heffernan, Hutchins, Johnston, Joyce, Ludlam, MacDonald, McGauran, Milne, O'Brien, Payne, Sterle and Williams

**Committee met at 9.01 am**

**INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL  
GOVERNMENT PORTFOLIO**

**In Attendance**

Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy

**Department of Infrastructure, Transport, Regional Development and Local Government  
Executive**

Mr Michael Taylor, Secretary

Mr Andrew Tongue, Deputy Secretary

Ms Lyn O'Connell, Deputy Secretary

Ms Stephanie Foster, Deputy Secretary

**Corporate Services**

Mr David Banham, Chief Operating Officer

Mr Paul Wood, Chief Financial Officer

**Infrastructure Australia**

Mr Michael Deegan, Infrastructure Coordinator

**Nation Building-Infrastructure Investment**

Ms Carolyn McNally, Executive Director

Mr Neil Williams, General Manager, Rail

Mr Robert Hogan, General Manager, NSW and Investment Coordination

Ms Jennifer Breen, Acting General Manager, NSW and Investment Coordination

Ms Vanessa Goodspeed, Acting General Manager, Policy and QLD/NT

Mr Nathan Smith, Acting Director, QLD North and NT

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RURAL AND REGIONAL AFFAIRS AND TRANSPORT

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Mr Jason Maher, Acting General Manager, SA/WA Local Roads

Mr Ned Rokvic, Acting General Manager VIC/TAS and Strategic Projects

**Australian Rail Track Corporation Ltd**

Mr David Marchant, Chief Executive Officer

**Aviation and Airports**

Mr John Doherty, Executive Director

Mr Mike Ford, General Manager, Aviation Safety

Ms Karen Gosling, General Manager, Airports

Mr Jim Wolfe, General Manager, Air Traffic Policy

Mr Scott Stone, Acting General Manager, National Aviation Plan

**Airservices Australia**

Mr Greg Russell, Chief Executive Officer

Jason Harfield, General Manager, Air Traffic Control

Mr Richard Dudley, General Manager, Corporate Affairs

Ms Caroline Fleming, General Manager, People and Change

**Civil Aviation Safety Authority**

Mr Bruce Byron, Chief Executive Officer

Mr Shane Carmody, Deputy Chief Executive Officer, Strategy and Support

Mr Mick Quinn, Deputy Chief Executive Officer, Operations

Dr Jonathan Aleck, Head, Legal Services

Ms Betty Edwards, Chief Financial Officer

Mr Clive Adams, Acting Group General Manager, Air Transport Operations Group

Mr Greg Hood, Group General Manager, General Aviation Operations Group

Mr Richard Farmer, Acting Group General Manager, Personnel Licensing, Education and Training Group

Mr Mark Sinclair, Group General Manager, Airworthiness Engineering Group

Mr Peter Cromarty, General Manager, Airspace and Aerodrome Regulation

**Australian Transport Safety Bureau**

Ms Kerry Macaulay, Acting Executive Director

Mr Peter Foley, Director, Surface Safety Investigation

Mr Julian Walsh, Director, Aviation Safety Investigation

**Office of Transport Security**

Ms Philippa Power, Acting Executive Director

Mr James Collett, General Manager, Aviation Security Operations

Ms Cheryl Johnson, General Manager, Supply Chain and Identity Security

Mr Graham Hanna, Section Head, Supply Chain and Identity Security

Mr Chris Appleton, General Manager, Analysis and Operational Support

Mr George Brennan, General Manager, Governance and Operations

**Bureau of Infrastructure, Transport and Regional Economics**

Mr Phil Potterton, Executive Director

Mr Rob Stewart, General Manager, Infrastructure and Transport Research

Dr Gary Dolman, General Manager, Regional Research and Transport Statistics

**Infrastructure and Surface Transport Policy**

Mr Peter Robertson, Acting Executive Director and General Manager, Vehicle Safety Standards

Mr Michael Sutton, General Manager, Maritime

Mr Stewart Jones, General Manager, Transport Integration and Reform

Mr Joe Motha, General Manager, Road Safety

**National Transport Strategy**

Ms Leslie Riggs, Executive Director

**Local Government and Regional Development**

Mr John Angley, Executive Director, Office of Northern Australia National Office

Mr Michael Pahlow, Acting Executive Director, Local Government and Regional Development

Mr Tony Carmichael, General Manager, Nation Building Implementation Coordination

Mr Marcus James, General Manager, Regional Development Policy

**Office of Northern Australia**

Mr John Angley, Executive Director, Office of Northern Australia National Office

**Australian Maritime Safety Authority**

Mr Graham Peachey, Chief Executive Officer

Mr Gary Prosser, Deputy Chief Executive Officer, Maritime Standards Division

Mr Mick Kinley, Deputy Chief Executive Officer, Maritime Operations Division

Mr John Young, General Manager, Emergency Response Division

**CHAIR (Senator Sterle)**—I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. Could I please remind everyone present to switch off their mobile phones or render them inaudible.

On Thursday, 4 December 2008, the Senate referred to the committee for examination the particulars of proposed additional expenditure for 2008-09 and certain other documents for the Infrastructure, Transport, Regional Development and Local Government portfolio. The committee will now further examine the particulars of proposed expenditure through these additional budget estimates hearings. The committee may also examine the annual reports of the departments and agencies appearing before it.

As agreed, I propose to call on the estimates in the order shown on the printed program. We will take a break for morning tea at 10.30am. Other breaks are listed in the program. The committee is due to report to the Senate on 17 March 2009 and has fixed Wednesday, 15 April 2009 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business this Friday.

Under standing order 26 the committee must take all evidence in public session. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable

opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

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

I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. When called to answer a question for the first time, please state your full name and the capacity in which you appear.

I welcome Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, representing the Minister for Infrastructure, Transport, Regional Development and Local Government; Mr Michael Taylor, Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government; and officers of the department.

[9.04 am]

**Department of Infrastructure, Transport, Regional Development and Local Government**

**CHAIR**—Minister, do you or Mr Taylor wish to make an opening statement?

**Senator Conroy**—I think Mr Taylor has an opening statement.

**Mr Taylor**—With the senators' permission, I would like to make a short opening statement which will set the context for today. This will assist in the questions that senators will put to our department in the course of the day. A key part of that context is some of the changes we have made to the leadership of the organisation. We have recently appointed two new deputy secretaries—Ms Lyn O'Connell, who joined us from the Department of Immigration and Citizenship, and Ms Stephanie Foster, who joined us from the Department of Defence—to fill the two vacant deputy secretary positions. Further, in responding to recent initiatives by the government and their priorities in respect of nation building, infrastructure, Northern Australia, local government and regional development, we have recently made a number of adjustments to the structure of our organisation to ensure it is well placed to deliver the government's agenda while maintaining our focus on our core business. Importantly, we have brought all the elements that relate to the nation building initiatives of the government under one set of frameworks, bringing together infrastructure and investment, surface transport policy and the work of the National Transport Strategy. Deputy Secretary Lyn O'Connell leads that group.

We have also brought all the aviation and security considerations together under Deputy Secretary Andrew Tongue. Finally, we have clearly identified and separated out the roles of

the Office of Northern Australia, and the responsibilities of local government and regional development. They now sit under the leadership of Deputy Secretary Stephanie Foster. Chair, with your permission I would like to table a copy of that structure.

**CHAIR**—Thank you, Mr Taylor.

**Mr Taylor**—On 5 February this year, the infrastructure portfolio supplementary additional estimates were tabled. These statements included four new measures relating to the government's Nation Building and Jobs Plan and, over the next two years—2008-09 and 2009-10—in respect of our portfolio, the measures provide for some \$500 million for local community infrastructure, \$150 million for maintenance of national highways, \$150 million for the installation of new boom gates at high-risk rail crossings and \$90 million for the road safety Black Spot Program.

I would like now to turn to the work of each of the divisions—which will set the context for the hearings that take place in the course of today. In the case of the nation-building and infrastructure investment division group, we have been working very actively to implement what is a major government program in respect of infrastructure. As we know, the government announced as part of the 2008 budget that it would make an early start on 45 of its election commitments, and seven of these projects have now been given additional funding in the nation-building program. This has accelerated a raft of existing programs and, importantly, \$3.8 billion has been provided all up for land transport infrastructure in 2008-09. This is an increase from the 2007-08 period.

On 12 December the government also announced a \$1.2 billion funding injection into the Australian Rail Track Corporation for 17 rail projects and the bringing forward of \$711 million funding to accelerate 14 other road projects. The government is currently working with states and territories and the ARTC to implement these announcements. Funding for the Black Spot Program is worth drawing attention to. It is now \$145 million, up from \$37 million in 2007-08. In addition, funding for the Roads to Recovery program has increased from \$262 million to \$356 million this year. Importantly, the memorandums of understanding covering land transport infrastructure projects for the period 2008-09 to 2013-14 have been actually communicated to state and territory governments, and the department is currently working with those states and territories to finalise the memorandums of understanding to facilitate the longer term program. Finally in this area, the department is actively implementing the \$70 million Heavy Vehicle Safety and Productivity Program. The minister has written to his state counterparts and we have an extensive range of projects being developed. It is expected that \$10 million will be expended out of that program this financial year.

In the infrastructure and surface transport policy area we have been taking major initiatives to put in place a single national approach to maritime safety regulation in Australia. This has been undertaken under the banner of the government's National Transport Policy. The work has been endorsed by all states and is proceeding on to a regulatory impact statement which will be presented to the Council of Australian Governments later this year. In addition, the department is also working with the government agencies and industry stakeholders to implement issues arising from the House of Representatives Standing Committee on

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Infrastructure, Transport, Regional Development and Local Government report into coastal shipping, and we expect that response to be framed in the course of this year.

We have also taken a very proactive role in the development of international regulation in respect of both the vehicle industry and the maritime sector to ensure consistency in Australia with international regulatory measures. This also covers work in the maritime emissions area. Also, we are completing in the course of this year a review of the National Transport Commission, as is required in the framework of legislation that established it. The department is providing secretariat services and a three-person panel established to undertake this review.

Importantly, in respect of the National Transport Strategy and in addition to the work on maritime safety regulation, good progress is being made with Regulatory Impact Statements for having singular frameworks for both rail safety regulation and heavy vehicle regulation, including registration and licensing. The Australian Transport Council will deliberate on these matters in May and, importantly, will report to the Council of Australian Governments later in order to progress that national uniformity. As well, Commonwealth and state ministers have agreed on a draft arrangement to underpin the operations of a National Road Safety Council. The draft agreement is being presented to the Council of Australian Governments in the first half of 2009. Subject to its endorsement, we will work with the Minister to establish that council and to provide ongoing administrative and secretariat support.

In the area of aviation and airports, we have brought forward a major piece of work, the first ever comprehensive national aviation policy statement, or aviation white paper, to guide the industry's growth over the next decade. The first step in that process was completed on 2 December 2008, when the aviation green paper was launched by the minister. Detailed consultation is taking place with industry in respect of that, and submission and comments on the green paper for proposed policy initiatives closes on 27 February 2009. Following that, there will be a second round of consultation, and the government expects to finalise the white paper in late 2009.

In the area of the Office of Transport Security, a comprehensive range of aviation security issues have been brought forward as a result of the aviation green paper, including the issues of costs of security, how security might be enhanced for the air cargo chain, improvements with respect to passenger screening, and also industry aviation security training needs. We have also worked extensively internationally, in terms of both multilateral institutions and influential international partners, to ensure we work with them collectively to shape preventive security agendas and measures that are used on a global basis. Work is also being undertaken in respect of last-port-of-call airport security assessments. I emphasise our continued commitment to consult with stakeholders and to ensure enhanced communications with the relevant parties.

The Australian Transport Safety Bureau continues to focus a significant proportion of its resources on investigations that are likely to deliver the greatest safety benefits and to ensure that any critical safety issues are identified so as to encourage relevant safety action to be taken promptly. We know the ATSB is progressing two very complex accident investigations involving Qantas aircraft. The ATSB has put together a multidisciplinary team comprising its own members and international experts, and interim factual reports for both investigations are currently being finalised and are scheduled to be released later this month.

At the request of the Queensland government, the ATSB is also chairing two separate independent investigations into two recent fatal level crossing collisions between trucks and scheduled passenger train services. We continue to build the partnership with the Indonesian government in respect of the Australian government's Indonesian Transport Safety Assistance Package, which has made good progress. The ATSB also recently deployed to Indonesia a senior marine safety investigator to provide assistance in the investigation of the capsizing of an interisland ferry during bad weather. Following the release of the aviation green paper on 2 December 2008, the ATSB is also working with the department to facilitate its transition to a separate statutory agency with a commission based structure as from 1 July 2009.

In the case of local government, for the Australian government we facilitated the Australian Council of Local Government meeting which was held here in Parliament House on 18 November 2008. It was a meeting to which all Australian mayors and shire presidents were invited. Importantly, at that meeting the Prime Minister announced a funding initiative for the Regional and Local Community Infrastructure Program of some \$300 million, \$50 million of which was for competitive strategic projects and another \$250 million which was allocated amongst local governments according to criteria announced at the time of the meeting. Implementation of the \$250 million Regional and Local Community Infrastructure Program is currently underway.

Additionally, on 13 February 2009 the government announced an additional \$500 million for the Local Community Infrastructure Program relating to strategic projects. Councils have until 6 March to submit a new or revised application under this program. Further, the government has announced a centre of excellence for local government at a major Australian university or universities. This was announced by the Prime Minister at the meeting in December and arrangements are currently underway to implement this initiative.

As well, the department has continued to provide advice to the government on the establishment of the Regional Development Australia network which replaced the area consultative committee arrangements from 1 January 2009. This process has included negotiations with all states and territories about closer relationships with Regional Development Australia and their own state regional development networks.

The Office of Northern Australia has taken on an independent part within our department, as I described earlier. Importantly, as part of the nation-building initiative on 12 December 2008, the Prime Minister announced that the government would contribute up to \$195 million towards an East Kimberley development package. This contribution is to be matched by the Western Australian government. The Commonwealth contribution is conditional on a joint assessment by the Commonwealth and Western Australian governments on the most effective infrastructure investments to meet the social and economic development needs of the region, and the department is working closely with the Hon. Gary Gray MP, Parliamentary Secretary for Regional Development and Northern Australia, to implement this initiative.

Finally, the Bureau of Infrastructure, Transport and Regional Economics continues to undertake work to underpin the department's delivery against the government's key priorities for the portfolio. In particular, the research program is aimed at helping to develop policy for infrastructure, cities, transport reform, local government and regional development. The bureau also leads Australia's engagement with the International Transport Forum, a policy

forum that covers ministers from some 51 countries. Australia will cochair the development of the 2009 forum, with the theme 'Transport for a global economy: new challenges and opportunities'.

I hope that these comments will assist you in your inquiries in the course of today. We look forward to addressing the questions you raise with us. Thank you.

**CHAIR**—Thank you. Could you table that, please, Mr Taylor. Before we go to questions we have some time issues surrounding the witnesses today, so I urge all senators to be mindful and see if we can stay on track.

**Senator BERNARDI**—Mr Taylor, I will address my questions to you because they are general departmental questions but you may like to refer them to other people. How has your agency implemented the one-off two per cent efficiency dividend?

**Mr Taylor**—The efficiency dividend has long been an issue that our department has continued to address by the way we implement technology, so we put a great investment into our information and technology end. We look at how we can improve the way we undertake the delivery of any of our programs or operational work, and we also make choices about things that are of higher priority than lower priority. We have effectively done that in both the 2007-08 and the 2008-09 years. We expect to come in on our budget commitments as described in the statements before the Senate.

**Senator BERNARDI**—You have identified technology, priorities and more efficiency in delivering programs as delivering savings to you. Specifically, can you tell me what cuts have been made in what areas?

**Mr Taylor**—As is probably clear, the changes that took place as of December 2007 meant that we put a very strong focus on implementing the new government's program, and accordingly we assigned resources to the priorities of the new government's program. We also made sure we assigned people and skills in the way we went about it. We allow natural attrition, if it involves reductions in numbers, to address that issue, but that is a process that has been carried out quite efficiently and seamlessly. The only area where we made any specific reductions—and I will have Mr Banham comment on that—was Regional Partnerships, which was part of last year's budget.

**Senator BERNARDI**—So the reduction in Regional Partnerships was because of the budget last year?

**Mr Taylor**—Yes, it was a formal budget initiative. It was made quite clear, and we responded accordingly.

**Senator BERNARDI**—Apart from that, have you had to reduce any core activities?

**Mr Taylor**—No. Fairly obviously, from the discussion that I have described, we have actually broadened the level of the framework. We have taken up the Office of Northern Australia. So we have reassigned resources but not reduced any activity. Importantly, in respect of the nation-building activity, we have put a very marked emphasis on the issues associated with infrastructure and a very strong emphasis on the cities program, which is starting to evolve. I have already outlined the major undertaking to broaden the department's commitment to local government. We have done that all quite consciously by reassigning

resources. We have not actually had to cut out anything that was core and fundamental to our organisation.

**Senator BERNARDI**—How do you actually measure service standards?

**Mr Taylor**—In a practical sense, much of our department is related to policy advice and program development, and then the delivery of those programs through the states. The infrastructure programs in particular are delivered in conjunction with state governments. Not only do they get funding for the programs but that of course allows them the funding to oversight them. We do not actually deliver them directly. So, much of what I would say about infrastructure relates to services that ultimately are delivered by states and territories.

I am going to do the same thing again with local government. We are in the business of putting together those programs but then transferring the money. For much of our work the service delivery actually takes place through government programs being announced and funds deployed and then the programs being carried out by other parties. I cannot say that we have yet set in train the monitoring of the service delivery of those programs, but we intend to. Certainly, on infrastructure we have long had reports coming back from states about service delivery. I am happy to have my colleagues deal with each of those because, as you can imagine, across the plethora we have a quite different set of reporting arrangements by group. Much of it is about how projects are actually being implemented.

**Senator BERNARDI**—You said that you receive reports from the states about the services?

**Mr Taylor**—For instance, when we undertake work with road-building programs we get reports back on how those programs are progressing. I am happy to have those teased out. Most sensibly I would like to do it within their nation building and infrastructure investment section, which will come a bit later.

**Senator BERNARDI**—I am happy to go to that. Have staff numbers been reduced as a result of the efficiency dividend or any other budget changes?

**Mr Taylor**—Yes. I will get David to reflect on the precise numbers.

**Mr Banham**—Our staffing number as of 31 December was 1,249. That is actually an increase since the last hearing. We have had some increases in some measures outside of the regional offices. The total number of staff from regional offices, which we reduced, is around 32.

**Senator BERNARDI**—Let me just clarify that: the total number of staff in regional offices has been reduced by 32; is that correct?

**Mr Banham**—As of 31 December it is 21 that we have reduced in the regional offices.

**Senator BERNARDI**—So 21 as at 31 December, yet overall staff levels have been increased to 1,249.

**Mr Banham**—That is correct.

**Senator BERNARDI**—That is an increase of how many?

**Mr Banham**—Thirty-two.

**Senator BERNARDI**—Where have those increases of 32 staff occurred?

**Mr Banham**—Eighteen of them were in the Office of the Infrastructure Coordinator, which is Infrastructure Australia, established last year. Fifteen were in Infrastructure investment and 13 were in the Office of Transport Security.

**Senator BERNARDI**—That is more than 32.

**Mr Banham**—It is the net of the 21.

**Senator BERNARDI**—Net of the 21; okay. Are you able to tell me what level these positions are?

**Mr Banham**—The additions?

**Senator BERNARDI**—Yes.

**Mr Banham**—No. I would need to take that on notice.

**Senator BERNARDI**—If you wouldn't mind, that would be terrific; thank you. Are there any further plans for staff reductions?

**Mr Banham**—There are no plans at this moment. We will need to see the outcome of the budget. We also have a number of staff who are on a retention process from the closure of those offices. They will also be leaving the department when we find alternate employment for them.

**Senator BERNARDI**—Do you have a formal process for planned graduate recruitment or identification of potential additional staff?

**Mr Banham**—For recruitment of graduates?

**Senator BERNARDI**—Yes.

**Mr Banham**—Yes. We have a formal graduate recruitment program every year.

**Senator BERNARDI**—Just briefly, how does that operate?

**Mr Banham**—I will need to get the full details to you.

**Senator BERNARDI**—That would be fine, and can you include other similar programs, whether they are related to cadetships or interns, or however you might like to describe them, not just graduate recruitment.

**Mr Banham**—Essentially, we go to a number of recruitment fairs. We go around the country to the areas we want to target, explaining the benefits of the department. We then go through a general advertising process. We would normally use an external company to assist us there. They will shortlist. We will continue that process and eventually we will interview the graduates and make offers.

**Senator BERNARDI**—I would presume that you retain records about your retention and turnover rates of staff.

**Mr Banham**—Yes; we do.

**Senator BERNARDI**—Do you have those records available or are you able to recollect them off the top of your head?

**Mr Banham**—No. I would need to take that on notice, but we should be able to get back to you today.

**Senator BERNARDI**—That would be good. Specifically, I am interested in the relative ratio of turnover or staff retention over the last three or four years.

**Mr Banham**—We will be able to get that.

**Senator BERNARDI**—If you can do that, that would be terrific. Whilst there have been some additions in staffing, has there been any change in consultancy expenditure since we last met? I am not sure whether questions were asked in this regard at the last estimates.

**Mr Banham**—At this moment, up to about the beginning of this month, I would say that we are tracking very similarly to last year in terms of consultancy.

**Senator BERNARDI**—Could you give me that figure, please?

**CHAIR**—Do you have many more questions?

**Senator BERNARDI**—I have. They are just standard ones but there are quite a few.

**CHAIR**—We might put them on notice because we are allowed only until 9.30 am.

**Senator BERNARDI**—I have been given a range of questions so I will put them on notice.

**Mr Banham**—As of 20 February, our consultancies, as per AusTender was \$4,157,570.

**Senator BERNARDI**—I have just been advised by the Chair that we have limited time. There is one minute left.

**CHAIR**—You can go further but it comes off somewhere else.

**Senator BERNARDI**—I understand that, but we had about a 20-minute opening statement, which eats into the option to ask questions.

**CHAIR**—I must admit it was a good opening statement.

**Senator BERNARDI**—It might have been comprehensive, but—

**Senator McGAURAN**—What is our time on this?

**CHAIR**—We had allowed until 9.30 am. I am happy for it to go further but I will just let the other senators know that it will encroach somewhere else.

**Senator McGAURAN**—I see the pattern that when you have the corporate section here and the chiefs, if you like, they answer a wide range of questions. It is often more important to extend our time with them than perhaps later on.

**CHAIR**—I have no drama with that.

**Senator McGAURAN**—I suggest that we continue with this section today. They answer the broad section.

**Senator BERNARDI**—Fine advice.

**CHAIR**—Do you see the collegiate style we have on this committee?

**Senator BERNARDI**—I do see that and I will not compromise it for you, Chair. So \$4,157,000 was spent on consultancies?

**Mr Banham**—That is correct.

**Senator BERNARDI**—In the past 12 months?

**Mr Banham**—From 1 July to 20 February.

**Senator BERNARDI**—Do you have appropriate figures, such as annual figures, for the preceding years available now? I am happy if you want to take that on notice and provide them to us in a timely fashion.

**Mr Wood**—It is disclosed on page 256 of our annual report. Our expenditure on consultancies for 2007-08 was \$6.3 million.

**Senator BERNARDI**—The government has recently introduced new legislation, the Federal Financial Relations Bill, which appropriates money to Treasury to pass on to the states. Does your department receive any appropriations that will be transferred to the Treasury department?

**Mr Wood**—The main appropriations that will be affected by this relate to the AusLink programs and also the local government financial assistance grants programs. Advice from Treasury is that at this stage those appropriations will not transfer to Treasury this financial year. We are currently in discussions with Treasury about the process for that.

**Senator BERNARDI**—Did the agency receive any depreciation funding for recurrent expenditure in the last financial year?

**Mr Wood**—The department received depreciation funding. That is disclosed in our portfolio additional estimates statements for our revised budget for 2008-09. Forecast depreciation expenditure is about \$13.9 million.

**Senator BERNARDI**—Has any depreciation funding been used for purposes other than the replacement of capital items in 2007-08?

**Mr Wood**—No.

**Senator BERNARDI**—So how much has the department spent on the replacement of capital items in the first six months of this financial year?

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

**Senator BERNARDI**—Chair, I have a few questions on the stimulus package.

**CHAIR**—I think your colleagues have given you the call for the whole corporate services.

**Senator BERNARDI**—How generous! You mentioned you have responsibilities under the recent stimulus package announced by the government. I would like to know when the department was asked for input before the stimulus package was announced?

**Mr Taylor**—We provide continuous input on policy matters to the government at all times. We do not actually get what I would call a flag that falls, which says, ‘This is about package X or package Y.’ Certainly, in the case of the nation-building package, while we were putting information in on an ongoing basis to government, as we have always done, we only became aware of the nature and dimensions of the nation-building package when it was announced.

**Senator BERNARDI**—So the effects on your portfolio only became apparent to you when the announcement—

**Mr Taylor**—That is right. As I have outlined, we have responded very rapidly to that. I made the observation about the announcement that took place in December and then in early February. I indicated that our response to that was to also reorganise the department so that it could respond very rapidly and effectively to that process—that changed process and changed initiative of government.

**Senator BERNARDI**—Are you able to provide me with a list of programs that are currently tracking for an underspend in this financial year?

**Mr Wood**—We could provide that. We recently updated our budget estimates in the 2008-09 portfolio additional estimates statements. We did have a reduction in our estimate for a couple of programs.

**Senator BERNARDI**—Can you tell me what those programs are?

**Mr Wood**—They are disclosed in our portfolio additional estimates statements.

**Senator BERNARDI**—I do not have that.

**Mr Wood**—Sorry, if it would help, we could provide a table to you later.

**Senator BERNARDI**—That would be great. If you could provide a table, that would be terrific. Thank you. Are you able to tell me how much was spent on media monitoring in the current financial year?

**Mr Banham**—Yes. Through to the end of December, it was \$500,799.

**Senator BERNARDI**—That is for the six months through to the end of December?

**Mr Banham**—That is correct.

**Senator BERNARDI**—Okay.

**Senator Conroy**—My understanding is that the costs in terms of the existing contract are actually the costs in terms of the contract that your former government signed.

**Senator BERNARDI**—Really?

**Senator Conroy**—There has been no change whatsoever.

**Senator BERNARDI**—You seem very defensive on this. I have merely asked the question, and you chime in.

**Senator Conroy**—On the contrary, I am happy to explain that in 2004-05 you spent \$984,000, that in 2005-06 you spent \$919,000 and that in 2006-07 you cracked the million mark.

**Senator BERNARDI**—It looks very much as if you are going to exceed that as well. We are trying to get some facts on the record—

**Senator Conroy**—I have just given you some.

**Senator BERNARDI**—but you cannot help it; you take yourself away from playing solitaire or whatever you are doing on your computer, and you want to chime in.

**CHAIR**—Solitaire! That would be right.

**Senator BERNARDI**—No, he has joined with Kim Carr now, so he is no longer alone.

**Senator Conroy**—I think you are the only person who has been playing solitaire recently, Senator Bernardi. In fact, if you are not careful, you will be sent into that room to sit in the corner by yourself with the dunce cap on.

**Senator BERNARDI**—The naughty corner!

**Senator Conroy**—Mr Turnbull is watching you as you speak.

**Senator BERNARDI**—You would be familiar with the naughty corner, wouldn't you, Senator Conroy?

**Senator Conroy**—You can borrow my old chair!

**Senator BERNARDI**—But we are getting diverted. With \$500,799, could you tell me how many staff are actually employed within the media-monitoring section of the department—or on media related duties, I should say?

**Mr Banham**—With regard to media monitoring, it is a fully contracted service. Our staff may work on the periphery to help with the distribution, but it would not be material and we would not record that level.

**Senator BERNARDI**—Okay. What about media related duties within the department?

**Mr Banham**—Staffing numbers? I will need to get back to you on those.

**Senator BERNARDI**—Okay, that would be great. Thank you. Chair, mindful of time, I will place a number of questions on notice if that is all right, but I will just follow along from this if I can. Going back to media related duties, what communications programs has the department undertaken or is the department planning to undertake?

**Mr Banham**—We only have two major campaigns which are in the category that the government would classify as 'campaigns': the trial of the new screening technology for liquids, aerosols and gels—that is \$389,054—and the continued promotion of the Green Vehicle Guide, focusing on car owners and buyers—that is \$260,946.

**Senator BERNARDI**—Thank you. What about hospitality? What was the department's hospitality spend in 2008 and also the financial year to date?

**Mr Banham**—For the 2007-08 FBT year, it was \$109,692.

**Senator BERNARDI**—Do you have details for the financial year to date?

**Mr Banham**—No, we do not.

**Senator BERNARDI**—Would you be able to provide those?

**Mr Banham**—We can get them on notice.

**Senator BERNARDI**—Equally, I would be interested in the date, location and purpose of the hospitality expenditure. I am happy to put these questions on notice as well, just to clarify it for you. There is a continuing order of the Senate which has asked for advice of the board appointments. Have you been complying with any notice of—

**Mr Banham**—Sorry, could you repeat the question.

**Senator BERNARDI**—There has been a continuing order applying in the Senate requesting that we be advised of any board appointments, and I just question whether you

have been maintaining the flow of advice into the Senate about appointments to any boards within your portfolio area.

**Mr Banham**—Yes, we tabled that on 19 January.

**Senator BERNARDI**—Thank you. And that provides a list of board members and the states and territories in which they reside?

**Mr Banham**—Yes.

**Senator BERNARDI**—Okay, that is fine. Thank you. Has the department received any advice on how to respond to freedom of information requests?

**Mr Banham**—No, Senator.

**Senator BERNARDI**—How many freedom of information requests has the department received?

**Mr Banham**—The number of requests we have received since 1 July 2008 is 25, of which we transferred 10 to other Commonwealth agencies. That is the number.

**Senator BERNARDI**—How many of the remaining 15 have been granted or denied?

**Mr Banham**—We have granted two in full. Of the ones we have processed, which is 12, which we have actually run to completion, we have granted two in full and six in part, and in four we have declined access.

**Senator BERNARDI**—And the remaining three are still under consideration, are they?

**Mr Banham**—They are still in process.

**Senator BERNARDI**—Chair, that is all I have. I know Senator McGauran has some questions, but I will put the rest on notice, thank you.

**Senator McGAURAN**—Senator Milne just wanted to put a quick question.

**Senator MILNE**—Mr Taylor, I want to ask if you have a whole-of-agency approach to incorporating the reduction of greenhouse gas emissions as a screen against all work that your agency does, whether it is road transport, aviation, local government infrastructure and all that sort of thing; if that screen is implemented across the agency; and how it reports back to you.

**Mr Taylor**—I cannot say we have, as you have described it, a whole-of-government screen. I do not understand—

**Senator MILNE**—Whole of agency.

**Mr Taylor**—A whole-of-agency screen. But I might ask David Banham to reflect on how, in our organisational operation, we have gone about driving issues which have been particularly aimed, in terms of activity, at greenhouse gas management and the environmental efficiency of buildings.

**Senator MILNE**—I will just clarify. I was not so much asking you about what you do in your offices. I am asking you, for example, as the Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government, when you are looking at national transport strategy, infrastructure and service transport policy, infrastructure investment, airports and aviation—all those things—

**Mr Taylor**—I answered that, but I probably did not put it clearly enough. No, we do not have a whole-of-department screen on those issues.

**Senator MILNE**—So how do you contribute to the whole-of-government approach to reducing greenhouse gas emissions, if that is not a priority area for all of your—

**Mr Taylor**—Importantly, most of those activities are activities where we put policy programs in place but they are actually often undertaken by states, territories and local governments. They are the parties who actually carry out the operational activity, and of course they are the parties who actually carry out those judgments about how they best deliver, including best delivering on greenhouse gas reduction.

**Senator MILNE**—I would have thought, though, given that potentially infrastructure is one of the most critical ways of reducing greenhouse gas emissions, that leaving it to the program delivery agency or to the states is actually a recipe for having nothing done.

**Mr Taylor**—We would have a different view. We think most of our state partners are quite proactive in this area.

**Senator MILNE**—We will see when we come to the major roads infrastructure. Thank you.

**Senator McGAURAN**—I am also mindful of time. I will put a great many of my questions on notice in regard to how many reviews the department has undertaken—I have a series of questions there—and how many consultancies are underway. There is also a series of questions there. But I would like to just touch on one subject, and that is the Community Cabinets. There is a growing feedback of ministers being hauled out at great expense and just acting as a backdrop, if you like, to what has become the Prime Minister's show. They do not really need to be there because the Prime Minister does all the talking. They have little to say—

**Senator HUTCHINS**—That is not true, Julian. I was there last week.

**Senator McGAURAN**—Well, this is the feedback, and this is the question. I happen to be asking the table over there and not exchanging debate with you.

**CHAIR**—Senator McGauran, just ask your question.

**Senator McGAURAN**—At great expense, these ministers are just acting as a backdrop—

**CHAIR**—Do you have a question, Senator McGauran?

**Senator McGAURAN**—so it may well be becoming farcical. What is the expense of, say, the department, or the minister's travel expenses for these community meetings?

**Senator Conroy**—All of that information is publicly available via, I think, PM&C estimates, Senator McGauran. I think it is regularly asked for and regularly provided. We are happy to take it on notice but I am not sure that we would have that information readily at hand. Quite genuinely, I think Senator Faulkner provides that information for the total cost across the whole of government through the PM&C estimates. I am sure if you raced around there you could even get the information out of him today—if it is on.

**Senator McGAURAN**—Thank you, Minister, and I would ask that you specifically provide the department's cost for travel expenses.

**Mr Taylor**—I am happy to take that on notice, but David Banham will probably provide a reasonable outline of where we currently sit.

**Mr Banham**—Since the last hearing, there have been meetings in Launceston, Corio and Campbelltown. The department's costs for Launceston was \$1,953. For Corio it was \$1,064 and for the recent meeting at Campbelltown it was \$1,063.

**Senator McGAURAN**—For the minister?

**Mr Banham**—No, those are departmental costs.

**Senator McGAURAN**—How many ministerial staff and department officers travel with the minister to these meetings?

**Mr Banham**—At Launceston it was the secretary, at Corio it was the deputy secretary and for Campbelltown it was the secretary and the deputy secretary.

**Senator McGAURAN**—And ministerial staff?

**Mr Banham**—I think on each occasion it was just the one.

**Senator McGAURAN**—Do any party meetings happen to coincide with these community cabinet activities? You might laugh, Minister, but it is very important. I ask that question genuinely. We do not want to use it as an excuse for sideline fundraising by the minister if he is out there on a community cabinet exercise. So I would ask you, Minister: are there any party fundraisers, party meetings or party activities that coincide with these community meetings?

**Senator Conroy**—Not that I am aware of, but I think I need to explain to you the full process because unfortunately I think the intelligence you are receiving matches the recipient. The information you have got probably does not include the fact that, after the cabinet takes questions from the floor, we then go into a process whereby people have made appointments to see any and all of the cabinet ministers present. So there are many, many questions that are put to us one on one throughout the next hour or hour and a half. I myself met with the mayor of an adjoining shire to Campbelltown, where we were—

**Senator McGAURAN**—Who was that mayor?

**Senator Conroy**—I would have get you his name.

**Senator McGAURAN**—Exactly.

**Senator Conroy**—It was a smaller shire that adjoins Campbelltown. I will happily supply you with a list. We had a very good meeting—

**Senator McGAURAN**—I am sure that mayor will be embarrassed that you cannot remember.

**Senator HUTCHINS**—If it is the mayor of Camden, I think he is a member of the Liberal Party.

**Senator Conroy**—I was in no way suggesting, Senator Hutchins, that we were meeting with Labor Party people. There is an appointments process—perhaps if you took the time to go onto the PM&C website you could find out how to make an appointment, Senator McGauran. So the process is that people register to attend, and they also then register to ask

for a meeting—the process then has two components. You appear to have only been informed of half of the issues.

**Senator BERNARDI**—That is why he is asking you.

**Senator Conroy**—No, he has suggested something other—that Labor Party meetings take place.

**CHAIR**—Senator Bernardi, the minister is halfway through answering the question. You could have the decency to let him get it out.

**Senator Conroy**—So during the course of the afternoon and evening there are no organised meetings for cabinet members to attend on a party political basis that I am aware of. Many of the cabinet colleagues have meetings with community groups in the area, and we then take questions from the floor.

The Prime Minister will answer some of the questions and the cabinet members on the platform will also answer some of the questions. So I think, unfortunately, the information you have received is a little deficient because it has not described the full processes involved. But, to go to the thrust of your insinuation, as far as I am aware no party political meetings take place during the community cabinets.

**Senator McGAURAN**—I will put the rest on notice.

**CHAIR**—I thank the officers from corporate services.

[9.51 am]

### **Infrastructure Australia**

**CHAIR**—I welcome Mr Michael Deegan from Infrastructure Australia.

**Senator WILLIAMS**—Last time here in estimates I was concerned about rural and regional areas and what Infrastructure Australia was doing to go out to those areas and see what the issues are. I wrote to your department in October last year and I never got a response, so I rang again in December. Could I take you back to that? You have 12 on your committee—is that right?

**Mr Deegan**—Yes.

**Senator WILLIAMS**—What are you doing to go out to rural and regional areas to see what the vital issues are out in those areas?

**Mr Deegan**—I am not aware of the written documentation to which you refer, so I will follow that up. I have been attending to a range of issues across the country in parts of remote Queensland, Northern Territory, Western Australia, in regional parts of South Australia, Victoria and Tasmania. Some of the council members themselves in their own right have activities as part of their private interests in parts of Australia across the nation.

**Senator WILLIAMS**—Would you like to be my guest for a couple of days some time in the future?

**Mr Deegan**—I would be very happy to.

**Senator WILLIAMS**—There are areas such as Tamworth, Armidale, Inverell and northern New South Wales which are very productive areas, and meeting with local governments we

could highlight the infrastructure needs of many of those areas. It would be great if you could do that. What budget does Infrastructure Australia have in total for this financial year?

**Mr Deegan**—The total budget for Infrastructure Australia is \$7.5 million, including \$1 million dollars for the Major Cities Unit.

**Senator McGAURAN**—Will you spend it?

**Mr Deegan**—We are on track.

**Senator WILLIAMS**—Could you define that? What did you say it was?

**Mr Deegan**—The Major Cities Unit includes a staff of four people and their activities.

**Senator WILLIAMS**—That is about all I have to ask. But I believe that the 12 members of the committee are from urban areas, and my concern was whether rural and regional areas were getting the spotlight put on their areas as far as infrastructure goes. We will correspond about that in the future.

**Mr Deegan**—I am happy to do that. Certainly the question on notice was taken and responded to that a number of committee members have interests across the country, including regional parts. I am very happy to take up an invitation to that part of New South Wales.

**Senator WILLIAMS**—Thank you.

**Senator LUDLAM**—Mr Deegan, you have submitted your priority list to government. Do you have a clear idea of when an announcement will be made of the first tranche of projects?

**Mr Deegan**—On 19 September last year Infrastructure Australia made public a report to the Council of Australian Governments on its views on infrastructure priorities and a host of issues to deal with those infrastructure issues. Subsequent to the release of that report, which is available for public comment, we are working further on a finalised list of priorities to go to government. That work is not yet complete.

**Senator LUDLAM**—When do you intend to hand that document over?

**Mr Deegan**—We are aiming for March.

**Senator LUDLAM**—And that is your best appraisal of the first tranche of the Building Australia Fund spending?

**Mr Deegan**—That would be our advice.

**Senator LUDLAM**—So that will be some time in March. Perhaps this might end up needing to be a question to the minister, but can you tell us what effect the budget deficit has had, or are you still anticipating that you will have the full amount of spending that you were given initially?

**Mr Deegan**—Our role is to provide advice on infrastructure projects suitable for funding from the Building Australia Fund, but we have been clear all along that it is up to government to make the decisions as to the allocation of funds on whatever advice they might receive.

**Senator LUDLAM**—Minister, can I confirm with you that the Building Australia Fund is still funded to the degree that it was before the budget went into deficit—\$20 billion or thereabouts?

**Senator Conroy**—\$12.6 billion has already been allocated to BAF and further allocations are subject to budget circumstances.

**Senator LUDLAM**—We started with an allocation of \$20 billion and now we are down to \$12 billion and a bit—is that correct? Minister, just to confirm, of that \$20 billion, was roughly a quarter quarantined for the National Broadband Network?

**Senator Conroy**—The lesser figure is due to revisions in budget surpluses.

**Senator LUDLAM**—I will put a couple of questions to you on that. We started with \$20 billion, a quarter of which was quarantined for the National Broadband Network. What remains in the Building Australia Fund for infrastructure?

**Senator Conroy**—Of the \$12.6 billion, \$4.7 billion is for the NBN.

**Senator LUDLAM**—We initially started with an appropriation of—

**Senator Conroy**—Your definition of initially is probably where the problem is. Government announced an intention to allocate \$20 billion depending on budget surpluses, so there was no actual allocation of \$20 billion.

**Senator McGAURAN**—There was. There was a budget allocation of \$20 billion.

**Senator Conroy**—There was an intention to allocate \$20 billion.

**Senator McGAURAN**—Are you reading from a statement? If that is the case, I would like to see that statement.

**CHAIR**—Senator McGauran, the minister is answering Senator Ludlam. Senator Ludlam has the call.

**Senator LUDLAM**—Just to be clear, we had an initial intention to allocate \$20 billion, of which a quarter was quarantined for the National Broadband Network. Just to confirm, we are down to around \$7 billion or \$8 billion in the initial spend—

**Senator Conroy**—As I said, of the \$12.6 billion that has been allocated, \$4.7 billion is for the NBN.

**Senator LUDLAM**—Thanks, Minister. Mr Deegan, has that reduction in funding played into the way you are prioritising the list, or has that not had an impact?

**Mr Deegan**—We hope to provide a long-term plan for the country's future in terms of its infrastructure; short-term or medium-term funding are issues for the government. We will provide advice about the type and nature of projects that might be considered, including by other funding opportunities either within government or the private sector.

**Senator LUDLAM**—Are you able to tell us the amount of funding the shortlist that you are preparing for government will total?

**Mr Deegan**—That list is still under preparation.

**Senator LUDLAM**—I understand that your initial list was very much oversubscribed; the number of projects put forward would cost greatly in excess of the \$15 billion or so that was available.

**Mr Deegan**—Sure. The original list of 94 projects was an outline for the community of the sorts of projects that we were considering as part of our advice.

**Senator LUDLAM**—So will the list that you are putting to government in March be coming under a cap of \$7.9 billion or are you just disregarding the amount of money that is available?

**Mr Deegan**—Again, the logic of our approach is to provide short, medium and longer term views of the country's needs in terms of infrastructure. How the government funds, or considers which part of that to fund, is a matter for them.

**Senator LUDLAM**—In October, we discussed that you were a couple of weeks out from consideration of the very first list. You were not able to tell us at the time how you were incorporating future carbon prices into your models and the kind of priorities you were setting for projects. Is that something that you are able to tell us a little bit about now?

**Mr Deegan**—To be fair, I said that at that stage we were developing our work.

**Senator LUDLAM**—Yes.

**Mr Deegan**—Rather than denying your request.

**Senator LUDLAM**—No, that is correct.

**Mr Deegan**—I am pleased to advise that—

**Senator Conroy**—So why did you say it the first time?

**Mr Deegan**—Part of our work has been looking at the short-term carbon and oil price assumptions and how that might figure. Treasury's advice has made it clear that the futures market for these are not yet matured. We sought to consider carbon costs in the cost-benefit ratios and have been evaluating projects on their merits as to how well they might help to position Australia for a robust economy within long-term carbon and oil futures. There are two processes: one in a strategic fit, or profiling, which is outlined in our report to the governments and the community; and then more detailed in the appraisal process of the sorts of issues that the proponents have dealt with in calculating direct and indirect emissions of their proposals and assigning a value—if at all—to carbon emissions, and whether those estimates were then in turn based on robust and reasonable sources. Similar was done for health, with pollutants and other such costs.

Part of our process is to try and address that broader issue of how these climate change impacts are considered. It would be only fair to say that a number of the proponents—indeed, a great majority—are struggling with working through how to deal with that. To be fair, I think it is a work in progress.

**Senator LUDLAM**—I note that you are actually quite critical in part 5(1) of the document as to the quality of some of the projects and how they have addressed those issues. If we pull the two apart for the moment, with hydrocarbon prices on the one hand and climate future carbon prices on the other, can you tell us—from a climate framework—how you have chosen to evaluate the projects that have been put before you, in particular your assumptions of the future price of carbon.

**Mr Deegan**—I think my previous answer did detail how we have dealt with that.

**Senator LUDLAM**—Perhaps I missed something really important. How have you evaluated—

**Mr Deegan**—There are two processes—firstly, a profile in terms of treatment of carbon and oil price issues. That has two parts to it, and in the strategic fit part we consulted on a range of methodologies we might use. We considered whether an initiative would reduce the oil vulnerability of communities and whether that would foster a stable growth economy in the face of growing energy and carbon costs. We also incorporated some checks, including climate assumptions and adaptation provisions. The issue for us was whether the proponents had quality of material for us to assess to take any further.

**Senator LUDLAM**—Okay.

**Mr Deegan**—It is very hard to assess when they do not have that material.

**Senator LUDLAM**—Agreed, so will you—

**Mr Deegan**—That has been the challenge. That is why I have said this is a work in progress.

**Senator LUDLAM**—So, just to pick one example: the Western Australian government proposed half a billion dollars worth of spending on freeways around Perth airport. Would you just take a look at that and knock it out on the basis that it does nothing to protect us from oil vulnerability, or would that make the cut?

**Mr Deegan**—It would be fair to say there are a number of projects where we have sought further information. That would be one of them.

**Senator LUDLAM**—Okay, that would be one of them. To what degree have projects that might go to exports of carbon intensive products been evaluated along the same lines?

**Mr Deegan**—That is part of the consideration.

**Senator LUDLAM**—So if somebody, for example, were proposing an expansion of a coal port or a coal rail line or something like that, it would be evaluated—

**Mr Deegan**—As measured, of course, by economic productivity issues and the economic interest of the country as well.

**Senator LUDLAM**—But you have set those against the carbon impacts for those projects?

**Mr Deegan**—We try to look at all of those, as set out in our document. They are the sorts of issues that we have dealt with.

**Senator LUDLAM**—I am sure we asked you about this last time: are you able to provide to the committee the modelling that you have used? What detail are you able to provide us with?

**Mr Deegan**—Again, the climate change modelling unit of Treasury has advised that that futures market for the carbon market has not yet matured. It is a very difficult process to get that sort of detailed modelling. We have not used those prices accordingly. Simply, our process has dealt with the strategic fit issue and then, in trying to question in the cost benefit ratios, to what extent those issues are being dealt with and how they have managed that.

**Senator LUDLAM**—Surely, to do a cost benefit analysis, you somehow have to monetise inputs such as—

**Mr Deegan**—That is right. That is what we have looked at from the states, all of the other proponents. There is very little detail in that to then go and model.

**Senator LUDLAM**—Okay. So you have gone back to the states and said that some of these are very insufficient and that there is not enough info to make a call?

**Mr Deegan**—In a range of areas.

**Senator LUDLAM**—Okay.

**Senator MILNE**—Can I ask a question?

**Senator LUDLAM**—Yes, of course.

**Senator MILNE**—I will ask about the greenhouse gas issue while Senator Ludlam is looking at that. Mr Deegan, you have talked about the modelling in relation to the carbon price, but there was an undertaking given in the Senate by the government that every project that Infrastructure Australia looked at would give an evaluation of the greenhouse gas ramifications of that project. Can you tell me how you have estimated the greenhouse gas emissions that the projects might generate or save in terms of the strategic fit with an obligation to reduce greenhouse gas emissions?

**Mr Deegan**—I am not aware of the detail of the commitment made in the Senate but I will follow that up. In any event, in questioning the assumptions behind the cost benefit ratios generally, in terms of climate change, greenhouse and prices of oil, we have sought during the appraisals of the financials of those projects to check whether the proponents have calculated the direct and indirect emissions in their proposal, to check whether they have assigned a value to those carbon emissions and, again, to check the quality of those estimates. We have sought in the process to assign some measurement or assessment of how those issues have been dealt with by the proponents.

**Senator MILNE**—If they have not been able to estimate the likely greenhouse gas emissions and, therefore, the cost benefit in terms of that, does the project continue through the assessment?

**Mr Deegan**—Depending on the quality of the submission generally. The better developed submissions have considered those issues along with others. Generally, most of the better developed submissions have considered a whole host of issues including greenhouse gas emissions. Just going back to the response to Senator Ludlum, this is a new approach in terms of assessment of infrastructure requirements. We are seeking to work with the proponents—the states, the private sector and others—to work on the infrastructure for the nation in a way that not only minimises these risks but also renders them least vulnerable to the risks of climate change and energy into the future. The process is still underway.

**Senator MILNE**—Can you tell me how many meetings you have had with the climate change task force of the department to talk about how your work might be taken into account across the department and vice versa?

**Mr Deegan**—I have certainly had one direct meeting with the department. My office—

**Senator MILNE**—One?

**Mr Deegan**—One directly involving me. I have had a three-hour meeting with the deputy secretary of the department. There were then a number of meetings between my office and the Department of Climate Change.

**Senator MILNE**—I was not talking about the Department of Climate Change. I am talking about the task force for climate change in this department. There is a climate change task force in this agency. How many meetings have you heard with the task force in this agency?

**Mr Tongue**—We have a small unit that is working with the Department of Climate Change looking at transport impacts in the broad as part of the Carbon Pollution Reduction Scheme. I would not have expected that there would necessarily be meetings between that unit and Infrastructure Australia, because Infrastructure Australia is engaged in a different task. It is involved in providing advice to government on a prioritised list of major projects, whereas that unit is working on the existing transport system and how the CPRS might incorporate the transport networks. Mr Deegan has outlined where his focus has been; it has been with the Department of Climate Change.

**Mr Deegan**—Thanks, Mr Tongue, but I am sure that a lot of the issues would be raised in parallel.

**Senator MILNE**—It is just that in your key priorities for this year it says:

- using the newly established BITRE Climate Change Taskforce to:
- forge linkages between climate change policy and sectoral regulatory frameworks;
- coordinate the Department's policy input; and
- analyse the implications of carbon emissions trading for transport systems ...

I would have thought that if that is seriously what the task force is doing then there would be a fair amount of cross-over with Infrastructure Australia.

**Mr Deegan**—My office may well have met with them. I will need to confirm that.

**Senator MILNE**—Yes, and just confirm that it is not really a high priority—

**Mr Deegan**—Not at all.

**Senator MILNE**—in the agency, I mean.

**Mr Deegan**—I will need to confirm that one way or another. We have taken it very seriously.

**Senator MILNE**—In relation to the priority issues, one of the concerns I have is that, because so many of the projects coming forward are from state governments and the private sector, some of the nation's infrastructure priorities will not be recognised by either—firstly, because states do not actually get it and, secondly, because the private sector is going to drive projects that are profitable for them. In particular, I am talking about two things. I am talking about water infrastructure for the nation and upgrading the national electricity grid so that it is capable of bringing on renewable energy and energy efficiency in the way that we might like. Have you noticed any serious gaps between what you have identified as a board and group on national infrastructure and what is coming up? How can we address those gaps, if they exist?

I would have thought that water and an intelligent grid are just as critical as broadband as future infrastructure for the nation.

**Mr Deegan**—I am pleased to advise that both those areas are receiving serious attention from the Infrastructure Australia Council. The council resolved at its last meeting to work closely with a range of government and other players on the development of the planning for the national electricity grid. In our report released in December there is considerable comment about water infrastructure and the best means to proceed with providing those essential services. There is a particular interest in small and regional communities that are facing difficulty with water supply but also dealing with not just supply issues across the nation but also the quality of the water. Both those areas are receiving considerable attention.

On the broader issue you raise, the first round was a submission basis. There were submissions from a whole host of groups, including non-government organisations, community groups and others. The next round will be, I think, for Infrastructure Australia Council, now that it has seen the quality of the submissions and the work done to date, to take a broader view of what the nation may need—hence, its work at least in the first instance on the national electricity grid and water infrastructure issues more generally.

**Senator MILNE**—Just to follow up on the national electricity grid, because it along with water is critically important, now that you have identified this as an area that is critical national infrastructure for the future, how can Infrastructure Australia drive that? You have identified it as something that needs to be done; how can you drive that?

**Mr Deegan**—That is what we are working on at the moment. I am sure we will continue to provide you regular updates.

**Senator MILNE**—I guess I am asking what the mechanism is. Are you talking to all the state governments, the federal government or to everyone?

**Mr Deegan**—A host of players. We have just started that work and there is a lot of interest in the council about renewable energy sources that may or may not be close to the transmission grid, because there could be huge costs involved, and where renewables, for example, might be readily available and close to grids, including in your own state. Opportunities might arise there. Those discussions have taken place in Tasmania with the government and the Chamber of Commerce and a range of other interested parties. We will be proceeding with that work across the nation.

**Senator MILNE**—I am very pleased to hear it. Thank you.

**Senator McGAURAN**—Mr Deegan, on the establishment of the council, what was understanding of the amount in the fund that you would be handling or dealing with?

**Mr Deegan**—As best described by our chair, Sir Rod Eddington, our role is to provide advice; it is for government to decide. The allocation of funds is a government matter. We have sought to provide advice on the type and nature of projects that the country will need in the future.

**Senator McGAURAN**—So you had no understanding of the dollar figure on which you would be giving advice?

**Mr Deegan**—We, like the senators present, have sought to keep involved in a close view of the funding that might be allocated, but the Council has taken a view that it should provide advice for the short, medium and long term, and the particular allocation of funds in any years or series of years is a matter for government.

**Senator McGAURAN**—What was your understanding of what might be allocated?

**Mr Deegan**—The advice that was available in the public domain.

**Senator McGAURAN**—Which was?

**Mr Deegan**—Funds that might be available, as the minister has indicated, depending on the surplus available at any particular time and the allocation decision that the government might take.

**Senator McGAURAN**—Did you tune into the budget in May?

**Mr Deegan**—I am certainly aware of the budget last year.

**Senator McGAURAN**—Did you hear the budget announcement with regard to Building Australia Fund and what would relate directly to your council's recommendations?

**Mr Deegan**—At the time, I was not working with Infrastructure Australia.

**Senator McGAURAN**—Did you take any interest in what the government announced with regard to the Building Australia Fund?

**Mr Deegan**—Of course, Senator.

**Senator McGAURAN**—What was your understanding that that fund would contain?

**Senator Conroy**—I think Mr Deegan has answered that question.

**Senator McGAURAN**—I do not think he has.

**Senator Conroy**—I think he mentioned that he noticed what was in—

**Senator McGAURAN**—I think he is ducking and weaving and dodging and slipping and sliding. You are encouraging him to.

**Senator Conroy**—I think he indicated that he noted what was in the public domain.

**Senator McGAURAN**—Let me tell you what the head of the department said, Mr Deegan, if you are not going to be forthright with me.

**Mr Deegan**—Excuse me, Senator; I reject that. I have been forthright with you. I have given advice to you that Infrastructure Australia's role is to provide advice on the quality and nature of infrastructure—

**Senator McGAURAN**—But that is not what I asked you. I asked you what your understanding of the budget announcement was. And you know what that figure is.

**CHAIR**—Senator McGauran. Order! Mr Deegan was halfway through explaining and I think you should at least give Mr Deegan the decency, and I would probably urge you, Senator McGauran to maybe retract your remarks.

**Mr Deegan**—Thank you, Mr Chairman. I come here to provide advice to the senators as best as I am able. The advice that Infrastructure Australia has been asked to provide is the

quality and nature of infrastructure projects into the future. The funding of that advice and decisions pertaining to that advice is clearly a matter for government.

**Senator McGAURAN**—In the last estimates hearing in May, the head of the department, Mr Taylor, gave one of his opening statements to this committee, and I would like to quote from that at length, if I may.

**Senator Conroy**—I am happy for you to but what is the question? That is the purpose of the hearing today.

**Senator McGAURAN**—Yes; at the end of it. The question is: how does this relate to your own statement, Minister?

**Senator Conroy**—Well, then ask me the question.

**Senator McGAURAN**—I quote:

During the course of 2008, the Department has assisted the establishment of Infrastructure Australia. The Department has managed the drafting of the legislation which received Royal Assent on 8 April. The Minister has announced the Infrastructure Australia members and preparations are underway for their first meeting next week.

The Government announced in the Budget that it will allocate \$20 billion to the Building Australia Fund, money which in years to come will be used to build economic infrastructure such as roads, rail, ports and broadband. Allocations from the Fund will be guided by Infrastructure Australia's national audit and infrastructure priority list, the first of which will be presented to the March 2009 meeting of COAG.

That was a budget statement, Minister, from Mr Deegan.

**Senator Conroy**—That was Mr Taylor's statement. Mr Deegan is in charge of infrastructure. As you have had explained to you previously, the funding that goes towards this is in actual fact administered by the Department of Finance and Deregulation. So if you would like to have a lengthy discussion about what is in and out and where the numbers are, I invite you to go to the finance estimates and do that. But it is not within Mr Deegan's—

**Senator McGAURAN**—So what we have here is a whittling away of the Building Australia Fund. It is down to \$7 billion—from \$20 billion to \$7 billion. It is going fast and you are trying to duck and weave the issue, Minister.

**Senator Conroy**—I am not trying to duck and weave the issue.

**Senator McGAURAN**—What is the fund's standing at the moment? What is the total figure of the fund?

**Senator Conroy**—I think we did the maths with Senator Ludlam earlier.

**Senator McGAURAN**—I want it on the record again under my questioning.

**Senator BERNARDI**—You said there was the intention to allocate \$20 billion.

**CHAIR**—Senator Bernardi, you had your time.

**Senator BERNARDI**—Not on this, I haven't.

**CHAIR**—You had your turn uninterrupted. Senator McGauran, if there is a question I would appreciate it, rather than have you lecturing the witness.

**Senator IAN MACDONALD**—We do have limited time with this and we have a lot of—

**Senator Conroy**—I think we should take Senator Macdonald's wise counsel.

**Senator IAN MACDONALD**—I agree entirely with Senator McGauran but we have a lot of questions to fit into the next 10 minutes.

**CHAIR**—Thank you, Senator McDonald. We have gone over time, and I have urged senators to be mindful of that.

**Senator IAN MACDONALD**—Yes, but the infrastructure section will be extending after the tea-break, won't it?

**CHAIR**—Yes, if that is the wish of the committee, but do not whinge later, Senator McGauran, when we run out of time.

**Senator McGAURAN**—I will not, because—

**CHAIR**—If you have questions, please ask them.

**Senator Conroy**—Senator McGauran asked me to restate it for the record, so if I could just—

**Senator McGAURAN**—I will just point out to Senator Macdonald that we will be picking this up—

**CHAIR**—Senator McGauran, you asked the minister a question. You could at least let him answer.

**Senator McGAURAN**—In good time. Do not get overanxious.

**CHAIR**—It is hard not to.

**Senator Conroy**—These are questions primarily for Finance and Treasury but, just to assist you in your questioning, Senator McGauran, the government committed \$40 billion to infrastructure subject to budget outcomes in the 2008-09 budget. The government committed to allocating \$26.7 billion to the three infrastructure funds: \$12.7 billion to the Building Australia Fund, \$9 billion to the Education Investment Fund and \$5 billion to the Health and Hospital Fund. Of these amounts, \$10 billion has already been transferred to the funds. The remaining \$16.7 billion is due to be transferred by 30 June 2009. This funding builds on the \$4.7 billion national building package announced in December 2008. I do not think I can be any clearer than that. I hope that answers your questions. As I said, these are primarily questions for Finance and Treasury.

**Senator McGAURAN**—Well, there has been a lot of rejigging going on—

**Senator BERNARDI**—Hear, hear!

**Senator McGAURAN**—down at Finance and Treasury—I can tell you that—and a lot of rewriting the script. Mr Deegan, if your council's job is to recommend to the government the prioritised infrastructure projects for the nation, how could you possibly do it without having some idea of the cost of these projects—otherwise it just becomes a wish list, so you must have some costing to them—or of what the fund contains? What are the sheer possibilities of delivering these recommendations?

**Senator Conroy**—Mr Deegan has explained to you on a number of occasions the mandate and remit of Infrastructure Australia.

**Senator McGAURAN**—Mr Deegan, will you cost your recommendations?

**Mr Deegan**—We seek detailed cost estimates from the proponents on their various projects in the short, medium and long term. Obviously, costing in the long term is a less defined art but for recommendations it is clear that we need to provide detailed cost estimates to the government to make decisions.

**Senator McGAURAN**—You do those recommendations basically blind to the knowledge of what is in the fund or what is possible for the government to do in terms of the budget?

**Mr Deegan**—We take a short-, medium- and long-term view of the types of infrastructure that the country needs. Senator Milne and Senator Ludlam had a series of questions about particular applications of our assessment criteria on some projects. We are using other criteria across the board to determine which are the most important and most pressing infrastructure requirements for the country. Indeed, as our chair has indicated, this is not a one-, two- or three-year program; this is a one-, two- or three-decade program. The funding applications will depend on the government of the day.

**Senator McGAURAN**—But Senator Ludlam asked you a figure of how much you had to spend and you gave him a figure, so you are not totally naive. I think you gave him a figure of \$7.5 billion to spend, or was it \$7.5 million?

**Mr Deegan**—The funding for our organisation is, for this financial year, \$7.5 million for the staffing.

**Senator McGAURAN**—For the operations.

**Senator Conroy**—They are not going to build a lot of infrastructure for that.

**Senator MILNE**—It was \$7.9 million.

**Senator McGAURAN**—That is pretty expensive for a group that does not have much in the kitty to recommend.

**Senator Conroy**—Don't bite.

**Senator McGAURAN**—I would like to know what the \$7.9 million was spent on.

**Senator Conroy**—Mr Deegan, would you like to take him through the \$7.5 million?

**Mr Deegan**—I would be happy to do that if you like. I will take that on notice and give you a detailed response.

**Senator McGAURAN**—If you do not mind, because what was originally in the Building Australia Fund is being whittled away before your very eyes. The recommendations are just going to be a useless exercise it seems.

**Senator Conroy**—It has not been whittled away.

**Senator McGAURAN**—It was clear—the \$20 billion that originally was announced in the budget for the Building Australia Fund. We could go back to the budget statement and we have Mr Taylor's statement here.

**Senator Conroy**—I have just read you the—

**Senator McGAURAN**—No, you have just rejigged it.

**Senator Conroy**—Rejigged!

**Senator McGAURAN**—Where has the money gone? Has it gone into the announcements, such as the expenditure on level crossings?

**Senator Conroy**—It has not gone anywhere.

**Senator McGAURAN**—Has it gone into the increased money on black spots? Where has that money gone?

**Senator Conroy**—Mr Deegan, I am sure, is aware of some of these projects. This was part of the government's fiscal stimulus package and this was new money.

**Senator McGAURAN**—New money. So it in no way relates to the Building Australia Fund—the \$20 billion?

**Senator Conroy**—Correct.

**Senator McGAURAN**—I think we ought to follow the paper trail on that.

**Senator MILNE**—Mr Deegan, I want to come back to the Major Cities Unit. One of the fastest ways, given how many people live in urban environments these days, of significantly reducing greenhouse gas emissions and improving the amenity and quality of life is by redesigning cities, so I am pleased that you have got a Major Cities Unit. How is that unit operating, who are they consulting with and can you give an overview of how they intend to take this strategy forward? A significant focus on redesigning cities is important. We have got the \$40 million for cycleways in the budget and I am aware that there is a major infrastructure project bid for cycleways in Sydney. Can you tell me how this Major Cities Unit is consulting with the capital cities around the country, or large regional centres? I am very keen to know how we can actually get this operational at a faster rate.

**Mr Deegan**—The Major Cities Unit is moving at a fast rate. We have commenced discussions with a range of stakeholders: you have mentioned the Council of Capital City Lord Mayors; a host of industry players; the Planning Institute of Australia; federal and state agencies and researchers and academics. It has been a broad view, including looking at some past projects and processes that have been undertaken. The major cities are not just capital cities though. We take a broader view of what we need to do with highly centralised urbanised communities across the country. We have a mix of expertise in the group: urban and regional planning, infrastructure planning, statistics, environmental design, architecture et cetera, so there are a broad range of skills available to us.

The four areas that we are focusing our work on are: governance and policy—how best to influence government policy and decision making on major cities. The unit is working closely with Infrastructure Australia in our work on assessment of projects relevant to major cities; the engagement and consultation I have outlined; research benchmarking and best practice—the sorts of things that other countries are doing, and how we might match and indeed improve upon our own performance; and the preliminary work on possible project funding should governance see merit in such an approach.

**Senator MILNE**—One of the concerns I have is that there is a huge gap in knowledge and practice between what the capital cities might have in their planning offices and the state of their planning schemes compared with a lot of smaller cities around the country. This issue of governance and policy development—what engagement is there with the Local Government Association nationally to try to accelerate the skills base in local government to actually incorporate some of these ideas of better planning for the future in terms of amenity, greenhouse, transport and so on?

**Mr Deegan**—I think, as Mr Taylor indicated, when all the mayors came to Canberra last year there was the announcement of a centre of excellence for this work and local government, and it is a terrific initiative to take that work forward. We are represented on Local Government Planning and Joint Committee looking at that and other issues and also on the Planning Officials Group, which comprises the states' and territories' heads of planning and the Australian Local Government Association. There is a host of issues including those sorts of things that you have just outlined.

**Senator MILNE**—So what next?

**CHAIR**—It is 10.30 am. We will take a short break and come back at 10.45 am and you will have the call, Senator Milne.

#### **Proceedings suspended from 10.31 am to 10.45 am**

**Senator MILNE**—Mr Deegan, just before the break you were talking about the work that Infrastructure Australia was doing through its Major Cities Unit with local government to try to accelerate the development of the skills base there for the issues we were discussing. You mentioned that you had a number of meetings, including meetings in Canberra. I am keen to know how it is going to be progressed from there. A lot of people will come to a big meeting in Canberra or other meetings, but how are we actually going to progress this quickly to make sure we get the review of the local government planning schemes and the upskilling of officers in local government to be able to do the kinds of things we are talking about?

**Mr Deegan**—I think the creation of a centre of excellence is an important first step in skills development. We are meeting not just with the local government mayors coming to Canberra but with a host of those organisations across the country to deal with general planning issues, their capacity to deal with those and the sorts of structural issues that might be affected. This includes everything from major projects approval processes through to local government approval processes and the issues that sit with those, how to get proper planning regimes and how the Commonwealth—for the first time in a long time—can get re-engaged in assisting that process. We are anxious, as indeed the government is, to move that forward, and we are in discussions with them about how that might be achieved.

**Senator MILNE**—This business of all councils reviewing their town plans against a detailed assessment of risks posed by rising sea level et cetera is a big crossover with Infrastructure Australia's looking at major infrastructure projects that local and state governments might be planning on coastlines. Is Infrastructure Australia actively working with the insurance industry and whatever to get this three-dimensional mapping as part of its assessment process?

**Mr Deegan**—Yes, some meetings with the Insurance Council of Australia and the Department of Climate Change dealing with the issue of risk assessment against some of the climate change issues, including rising sea levels, more regular high-level wind speed, the tragedy—which of course we have seen in Victoria—of bushfires and a host of issues that deal with the impact of those changes are very much part of our agenda.

**Senator MILNE**—So when you talked before about the criteria that you would look at in assessing projects—and we talked about greenhouse gas emissions—you would also be looking at those projects in the context of risk associated with those extreme weather events and risks related to storm surge and that sort of thing?

**Mr Deegan**—Yes.

**Senator MILNE**—Thanks. I am very pleased.

**Senator BERNARDI**—I want to go back to something that I understood Senator Conroy said in regard to the \$20 billion allocation in the budget for nation-building projects. Unless I misheard what you said, Senator Conroy, you said that there was never an allocation of \$20 billion. You said there was an intention to allocate \$20 billion. Did I mishear you say that, or words to that effect?

**Senator Conroy**—Perhaps I can clarify, because unfortunately I think you have been—

**Senator BERNARDI**—No, I would like to know what you said before.

**Senator Conroy**—I think you were slightly led astray by Senator McGauran's question. To be clear, the government committed \$40 billion to infrastructure in the 2008-09 budget. It was always made absolutely clear that it was subject to budget outcomes. The government committed to allocating \$26.7 billion to the three infrastructure funds: \$12.7 billion to the Building Australia Fund, \$9 billion to the Education Investment Fund and \$5 billion to the Health and Hospital Fund. Of these amounts, \$10 billion has already been transferred. The way Senator McGauran was phrasing his questions was not an accurate reflection of what the government was doing.

**Senator BERNARDI**—I am referring to the minister's press release of 13 May, which says that there are \$20 billion for nation building projects. The Building Australia Fund, for example, will have an initial capital of \$12.6 billion, some from the surplus, some from the proceeds of the sale of Telstra T3 and some the balance of the Communications Fund, and that includes other moneys that were earmarked for the National Broadband Network. I am interested in knowing whether the continual funding will be funded by budget deficits or whether it has been fully allocated.

**Senator Conroy**—That is a question which goes directly to Treasury and Finance, as I have said to Senator McGauran. I think Treasury are coming tomorrow and Finance might even be here today, Senator Bernardi, if you would like to pursue the size of the deficits and surpluses and how much will then be available. The key issue which impacts on this, as I am sure you are aware—you have even asked me questions on this in the chamber, as have many of your colleagues—is that there has been a global financial crisis, the greatest challenge since the Great Depression. The budget forecasts, as you are aware, have been substantially revised as recently as a few weeks ago. So the maths you are seeking to engage in would be

properly pursued at either Finance, which might be on today—I saw my colleague Senator Sherry racing off to estimates a little while ago—and Treasury, which is tomorrow. You are welcome to pursue these issues at considerable length—the size of the budget surpluses and forecast deficits into the out years.

**Senator BERNARDI**—The *Hansard* record will demonstrate whether I misunderstood or misheard what you said earlier, or indeed if what you said earlier—

**Senator Conroy**—I did not say either.

**Senator BERNARDI**—is not consistent with what has been not only promised by this government but allocated in the budget, which was \$20 billion for nation building projects. We will leave that to the record to determine. I would like to turn to a letter from Sir Rod Eddington, dated 5 December 2008, which appeared on the departmental website. It was removed from the website within a few hours of initially been put up there. Why was it removed?

**Mr Tongue**—I will try to come back to you later in the day with that information. I am not aware of the letter you are referring to.

**Senator BERNARDI**—The letter I am referring to was dated 5 December. I have a number of questions in regard to that letter. I could provide you with a copy of the letter.

**Mr Tongue**—If you could, please.

**Senator Conroy**—You are asking why it was taken down from the website. I am not sure whether anyone at the table would be able to—

**Senator BERNARDI**—No. That is fine. I have a number of questions in regard to the letter, so I will get a copy of this.

**Senator Conroy**—That would be helpful.

**Senator IAN MACDONALD**—We want to move to nation building. Mr Deegan could you stay.

**CHAIR**—For the purpose of getting back to our timetable, I have no dramas doing that.

**Senator IAN MACDONALD**—On the basis that Senator Bernardi will come back.

**CHAIR**—I trust we have finished with Mr Deegan for now.

**Senator Conroy**—Does that mean Mr Deegan can leave or not?

**Senator IAN MACDONALD**—No.

**CHAIR**—No, because Mr Tongue has said that he will not take it on notice but will get straight back to senators opposite—

**Senator Conroy**—Is the letter around the responsibilities of Mr Deegan?

**Senator BERNARDI**—It concerns questions I had with regard to the matter. I am seeking responses to the issues raised.

**Senator Conroy**—From the government or from Mr Deegan? I am looking to find out whether you need Mr Deegan and whether your questions are actually to me and/or the department.

**Senator BERNARDI**—They will be to the department, I would imagine, but there may be an overlap. I would hate to see Mr Deegan leave and be required to come back.

**Senator Conroy**—I am only trying to ensure that if there are no more questions he can go.

**Senator BERNARDI**—It may be that he is no longer required, but I could not guarantee that.

**CHAIR**—Now that we have sorted that out, I call officers from nation building, infrastructure and investment.

[10.57 am]

**Department of Infrastructure, Transport, Regional Development and Local Government**

**Senator CORMANN**—I have some questions about a road project around Bunbury that the federal member for Forrest, Nola Marino, is very interested in. Labor, during the election, committed \$136 million towards the Bunbury port access road and outer ring-road stage 1, with the state government contributing the balance to remove a major bottleneck in the Perth-Bunbury corridor. As I understand it, to date only \$2 million has been allocated by the Commonwealth. Very simply, my question is: where in the forward estimates is the additional \$134 million for the port access and outer ring-road reflected?

**Mr Maher**—On the Bunbury port access and outer ring-road stage 1, the Australian government contribution is \$2 million in 2008-09 and we do not have a profile for the remaining funds in future years.

**Senator CORMANN**—What does it mean when you say you do not have a profile for the remaining funds in future years?

**Mr Maher**—It would be subject to the advice of the WA government.

**Senator CORMANN**—So what you are saying is that at this stage the Commonwealth has not committed the additional \$134 million?

**Mr Maher**—The funding is available if the project proceeds, absolutely. But at this stage \$2 million has been provided for planning for the project. I think it would be too early to describe a detailed funding profile for the project.

**Senator CORMANN**—When do you expect that to be clarified? When do you expect the funding profile to be finalised?

**Mr Maher**—At the conclusion of the planning process. Part of the planning process would be to identify a detailed funding profile and construction schedule for the project.

**Senator CORMANN**—I understand that it is at the conclusion of the planning process, but when? Can you give me an indicative time frame?

**Ms McNally**—It is early 2010.

**Senator CORMANN**—Early 2010 is when you expect the planning to be finished. And is that when the Commonwealth will commit the remaining \$134 million?

**Mr Maher**—Can I just clarify that? I think the planning process will conclude in December 2009. So I would expect that at that stage we would have a detailed funding profile for the project.

**Senator CORMANN**—Subject to that detailed funding program being finalised, the \$134 million that is still outstanding will then be committed?

**Mr Maher**—Correct.

**Senator CORMANN**—Thank you.

**Senator BUSHBY**—During the campaign prior to the last election, the then opposition undertook to extend Tasmania's national network to include the Brooker Highway from Granton to the Port of Hobart and the Tasman Highway from Hobart to the Hobart airport. Has this been achieved yet?

**Mr Rokvic**—The government has formalised the arrangements to extend the Brooker Highway.

**Senator BUSHBY**—Does that mean that you have taken over control and responsibility?

**Mr Rokvic**—That enables the state to utilise maintenance funding in relation to maintenance on the highway.

**Senator BUSHBY**—Those sections of those two highways now have the same status as other national roads?

**Mr Rokvic**—Correct, Senator.

**Senator BUSHBY**—What date did that take effect?

**Ms McNally**—That was in February 2009.

**Mr Rokvic**—Early February 2009.

**Senator BUSHBY**—Just very recently.

**Mr Rokvic**—Correct.

**Senator BUSHBY**—Has the department revised any of its estimates for costings as a result of the responsibility for taking over those two sections?

**Mr Rokvic**—The maintenance funding that has been provided provides for the Brooker Highway.

**Senator BUSHBY**—Has it increased as a result of taking on those two?

**Mr Rokvic**—The funding is as committed by the government. It was \$31 million for maintenance funding plus the additional \$1 million provided as part of the nation building.

**Senator BUSHBY**—That is not just for those two sections though.

**Mr Rokvic**—That is for the network as a whole.

**Senator BUSHBY**—The national network. And that has not changed as a result of taking over the responsibility for those two sections in February of this year.

**Mr Rokvic**—Correct.

**Senator BUSHBY**—There is currently work being undertaken on both those sections of highway. Have the funds to cover the cost of work on those two sections been accessed from federal funds under that maintenance program?

**Mr Rokvic**—I will have to take that on notice, Senator. The question is about timing as to when those works were undertaken.

**Senator BUSHBY**—Apparently the work is being undertaken at the moment.

**Mr Rokvic**—The extent to which the works are currently being undertaken on those highways, those works are subject to the maintenance funding that has been provided.

**Senator BUSHBY**—Prior to their being taken over was there any discussion between the federal and state governments regarding the need for immediate works?

**Mr Rokvic**—No, Senator, there has been no detailed discussion in terms of remedial works.

**Senator BUSHBY**—The federal government had no discussion with the state government regarding the state of repair and the need for works for those two sections prior to taking them over?

**Mr Rokvic**—The state government is responsible for determining the level and nature of maintenance that is undertaken and for how it utilises the funds which are provided.

**Senator BUSHBY**—As I understand it, the federal government in delivering the promise that it had made at the last election has taken over these two sections, which have been in disrepair for many years. The federal government would not, as part of its due diligence process before taking that over, ensure that what it has taken over has been properly maintained?

**Ms McNally**—When a number of election commitments were made and added roads to the network right around the country in terms of provision of overall maintenance, those issues are discussed as part of the network determinations that are made. They are usually discussed at a broad state level rather than at individual project road level.

**Senator BUSHBY**—At least in two sections of road or anywhere in Australia, from October 2007 when the announcement was made that the federal government would be taking it over, there was no due diligence process or any process in place to ensure that the state governments then do not immediately stop spending money on roads that need it, effectively, shifting the cost to the federal government. You take no steps to ensure that state governments do not immediately abandon their responsibilities and leave it up to you until such time as when you take over.

**Ms McNally**—States are still required to spend the same amount of maintenance as they have in the past. The amount of money that is provided by the Commonwealth does not replace the amount of money spent by the states. The memorandum of understanding on bilateral agreements we have with states and territories require them to continue the provision of maintenance across the state overall.

**Senator BUSHBY**—That is fine. You have a fixed bucket of money which you want to spend on those roads and that is not going to get any bigger. Effectively what has happened here in this particular case is the state government, which had a responsibility up until February 2009 to maintain those roads and has neglected that for many years, in the hope that the federal government would take it over has won the jackpot and it seems like it has managed to avoid the cost. Almost immediately after the announcement that the responsibility

for maintenance has shifted from the state to the Commonwealth the state government gets in there, dips into the federal money and starts doing something that it has not done for years. It seems to me that there is a clear case of cost shifting from the state government to the federal government out of a fixed bucket of money. They are fixing a road now that they had refused to do because they hoped you would pay for it in the end.

**Senator Conroy**—The COAG agreement, which has been signed off—and I think one of your colleagues may even have asked me a question about this in the chamber—is quite clear about the requirement that the state governments have signed up to. So the basic premise of your question is handled by and responded to by the COAG agreement, which is very black and white about the responsibilities.

**Senator BUSHBY**—And what does it say with respect to this?

**Senator Conroy**—I will happily get you a copy of it. As I said, I did read it out.

**Senator BUSHBY**—But the particular question I am asking—

**Senator Conroy**—You are trying to suggest that there is cost-shifting—

**Senator BUSHBY**—There quite clearly is.

**Senator Conroy**—The point that I am making is that the Prime Minister and the premiers signed up to a COAG agreement, which we will get for you and I will read out to you again. I think I read it out three times, from recollection, in the Senate in response to your questions. It is very clear about stopping the cost-shifting blame game. But I will get you a copy of it.

**Senator BUSHBY**—Minister, here we have a situation where in early February an announcement was made—I was aware that it was early February, but I just wanted to clarify that to make sure my information was correct—that the responsibility for maintenance had shifted from the states to the federal government. The following week works that had been planned but held off for many years started—immediately following. What a coincidence. The people of Hobart had been complaining for years about the state of both these roads. In a climate where there was an awful lot of speculation and then a commitment by your side of the parliament—

**Senator Conroy**—The federal government.

**Senator BUSHBY**—to undertake, in a climate where people were hoping that the federal government would take over responsibility, the state government did not spend. It was obviously costed and what needed to be done had been worked out for years. The very week that it is announced, immediately the work starts. It does seem to me to require a fairly close look at your—

**Senator Conroy**—That is a question that should properly be put to the Tasmanian government. I am not sure the officials are able to—

**Senator BUSHBY**—I am sure that that question will be put to the Tasmanian government, but what is—

**Senator Conroy**—But I am not sure the officials can actually answer a question about the work programs—

**Senator BUSHBY**—the due diligence taken by the federal government to ensure that when you take over responsibility you have actually done your job in the first place?

**CHAIR**—Can we just have a bit of order. If senators wish to ask a question, great—but can they at least let those on the other side answer and then proceed, rather than talking over each other? Ms McNally, you wanted to say something?

**Ms McNally**—Yes, I just wanted to clarify that adding roads to the network does not mean that the Commonwealth has taken responsibility for those roads. The roads are still the responsibility of the state government. What adding a road to the network actually does is allow funding under a part of the AusLink act to be provided for those particular roads by the Commonwealth government and allows a bucket of money to be provided to a state for the maintenance of those roads. But it does not actually abrogate the state's responsibility for the road.

**Senator BUSHBY**—But it does give the state government access to funding to fix roads that does not have to come out of their consolidated revenue.

**Ms McNally**—All of the states and territories get a bucket of money for maintenance. In a number of cases that was increased as part of the 2007 election commitments. There was also the commitment as part of the COAG communique for a potential further increase of \$150 million across the country, subject to states and territories agreeing to sign the conditions of the memorandum of understanding by 1 March, which includes a requirement that they maintain their current level of spending on the roads.

**Senator BUSHBY**—So there is a requirement that the Tasmanian state government maintains its current level?

**Ms McNally**—That is right.

**Senator BUSHBY**—Okay. But this frees up funds that it would otherwise have to have spent itself on maintenance of those two sections—

**Senator Conroy**—That is a question for the Tasmanian state government, not the—

**Senator BUSHBY**—That is right. I have some other questions I would like to ask about the promises in relation to Tasmanian roads, but we are limited on time. One thing I would like to ask is a general question on the overall package—I think it was worth \$445.45 million—announced during the election campaign for a range of transport initiatives in Tasmania, including rail and major roads. In the election announcement it was announced that that would be fully funded and delivered between the date of the election and 2014. Do you have anything available to you that suggests that 2014 will not be the year in which all of those projects will be completed? Will they be completed by 2014 on the basis of the information before you?

**Ms McNally**—We are expecting so, Senator.

**Senator BUSHBY**—I would just like to have that on the record. Thank you.

**Senator WILLIAMS**—Ms McNally, do you have any idea how much is coming out of the stimulus package for local roads?

**Ms McNally**—How much is coming out of the what package?

**Senator WILLIAMS**—The \$42 billion stimulus package. How much of that is directed towards local roads? Perhaps the minister might be able to help us.

**Ms McNally**—For local roads, out of that stimulus package, there is an amount of money that has been set aside for black spot funding, which can be used on local roads or it can be used on other sorts of roads. That would be the only sum of money out of the stimulus package that could be applied to local roads.

**Senator WILLIAMS**—How much is that sum?

**Ms McNally**—There was an additional \$90 million for black spots.

**Senator WILLIAMS**—\$90 million for black spots, yes.

**Ms McNally**—That is all.

**Senator WILLIAMS**—Will the funding go directly to local governments or will it go through state governments, if it is to go on, say, a local road that a local government is responsible for?

**Ms McNally**—That goes via the state governments. The state governments have an advisory panel process in which they are required to consult with local communities and with councils and so on. They then put up their priorities for that funding through that advisory panel. That is the way the decisions are made. So they are required as a part of that process to undertake consultation.

**Senator WILLIAMS**—One of the reasons the Roads to Recovery program went direct from federal government to local government was to prevent the state governments from hanging their big siphon hose into the amount. Will the same thing happen here? I suppose it is hard for you to answer, but no doubt, going through the state governments, that siphon hose may be able to be placed into the amount of money.

**Senator Conroy**—I am not sure that quite amounted to a question, Senator Williams. I may agree with the sentiment of what you were opining.

**Senator MILNE**—Cost-shifting.

**Senator Conroy**—I am not sure it is a question for the officials.

**Senator WILLIAMS**—What is the criteria used for the allocation to councils? Obviously, from the stimulus package, you have already explained that, but are there other moneys paid from your department directly to local governments?

**Ms O'Connell**—In the stimulus package there were four measures. One measure relates to road maintenance, one measure relates to black spots, a third measure relates to boom gates at level crossings and a measure relates to the Regional and Local Community Infrastructure Program, which is non-road related. I am happy to consider covering that now, but under the program that would normally be considered under item 13 on the schedule.

**Senator WILLIAMS**—Who is responsible for New South Wales infrastructure? I see some of the people on the list here are obviously not here today. Anyway, I want to raise one issue about a black spot on the New England Highway. The New England Highway, of course, is Highway 1, which is the total responsibility of the federal government. In general, the New England Highway is in pretty good shape. There has been a lot of work done at

places like Black Mountain near Guyra and bridges near Tenterfield et cetera. There is an area known as Bolivia Hill. Would you be able to do some investigations on Bolivia Hill? How can we go through that process? There was a young fellow killed there about three weeks ago and it is a place that requires the most attention on the whole New England Highway, as I see it. I was wondering if your department could perhaps have a look at that Bolivia Hill problem. No doubt it would be an expensive job to repair, but on the main highway, on one like this, it certainly needs attention and I would appreciate it if you, through the department, could have a look at that area.

**Ms O'Connell**—Certainly. I will take that on notice and have a look.

**Senator WILLIAMS**—That would be wonderful. Thank you.

**Senator MILNE**—I am not sure if my question comes under Infrastructure Australia, in which case it has gone, or whether you can answer it, but one of the issues that the railway community raises with me quite often is the need for an national digital train control system for Australia. Can anybody tell me whether that is being progressed? It is part of the intelligent networks we need around the country. We are talking about broadband, we are talking about an intelligent electricity grid and it and it seems to me that a parallel project ought to be a national digital train control system. Could you tell me whether there is anything happening on that front?

**Mr Williams**—As part of the nation-building statement in December last year, part of the moneys being provided to the Australian Rail Track Corporation included \$45 million for the trial phase that is currently being undertaken by the ARTC. It is a \$90 million trial in South Australia looking at the advanced train management system, which is effectively a digital train management system. If the technology is proven and it is moved into the implementation phase it could see the removal of track-side signalling. It would effectively use satellite and other technology in the cabins. That has the potential to significantly increase the productivity of the rail system in terms of being able to have more trains on the track and the headway or distance between trains could be reduced allowing for more efficient use of the train tracks. I also note that it was on the Infrastructure Australia priority list as something that needs to be looked at.

**Senator MILNE**—You have just indicated that it is \$90 million pilot and that \$45 was allocated.

**Mr Williams**—The amount of \$45 million is coming from the Australian government through the equity injection into ARTC, and the other \$45 million is coming from internal reserves and revenues from ARTC.

**Senator MILNE**—When will the trial be completed and, assuming that it is successful and proves what the proponents say in that it is shown to lead to a much better outcome in terms of productivity, what is the projected cost of implementing the system nationwide?

**Mr Williams**—I would have to take those questions on notice.

**Senator MILNE**—When do you expect the trial to be completed and evaluated? If I could have two separate dates for when you expect to have some recommendation for government.

**Ms O'Connell**—I will ask David Marchant to talk further after lunch specifically in relation to that trial. David is from ARTC. In terms of the advanced train management system and the trial, for reference it is outlined on page 49 in the nation-building booklet.

**Senator MILNE**—I look forward to that happening nationally at some point. I want to go on and ask about the boom gates and active controls at level crossings. Whilst I welcome that funding it has been put to me that, if it does not have an education program with it, it will not necessarily improve safety outcomes. It has been put to me that young women in particular—which surprised me again—actually race the boom gates. And in Queensland they had to engage in a program of education in infant schools to get children to say from the back seat, 'Stop the car mummy.' So it is counterintuitive because you would assume boom gates would make it much more safe, and I certainly hope it does and certainly support the initiative. I wonder whether there has been any consultation with safety authorities about the education program that might go with it?

**Mr Williams**—The primary focus of the boom gates measure is on the infrastructure side of things in terms of the installation of boom gates and other active control measures at level crossings. I know that a number of the states have their own programs relating to level crossings. A number of those have elements of education campaigns. Also through the Australian Transport Council process, there is a rail level-crossings group, whose membership includes state and territory governments, the Commonwealth, local government and industry. That brings together all of the issues relating to level crossings. Through that process there is coordination of effort in relation to level crossings across the country.

**Senator MILNE**—Would you please take on notice a question to be put to that coordinating group as to whether there has been any consideration given to an education campaign to be rolled out across the country in conjunction with this infrastructure spend on level crossing boom gates.

**Mr Williams**—Yes.

**Senator IAN MACDONALD**—Would it be appropriate to go back to Infrastructure Australia now that the letter had been tabled? Senator Bernardi has some questions, and I might just follow up on those before we—

**Senator Conroy**—If we can wait 10 minutes to get Infrastructure Australia back, that will be fine.

**Senator IAN MACDONALD**—Okay.

**Senator Conroy**—We are just seeking more information. We are anticipating coming back at around 11.30, if that is okay.

**Senator IAN MACDONALD**—Okay. That is all right. Talking about the boom gates, this was part of the \$42 billion package, wasn't it? Has that been rolled into the nation building fund? You are in charge of the infrastructure in the \$42 billion package?

**Mr Williams**—I have responsibility for the boom gates program.

**Senator IAN MACDONALD**—But all of the infrastructure programs, the spending will come through your department?

**Mr Tongue**—Those bits of infrastructure are associated with the transport system, but—

**Ms O'Connell**—That is right, but not the infrastructure related to, for example, schools. That is being managed by a different department. But the four measures I outlined were the four measures of the \$42 billion nation building package: boom gates, maintenance, community infrastructure and black spots.

**Senator IAN MACDONALD**—What is the figure that your department will have to spend?

**Ms O'Connell**—It is approximately \$890 million.

**Senator IAN MACDONALD**—I thought it was more than that.

**Ms O'Connell**—No, that is just from that particular measure, from that particular stimulus package. There are the December nation-building stimulus package components as well.

**Senator IAN MACDONALD**—So what did you say?

**Ms O'Connell**—\$890 from February.

**Senator IAN MACDONALD**—And how much from December?

**Ms McNally**—\$711 million on roads.

**Ms O'Connell**—And there was \$1.2 billion on rail.

**Ms McNally**—Of that, the boom gate level crossings is \$150 million.

**Senator IAN MACDONALD**—And that is additional to all of those other figures you have given?

**Ms McNally**—It is incorporated in the \$890 million.

**Ms O'Connell**—And that is on top of the existing commitments around road-building, rail et cetera.

**Senator IAN MACDONALD**—Do you have a global figure for what those existing commitments are?

**Ms McNally**—We will have to take that on notice.

**Senator IAN MACDONALD**—Going back to rail, the Premier of Queensland announced, following a couple of horrific level crossing accidents earlier this year or late last year, that she would be putting boom gates on all of the crossings across the major highways in Queensland. I assume that you will not be spending money on that because that is a commitment of the Queensland government's prior to this announcement, and there is no cost shifting. So you will not be funding boom gates along any section of Queensland's major roads. Is that correct?

**Mr Williams**—The states have to come up with their priority list for funding from the program within the next couple of weeks. Certainly, as mentioned previously in the COAG communique, the existing level of funding on rail level crossings would need to be maintained by the state government.

**Senator IAN MACDONALD**—The Premier announced it. I am not sure that she had any money for it, bearing in mind the Queensland budget is now in deficit—comparatively even worse to what the federal government will be in.

**Senator Conroy**—We're going to get a bunch of Queensland state questions, are we?

**Senator IAN MACDONALD**—I am a senator for Queensland, Minister; most of my questions are related to Queensland, strangely enough.

**Senator Conroy**—No, I mean ham-fisted questions where you think you are influencing the Queensland state election.

**Senator IAN MACDONALD**—I do not think I need to influence it, but I just want to make sure there is some openness and accountability about this. Will the states be held responsible only for things that are in their budgets? Or will they be responsible for things they announced that they were going to do before anyone knew the Commonwealth was going to be this generous with boom gates in this package? Perhaps that is not a question for you; it might be a question for the secretary.

**Ms McNally**—Queensland has set up a task force to look at a number of the boom gate issues, particularly after the Cardwell accident. We have \$150 million available for boom gates, and, as my colleague Neil Williams advised, we will be asking states to come forward with priorities. The basis upon which they determine those priorities will be done using the ALCAM algorithm.

**Senator IAN MACDONALD**—So you will be funding those boom gates out of the \$150 million?

**Ms McNally**—We will be funding those ones that are determined as priorities. We will also be asking states and territories to report on those ones that they are already proposing to fund.

**Senator IAN MACDONALD**—You will be asking them to report on that, but are you saying that you will not fund gates that the Queensland government had previously committed to funding?

**Ms McNally**—That would be a matter for the government to decide at the time they make decisions about which particular projects they—

**Senator IAN MACDONALD**—Okay. Minister, in view of the fact that we were not going to have cost shifting from states to the federal government, will you confirm that announcements made by the Queensland Premier prior to your announcement on boom gates will not be funded?

**Senator Conroy**—I got the impression from the answer by the official that no decision has been made yet, but I am happy to take that on notice and come back to you.

**Senator IAN MACDONALD**—So you are conceding—

**Senator Conroy**—No, I said I would take it on notice.

**Senator IAN MACDONALD**—You are agreeing with the officer, who was indicating that, if the Queensland government had a priority for a boom gate that they had already announced, you would fund it.

**Senator Conroy**—No, I did not say anything of the sort. I think you have attempted to put significant words in my mouth, Senator Macdonald. As I said, I am happy to take that on notice and get you a full answer.

**Senator IAN MACDONALD**—When could I expect the answer, Minister? Not before 21 March I guess.

**Senator Conroy**—What is the date that—

**CHAIR**—I can help you out there, Minister. In my opening statement it was 17 March 2009 and 15 April for answers to questions taken on notice.

**Senator IAN MACDONALD**—Lucky it is not on written notice! The concern is that Queensland will allow cost shifting from the Queensland government to the Commonwealth government, and that is the basis of the question. Can someone tell me where we are at with the Tully flood plain highway on the road we have been spending Commonwealth money on for four or five years now?

**Ms Goodspeed**—In 2008-09, the government committed \$127 million for the Tully flood unity project. This project is nearing completion.

**Senator IAN MACDONALD**—Can you get me an update on that? I think half of it has been washed away again.

**Ms Goodspeed**—Yes. The project is currently open to traffic, with the final completion of the project expected in March 2009.

**Senator IAN MACDONALD**—That is convenient, isn't it. Will I be invited to the opening, do you think, Minister?

**Senator Conroy**—I will take that as an expression of interest and pass it on to the minister.

**Senator IAN MACDONALD**—I am sure I would be.

**Senator Conroy**—I have not found it possible to go into North Queensland without you gate crashing.

**Senator HEFFERNAN**—You do not have to be invited; just turn up.

**Senator IAN MACDONALD**—The port access road in Townsville, does that have federal funding?

**Ms Goodspeed**—The government has a \$95 million commitment towards the Townsville port access road. It is a \$190 million project all up—a half share with the state government.

**Senator IAN MACDONALD**—I know you will tell me that you do not do the design, but are you aware that this port access road actually crosses the main Bruce Highway rather than having a flyover? That means there will have to be stop lights there. The purpose of the port access road is so that triple road trains can run into the port with cattle and minerals. Has anyone done any studies on the greenhouse gas emissions from when those road trains stop and then take off again at traffic lights? There is an enormous amount of road transport that uses the Bruce Highway which will have to stop there similarly and which would be avoided by having an overpass in the initial planning.

**Ms McNally**—I understand that Mr Pitt has actually committed to looking at the idea of an overpass as part of looking at the planning work. He wrote to the local Townsville newspaper in December 2008 on that matter in relation to the issues you raised on that topic.

**Senator IAN MACDONALD**—He said they were going to do it in 2015.

**Ms McNally**—That is a matter for the—

**Senator IAN MACDONALD**—Would it not be in the Commonwealth's interest, particularly with greenhouse gas emissions et cetera, to do the job properly in the beginning by putting an overpass over the Bruce Highway?

**Senator Conroy**—I am not sure that the officers are in a position to answer a question that is an opinion, is a question of policy or—on a third level—is possibly something that the state government determines themselves. The question, and the way you asked it, was not a question they could answer.

**Senator IAN MACDONALD**—Let me rephrase it. There was \$95 million of Commonwealth funding in this. Did the Commonwealth have any input into value for money in spending that \$95 million?

**Senator Conroy**—All Commonwealth expenditure is subject to the FMA Act, which includes value for money.

**Senator IAN MACDONALD**—Then why did the Commonwealth not decide that it would be better to fund the overpass now rather than leave it for another six years with all the consequent greenhouse emissions, let alone road safety and human life, which are obviously not terribly relevant from this decision? Were those things looked at?

**Ms McNally**—The Queensland planning that was undertaken by QDMR advised that the inclusion of traffic lights at that intersection would be based on meeting traffic requirements and road capacity requirements out to about 2014 while they undertook a more detailed study to look at the concept of an overpass. The idea was to build a roundabout and put in the traffic lights to allow the more detailed analysis to be undertaken—to cope with immediate requirements.

**Senator IAN MACDONALD**—I am no road engineer, but the Bruce Highway carries an enormous amount of road traffic—and carries me from my home to my office every day, I might add—and all that traffic will have to stop. The road trains coming from the west which cross it will also have to stop, and all will have to take off again. The greenhouse gas emissions will blow our targets on one intersection, and this from a government which is so keen on looking after these things. I cannot believe it was not looked at when we committed \$95 million.

**Ms McNally**—The immediate issue is to look at the immediate capacity and constraints and then to look at longer term planning over the next couple of years when those issues could be taken into account.

**Senator IAN MACDONALD**—Is there any work being done on duplication of the Burdekin Bridge? I have raised issues with the minister on the absolute need for this, which was demonstrated again by the floods just recently.

**Ms Goodspeed**—Since your last question on notice, the Australian government has committed \$25 million for maintenance and rehabilitation of the bridge.

**Senator IAN MACDONALD**—No, that was before the question on notice. That is annual maintenance that you have got to do on any bridge. I mean planning work on a duplication. It will be 10 years down the track. I have raised it with the minister and got the political reply that you would expect. I am just hopeful that perhaps he took some notice and that planning work might have been ordered to start. Has it?

**Ms McNally**—The Australian government is not contributing any funding to any particular planning work, but we can take that on notice and have a look at what the Queensland government is doing in that regard.

**Senator IAN MACDONALD**—I have a series of questions about the Cooroy to Curra section of the Bruce Highway. Just to put this into perspective, this is a piece of highway that is badly needed. It has been a long time coming, but it has been messed around by the prospects of the Traveston Crossing Dam. Can you update me on this?

**Ms Goodspeed**—The Australian government has committed \$200 million to undertake the planning and design of the 65-kilometre stretch of the Cooroy-Curra section of the Bruce Highway. The Queensland government has undertaken a major planning study for the future upgrade. That final study was released in July 2008 after a large public consultation.

**Senator IAN MACDONALD**—I understand Mr Garrett is very concerned about the Traveston Crossing Dam. Will he and his department be talking to your department or vice versa about not needing to spend the extra money to go around the proposed Traveston Crossing Dam?

**Ms McNally**—There have been discussions between the Queensland government on the issues surrounding the Traveston Dam. There have been discussions with us on the progress of the issues they are looking at. Certainly, as part of the \$200 million for detailed planning and design, the issue about the Traveston Dam has been taken into account.

**Senator IAN MACDONALD**—So the roads are being designed on the understanding that the Traveston Crossing Dam will go ahead and then will require a re-routing of the Bruce Highway.

**Ms McNally**—That is right.

**Senator IAN MACDONALD**—Is it convenient now to go back to Senator Bernardi and Infrastructure Australia? I am not saying we are finished with these people.

**Senator Conroy**—Thank you for your patience. We will bring Mr Deegan back to the table.

**Senator IAN MACDONALD**—But do not let these people go, will you?

**Senator Conroy**—No, do not leave town.

[11.37 am]

### Infrastructure Australia

**Senator IAN MACDONALD**—We are in continuation.

**Mr Tongue**—The questions were about Infrastructure Australia's website, so I will ask Mr Deegan to handle those issues.

**Mr Deegan**—The letter was inadvertently put on the website.

**Senator BERNARDI**—Who drew this to your attention and who inadvertently put it on the website?

**Mr Deegan**—When I realised it was on the website, I had it taken down. It was not necessary as the report itself was made public.

**Senator BERNARDI**—But the letter was not intended to be made public?

**Mr Deegan**—No, not the letter. That was my mistake.

**Senator BERNARDI**—Are you able to tell me if there was a response to the letter by the minister?

**Mr Deegan**—There was a formal transmission letter to the minister with the report. I understand you have the letter. In fact, you have given me a copy, which is appreciated. It outlines the work to date with Infrastructure Australia and, in the last line, outlines that Sir Rod Eddington would be happy to brief the minister further. That did occur on 19 December.

**Senator BERNARDI**—You have just characterised it as 'It outlines the work to date'. I suggest it does a little bit more than that, because Mr Eddington outlines a number of issues such as that there are very few truly national proposals that have been received, that there are very few in the areas of energy, water and telecommunications infrastructure and that a very small number of proposals were supported by strong economic appraisal and how they would improve Australia's economic capacity. Do you have a comment to make on that? They are quite damning statements.

**Mr Deegan**—There are two parts to that answer. Senator McGauran and Senator Milne asked sensible questions previously. In a submission based process, you are relying on the information that is available, and we have been disappointed in that. The next round of work that Infrastructure Australia intends to do is to go back and deal with each of the four sectoral approaches—energy, water, transport and communications—to see what else may be needed in the national interest and design the program from the top down rather than, as we have relied in this case, the bottom up given the time and constraints.

**Senator BERNARDI**—Given that there is disappointment with the quality of the projects that have been provided, is there any suggestion that the process was a little hasty?

**Mr Deegan**—I don't think so. I think it was the quality of the material that was available. We are looking at the next two or three decades in preparing on an infrastructure basis for the needs of the country. The first round was to do an audit and assessment of what was available and what was the thinking within state and local governments, the community and the private sector. I think the next round will drive that sort of top-down approach to see what else we pick up. There is a lot in the report that goes further than just infrastructure projects—

regulatory reform, for example, which a lot of commentators have glossed over. We think there is a lot that can be achieved in regulatory reform across the country; and potentially pricing reform, particularly with water. That would then drive a longer-term investment base for water infrastructure and indeed other forms of infrastructure, so some fundamental structural changes to the way infrastructure is developed.

**Senator BERNARDI**—But of the 1,000 projects contained in nearly 600 submissions, Mr Eddington expresses a great deal of disappointment but it has been narrowed down to—what, 94 projects that have been short-listed?

**Mr Deegan**—There were 94 projects that warranted further consideration. I am not sure whether you have a copy of the report there.

**Senator BERNARDI**—No, I do not have a copy of the report, but I will take your word for it.

**Mr Deegan**—No, that is okay.

**Senator BERNARDI**—Not whatever you are going to tell me—I will question some of it, I am sure!

**Mr Deegan**—At paragraph 4.3 on page 72 of the document we have worked through how we have created the infrastructure priority list and indeed how we intend to finalise that. So we are subjecting the data underpinning the assessment of strategic fit to further detailed scrutiny. We have requested the development of comprehensive economic analyses of specified projects, where in some cases only a rapid economic analysis has been available. We have asked submitting organisations to provide comprehensive economic analyses of specified projects immediately, if they are currently available. We have also requested and are now scrutinising the detailed demand modelling underpinning the projects and then subjecting that economic methodology to further scrutiny. We have not sought that on all the 1,000 projects. We have put up on the website a minimum amount of information required for that assessment, which is quite detailed. A number of proponents have been able to do that; some have chosen not to. So that is the process to take the list forward.

**Senator BERNARDI**—So ‘priority projects’ and ‘potential projects’ is how it is being described, isn’t it? There are 28 projects in these two classes—am I correct?

**Mr Deegan**—There will be a series of priority projects and others in a pipeline. Again, Senator McGauran asked previously about the longer-term nature of this process. We would again, with that one-, two- or three-decade approach, build up a series of projects that would be available and ready now, those that will be available and ready in the medium term and then those that will be available and ready in the longer term. So it would be a pipeline of projects.

**Senator BERNARDI**—Okay, but there are currently 28 projects in the two classes of priority and potential projects. Is that correct?

**Mr Deegan**—There were 28 projects with a considerable amount of information. Some of the projects within the list of 94 have now contributed substantially more information. That has added to the list of projects that we are considering.

**Senator BERNARDI**—How many projects are in ‘priority projects’ and ‘potential projects’ now?

**Mr Deegan**—That is advice that we will provide to government shortly.

**Senator BERNARDI**—Mr Eddington says there are 28 projects in these two classes.

**Mr Deegan**—That was—

**Senator BERNARDI**—That was what he said in his letter.

**Mr Deegan**—And, as I have outlined at 4.3 of the report, we have taken the 94 projects that we had and, of the 94 projects, there are 28 with a lot of information. A number of the 94 have provided more information, so we actually have a longer list that we are doing an assessment of than we had at 5 December.

**Senator BERNARDI**—Of the 28 projects that Mr Eddington has referred to in his letter, are you able to tell me how many are actual priority projects and how many are potential projects, as Mr Eddington has said in his letter?

**Senator IAN MACDONALD**—Before you answer that, are the 28 projects listed in the report? Or is it just the 94?

**Mr Deegan**—The 94 are listed.

**Senator IAN MACDONALD**—The 28 are not listed?

**Mr Deegan**—They are not specified because, again, the 28 provided a detailed amount of information that warranted further assessment. As I indicated once the report was published, there has been more information provided on others. Some new ones have come in but others have dropped out.

**Senator IAN MACDONALD**—Thanks. Back to Senator Bernardi’s question.

**Senator BERNARDI**—Of the 28, how many are in priority projects and how many are potential projects?

**Mr Deegan**—That advice has not been finalised yet.

**Senator BERNARDI**—It must have been, because Mr Eddington refers to it. There are 28 projects in these two classes. Surely it has to be in one class or the other.

**Mr Deegan**—As I indicated, that was a report to the community about the sorts of projects that we are looking at. There is a series of projects with a detailed amount of information. The letter makes clear that there is a series of projects undertaking further assessment. That advice is not yet complete.

**Senator BERNARDI**—I feel we are going around in circles here. I am trying to give you every opportunity to actually tell me how many of these 28 projects are deemed priority projects. You are not going to tell me that, are you?

**Mr Deegan**—That decision has not been reached by the Infrastructure Australia Council as yet.

**Senator IAN MACDONALD**—When do you expect that to be available?

**Mr Deegan**—We propose to provide advice to government during March.

**Senator IAN MACDONALD**—Gee, if you do not have them in your mind now, you are going to do a lot of work between now and March to—

**Mr Deegan**—We have done an enormous amount of work. We have a process whereby my office will provide advice to the Infrastructure Australia Council. They will consider that advice at their regular monthly meeting.

**Senator IAN MACDONALD**—Which is?

**Mr Deegan**—There is one typically at the end of each month. That advice will then be considered by the Infrastructure Australia Council. They will make a series of decisions on the types of projects they want to put forward to the government, and then that process will continue from there.

**Senator IAN MACDONALD**—And they will report to the minister in March some time.

**Mr Deegan**—That is correct.

**Senator IAN MACDONALD**—So you have actually done a lot of the work but you are not going to tell anyone else before you tell the board and the board tells the minister.

**Mr Deegan**—As you would expect.

**Senator IAN MACDONALD**—Just going back to Senator Bernardi's earlier question, when you took this letter off the internet, who drew it to your attention?

**Mr Deegan**—I noticed it was up on the website as I checked. The letter had not been intended to go up.

**Senator IAN MACDONALD**—So it was all your own work? Nobody tipped you off on it?

**Mr Deegan**—I am sure you would like another answer, but that is the truth.

**Senator IAN MACDONALD**—No, I do not want any particular answer, but I am just surprised the minister's office did not give you a call and say, 'What are you doing with this on there?'

**Mr Deegan**—No, I think they were busy doing other things. It was very busy towards the end of last year.

**Senator BERNARDI**—How long was it up for?

**Mr Deegan**—By the description, I think it was a couple of hours.

**Senator IAN MACDONALD**—What was in the letter? It looks pretty innocuous to me except for the 28, which we did not know about. What was in the letter that caused you to think that it should not be there?

**Mr Deegan**—It was a transmission letter that would not normally go up on the website.

**Senator IAN MACDONALD**—It did not hurt, did it?

**Mr Deegan**—I do not think so, but I took the decision. It was just proper protocol.

**Senator IAN MACDONALD**—Are you aware of the preference of this government for openness and accountability? It likes these things to go on the website.

**Mr Deegan**—Indeed it does.

**Senator IAN MACDONALD**—Perhaps you could pop it back.

**Mr Deegan**—Thank you.

**Senator BERNARDI**—Are you able to provide me with a state-by-state breakdown of the shortlisted projects?

**Mr Deegan**—Not at this stage.

**Senator BERNARDI**—Unwilling, unprepared or unable?

**Mr Deegan**—Again, I think, as Senator Macdonald indicated, our advice needs to go to the Infrastructure Australia Council. They need to consider that advice and then determine which of those projects they consider priorities.

**Senator BERNARDI**—I accept that, but you are providing a short list of projects to the Infrastructure Australia Council. I am merely asking for the state-by-state breakdown of those projects.

**Mr Deegan**—That will be provided to the Infrastructure Australia Council.

**Senator BERNARDI**—You think it is too damaging to release here?

**Mr Deegan**—It is the proper process, as I think Senator Macdonald indicated.

**Senator IAN MACDONALD**—You heard me ask some questions about this very important Cooroy to Curra upgrade. Has that project attracted the attention of Infrastructure Australia?

**Mr Deegan**—Again, there are two parts to that. We are continuing to look at both the Pacific Highway and the Bruce Highway about road funding. The department is dealing with, as I understand, that particular project as part of AusLink, but we have been asked for a general view of alternative approaches to funding of these two major highways. I will check whether that particular section is part of the Queensland submission and come back to you.

**Senator IAN MACDONALD**—To regress to where I was, the advice goes to the minister in March. Do you have any indication—

**Mr Deegan**—Sorry; it is in our document. I cannot recall which one of them. We are looking at Cooroy.

**Senator IAN MACDONALD**—Is it part of the 94 or part of the 28?

**Mr Deegan**—It is part of the 94.

**Senator IAN MACDONALD**—You would not tell me, but I guessed part of the 28. If it is one of the big priorities, ipso facto it must be one of the 28.

**Mr Deegan**—It is part of the 94.

**Senator IAN MACDONALD**—To go back to the process, the board meets towards the end of this month—which does not have long to run. When is the board meeting scheduled?

**Mr Deegan**—Later this week, to be honest.

**Senator IAN MACDONALD**—Thursday or Friday?

**Mr Deegan**—Yes.

**Senator IAN MACDONALD**—How long do they usually take? Is that the only meeting they will have before reporting to the minister?

**Mr Deegan**—Prior to Christmas, we were meeting fortnightly, so a lot of information on the list of 94 and other projects has already been provided. They are across a lot of the detail.

**Senator IAN MACDONALD**—That is not my question, thank you, but—

**Mr Deegan**—I will come to that. Because they have that information, they are meeting this week and, if necessary, will have further meetings.

**Senator IAN MACDONALD**—You expect to deliver the report to the minister mid-March?

**Mr Deegan**—In March.

**Senator IAN MACDONALD**—I know we are not here to place bets, but I would bet that it will go to the minister before 21 March and I would bet that the minister will make some announcements before 21 March. You will not even know what the significance of 21 March is.

**Mr Deegan**—You are absolutely right, and I would not take the bet on a blind basis.

**Senator IAN MACDONALD**—I would have that bet with Senator Conroy, though.

**Mr Deegan**—That might be appropriate!

**Senator IAN MACDONALD**—I bet Mr Albanese will make some major announcements relating to Queensland before 21 March. That is why I am curious about the process and when you are likely to get a report out. You cannot tell me anything?

**Mr Deegan**—No. Because the council needs to consider what their view of the recommended priorities is, it would be unwise of me to pre-empt their decision.

**Senator IAN MACDONALD**—Is it part of the brief of Infrastructure Australia to keep an eye on relativities between states so that they do not all go to New South Wales or, perhaps in this round, to Queensland? Are you required to make sure that they are spread evenly across Australia?

**Mr Deegan**—One of the things that Infrastructure Australia has been asked is to do this assessment prioritisation on the basis of economic benefit to the country. We have not been asked, nor would we seek, to spread the dollars across the states. It is those projects that meet the criteria that we have been asked to deal with, and the criteria are set out in the Building Australia Fund legislation.

**Senator IAN MACDONALD**—It is clear, then, that all the projects will be in either Queensland or Western Australia—with respect to my other colleagues—

**Senator Conroy**—I am sure that was a tongue-in-cheek question.

**Senator IAN MACDONALD**—if it is about nation building and productivity in Australia. Thank you for that anyway.

**Senator BERNARDI**—I refer to Mr Eddington's comments and to his letter. There has been some concern raised by Mr Eddington that a lot of the 'projects submitted to us were close to pork-barrel initiatives'. This is quoted in an interview with Mr Eddington in *The Deal*, which is the *Australian* business magazine. Obviously he has the same concerns about these things as Senator Macdonald.

**Senator MILNE**—Speaking of pork-barrel!

**Senator BERNARDI**—I wonder whether Mr Eddington's concerns are justified.

**Senator Conroy**—That is a question in which you are asking an opinion of Mr Deegan. That is outside the bounds of these estimates hearings. If you have—

**Senator IAN MACDONALD**—Senator Bernardi is asking you, Minister.

**Senator Conroy**—You have transferred it to me. I will take that on notice. You were asking me for an opinion, you are now asking me about a fact, so I will take it on notice and see how the minister would like to respond to you.

**Senator McGAURAN**—You would not have made those comments in isolation. It would have been talked about in your office.

**Senator Conroy**—It was actually an interview in a newspaper article, which I am not quite sure pertains to Senate estimates. But if there is any information that the minister's office or that the minister would like to respond to I will, as I said, take it on notice, Senator McGauran, and pass it on to the committee.

**Senator BERNARDI**—Minister, let us deal for a moment in some of the known knowns. There was a newspaper report that stated that the former New South Wales Premier, Morris Iemma, was told not to apply for funds because there were no votes in it. It quotes Treasurer Wayne Swan as saying that.

**Senator Conroy**—I do not believe everything I read in the newspapers, Senator Bernardi. I do not even believe in everything I read on your blog site.

**Senator BERNARDI**—I am pleased you were one of 10,000 visitors to my blog site last week. I am delighted in that, Senator Conroy.

**Senator Conroy**—I promise you I was not.

**Senator BERNARDI**—I believe you said you read it. What we have got to deal with, Minister, is New South Wales having identified four priority projects for Infrastructure Australia. The first priority was the West Metro project at a cost of \$10 billion and the M4 extension at a cost of \$5.5 billion. The second priority list contains the M4 airport link extension and the M5 expansion. This sounds like the greatest pork-barrel in history, exceeding even that outrageous pork-barrelling that you did in community sports prior to the last election.

**Senator Conroy**—I am sure the National Party will take offence that you suggest anyone—

**Senator BERNARDI**—Mr Eddington clearly supports my concerns and those of other people around this table.

**Senator Conroy**—I am sure that when the Infrastructure Australia Council meet they will take into account a whole range of views but, most importantly, they will take into account their legislative basis and they will make their decisions based on—I am sure Mr Deegan can read them out to you—the criteria that have been set out.

**Senator IAN MACDONALD**—What we could get Mr Deegan to do is to just ask Mr Eddington on notice what he meant by his comment that the brutal fact is that some of these projects presented to us were close to pork-barrel initiatives. Could you perhaps take on notice to Mr Eddington to let us know what he was meaning by that? I think you have got the reference.

**Senator Conroy**—We will take it on notice and if there is any information that the minister would like to share with the committee on that we will get back to you.

**Senator IAN MACDONALD**—We want Mr Eddington to share, not the minister.

**Senator BERNARDI**—It appears to me that there is political interference running in these projects because, for example, a New South Wales state government source is reported to have said the Prime Minister's obsession was with the south-west and M5 corridor. Coincidentally, these were included in the New South Wales submission to Infrastructure Australia. If that does not sound like some sort of political interference—

**Senator Conroy**—You are asking for an opinion now, Senator Bernardi, and Senate estimates is not about seeking opinions.

**Senator BERNARDI**—This goes to the entire process.

**Senator Conroy**—As we have pointed out, Infrastructure Australia have a very straightforward legislative set of criteria. Mr Deegan has assured you that they will be taking those criteria into account.

**Senator BERNARDI**—Do you feel it is okay for Mr Swan, the Prime Minister and other unnamed people to steer submissions publicly about the priorities of this government?

**Senator Conroy**—I do not believe everything I read in the newspapers any more than I believe in those things that people have put on blogs about you in recent days, Senator Bernardi. I think they are quite scurrilous and should be dismissed out of hand.

**Senator BERNARDI**—That is the difference between you and I because I believe most of what I read about you, Senator Conroy, put up there by your colleagues. So you are dismissing this entirely?

**Senator Conroy**—I was offering you an olive branch there. Someone wanted to be your friend, Senator Bernardi, and you spurned them. Someone was offering to be your friend then.

**Senator BERNARDI**—I apologise for not getting much sense out of this, Chair. I will hand over to Senator Milne, if that is okay.

**CHAIR**—Maybe we can see if the love still flows at five to 11 tonight when we start running out of time and the sookies start.

**Senator MILNE**—While Mr Deegan is at the table, Minister, it concerns me that there is a current fragmented approach to public transport planning across the country, and you could argue that the Commonwealth actually takes a hands-off approach to public transport whilst

driving car use through funding ongoing roads from one end of the country to the other. I wanted to ask you a question and maybe get a comment from Infrastructure Australia. Currently I do not think Australia has a national moving people strategy. All OECD countries have a strategy on moving people. It is essentially a public transport strategy. We do have a national forum for passenger transport issues, the national passenger group, but they argue that they are seriously underresourced. Minister, I wonder whether the government intends to develop a moving people strategy for Australia designed to coordinate a public transport strategy for the country which would then be a reference point for Infrastructure Australia in considering its bids and so on.

**Mr Deegan**—In January last year the federal minister announced that he was working with the states in developing a national transport strategy dealing with freight and people issues across the country. As I understand, that has 10 streams of work that are well advanced with each state taking responsibility for part of that. The public transport side of it is getting a lot of attention through the department and the minister and it has been feeding into the work that both the National Transport Commission has been undertaking and, indeed, ourselves. We have relied heavily on the work that the department has provided to meet those very concerns.

**Senator MILNE**—Given what Mr Deegan said about a lot of work being done on Australia's public transport, when can we expect a publicly available document which the community could comment on or which gives some sort of progress report on how we are going in having a people-moving strategy for the country that pertains to public transport?

**Mr Tongue**—Senator, in the terms you are describing, that is probably a question for the minister. As Mr Deegan has outlined, we are actively engaged with the states in a whole range of areas. In terms of public availability, announcement strategies and all of those sorts of things, those are questions—

**Senator MILNE**—To follow up, Minister, and to take on notice for your colleague—given that it has been indicated here that there is work going on in relation to developing a public transport strategy for the country, whether it is called 'moving people' or whatever it is called—could you get me some feedback about when we can expect a draft of that strategy or a public comment strategy, or something which will give a sense of the coordination of public transport planning and guidance to Infrastructure Australia?

**Senator Conroy**—I am happy to take that on notice.

**Senator MILNE**—Thank you.

**Senator BERNARDI**—I would like to go back to the issue of some press reports, which not everyone agrees with. In the last week of January, the Prime Minister met with state premiers to discuss the economic situation and infrastructure wish lists for their respective states. Victorian Premier John Brumby met with the Prime Minister on Thursday 29 January and later was quoted as saying that the Prime Minister had promised 'a very, very large amount of infrastructure funding'. Mr Deegan, are you aware whether this promise of a very, very large amount of infrastructure funding will be a part of Infrastructure Australia?

**Senator Conroy**—The size of the funding—as we have discussed with Senator Macdonald and Senator McGauran—forms questions rightly put to Finance, which is on at the moment, I think, or to Treasury tomorrow.

**Senator BERNARDI**—Hang on a second. We have the Prime Minister meeting to talk about infrastructure needs with his Victorian counterpart, we have no final list tabled or presented and the Prime Minister promising a very, very large amount of funding for what—for projects which are not finalised or accepted through this process?

**Senator Conroy**—I thought we had indicated that there will be 26. I will happily call it up and read it out for you again.

**Senator BERNARDI**—But this goes to the process. You have not approved the projects and yet the Prime Minister is promising, obviously, specific amounts of money because it is a very, very large amount for projects that have not been approved or acquitted through this process.

**Senator IAN MACDONALD**—It might be appropriate to ask Mr Deegan whether he feels constrained by the fact that—

**Senator Conroy**—That is opinion, and you are well aware—you have been a minister on this side of the table, Senator Macdonald—that you are not entitled to ask for opinions.

**Senator IAN MACDONALD**—Is he constrained by the fact that the Prime Minister has said, ‘A large heap of your money has got to go to Victoria’? It makes your process pretty irrelevant, doesn’t it, if you are being told that from the highest authority?

**Senator BERNARDI**—No, it is just for Mr Deegan.

**Senator Conroy**—The country is suffering a massive infrastructure deficit due to 12 years of indolence on the part of the previous government.

**Senator IAN MACDONALD**—Of state governments of a certain political persuasion.

**Senator Conroy**—It was indolence of the previous federal government.

**Senator IAN MACDONALD**—Of the state Labor governments—I agree with you.

**Senator Conroy**—It was the previous federal government. Let us not sit here and cry crocodile tears. The Prime Minister is quite rightly referring to the allocations of \$12.5 billion—the hospital fund and the education fund. By June 2009 we will have—I think I have already read this out—\$26 billion. In anybody’s terms, Senator Bernardi, that is a lot of money. But is that all the money needed to make up for the massive deficit in infrastructure funding this country has suffered?

**Senator IAN MACDONALD**—That is not the question that was asked of Mr Deegan. Mr Deegan has been—

**Senator Conroy**—No, he was asked for an opinion and he has—

**Senator IAN MACDONALD**—No, he has been told that there will be big funds there, even if Infrastructure Australia decides that no Victorian project is worthy of merit.

**Senator BERNARDI**—Or even if they are only pork barrelling, as Sir Rod Eddington suggests they are.

**Senator Conroy**—You are asking for opinions based on newspaper articles.

**Senator BERNARDI**—Let me ask this: Mr Deegan, are you aware of the projects that the Prime Minister promised the Victorian government a very, very large amount of money for?

**Mr Deegan**—I am not aware of any commitments made by the Prime Minister in that regard.

**Senator Conroy**—And no indications that you have read out indicate individual projects.

**Senator IAN MACDONALD**—Can we supply to Mr Deegan the—

**Senator Conroy**—The *Sydney Morning Herald*? Certainly.

**Senator IAN MACDONALD**—I am not sure if it was the *Sydney Morning Herald*, but if we supply the news report—I am concerned for Mr Deegan; he has been put in a position—

**Senator Conroy**—I am not, frankly. I think he is looking pretty calm and relaxed at the moment.

**Mr Deegan**—Thank you, it is appreciated.

**CHAIR**—In fact, he is looking better than you lot over there. To be fair, I think you are asking the same question 17 or 18 different ways and if there are no further serious questions of Mr Deegan we will move back to nation-building infrastructure. Thank you very much, Mr Deegan. Senator McDonald, am I right to assume that we are now going back to questions on nation building.

[12.08 pm]

**Department of Infrastructure, Transport, Regional Development and Local Government**

**Senator IAN MACDONALD**—What contribution of those funds you told me about previously—and subject to what Mr Deegan's board recommends—will go into the Brisbane City Council's visionary tunnel project?

**Ms McNally**—The Northern Link tunnel?

**Senator IAN MACDONALD**—Yes.

**Senator Conroy**—Just while we are doing that, I have some information on the boom gates in Queensland that you were asking about. States will be held responsible to ensure they do not shift money away from their current level-crossing programs. The government has made it clear we are providing funding for active safety measures such as boom gates, flashing lights et cetera. States will still be required to continue their boom gate programs on level crossings as projected, and their current funding will be expanded upon by the federal government's funding. Our funding will not be used instead of state funding, and this will allow them to do additional work they otherwise could not afford on passive measures such as clearing of grass, trees, additional signs et cetera. Advice has gone to the states in relation to all of those.

**Senator IAN MACDONALD**—That is a communication from the department that you are reading from?

**Senator Conroy**—I am not going to reveal to you who provides me with the information. That is some information I have been provided with.

**Senator IAN MACDONALD**—And I thank you for it. Of course, it is authoritative if you have given it to me. That is good. Thank you, Minister. That is useful.

**Senator Conroy**—No worries. I interrupted there just because I thought you would be interested.

**Senator IAN MACDONALD**—Following up, could I just ask, on notice, for someone to get back to me—I appreciate this would be on notice—about just which projects the Queensland government was committed for and which, therefore, federal money might be available for.

**Senator Conroy**—I am happy to take that on notice.

**Ms McNally**—The government has committed up to \$500 million towards the Northern Link Road Tunnel over the nation-building program, and \$100 million will be made available from 2009-10 to 2013-14—that money will be spent on planning and management costs, with the remaining \$400 million to be made available beyond that period.

**Senator IAN MACDONALD**—That is money going direct to the Brisbane City Council not through the state government?

**Ms McNally**—That is correct.

**Senator IAN MACDONALD**—Is money being provided for the Gold Coast City Council? They have some real traffic problems there. Has that come across your radar at all? There is talk about a light rail. There is talk about other roads.

**Ms McNally**—No. I would have to take that on notice—but we are not providing any specific funding for a major project by the Gold Coast City Council at this point in time.

**Senator IAN MACDONALD**—Have you been approached? Can you tell me that? If it is not on your radar—

**Ms McNally**—No, it is not.

**Ms O'Connell**—This goes back to Infrastructure Australia. There are Gold Coast related projects that are put forward as part of the Infrastructure Australia proposals and form part of the list of 94 projects that Mr Deegan was referring to. That is publicly available—there are a number of Gold Coast related projects.

**Senator IAN MACDONALD**—Just remind me when that was published.

**Ms O'Connell**—December—I think Michael said December 21st.

**Senator IAN MACDONALD**—Just before Christmas. No wonder I did not see it.

**Ms O'Connell**—It is available on the Infrastructure Australia website.

**Senator IAN MACDONALD**—I was just going to ask that. And that is just: [infrastructureaustralia.gov.au](http://infrastructureaustralia.gov.au)?

**Ms O'Connell**—Yes. It is called *A report to the Council of Australian Governments*.

**Senator IAN MACDONALD**—Keep that open because that might help me with a couple of others—the Lind Highway from Cairns down the back to Hughenden—sorry, not the Lind—the Hann Highway. While you are looking, could you also please tell me if there are any projects for upgrading—duplication, strengthening—of the Townsville to Mount Isa railway line?

**Ms McNally**—I will direct my colleague to answer that. First of all do you want the Hann Highway?

**Senator IAN MACDONALD**—Yes.

**Ms McNally**—That is a project that is being funded under the strategic regional program. The Australian government contribution towards that is \$3.85 million, and the project is expected to be completed by June 2010.

**Senator IAN MACDONALD**—That is just for a small section of it. That does not figure in the Infrastructure Australia list of 94—the whole link—does it?

**Ms McNally**—No.

**Senator IAN MACDONALD**—That is a shame. We will come back to the railway. The road from, effectively, Cairns to Burketown and Normanton but more specifically around Georgetown has been badly damaged by floods. They have been cut off for three or four weeks. There is a debate going on about whether the existing bridge over the Einasleigh River should be repaired—the approaches that have been washed away—or whether there should be a whole new bridge built over the top of it. Has anyone made approaches to you about that or is that more likely to come through a disaster relief program?

**Ms McNally**—I would have to take that on notice.

**Senator IAN MACDONALD**—Can I just draw that to your attention, in that it is more than a disaster relief program; this will continue to happen ad infinitum unless the proper bridge, which there are plans for, is built. Before we come to rail—and perhaps you can looking at this—there has been a lot of talk about a place called Karumba, up in the Gulf of Carpentaria, along the coast from Normanton. It is a very busy fishing port, it is a live cattle export port and, in the last decade, it has become a great magnet for the grey nomads. It is a very big tourist area now. Unfortunately, it has been cut off for about six or eight weeks now. No other town in Australia would put up with that, but they have. They cannot fix the road; it is almost unfixable. But there is an airstrip there which the Queensland government said they would put a third sealing on, which is about \$400,000, providing the council and the federal government—

**Senator Conroy**—Are you trying to give away the ‘Conroy runway’ you promised me yesterday!

**Senator IAN MACDONALD**—That was a different one. We are naming it the ‘Conway runway’!

**Senator Conroy**—I just got the suspicion you were going to call it the Joyce runway then!

**Senator IAN MACDONALD**—Who?

**Senator Conroy**—The Joyce runway.

**Senator IAN MACDONALD**—Oh! What an excellent suggestion, Minister!

**Senator Conroy**—He is choking on his wheaties there!

**Senator IAN MACDONALD**—Two questions here: is that on your radar? Has someone approached you about it? Well, I have approached the minister, so there should be something somewhere. What they really need there is not only to seal it but to extend it.

**Ms McNally**—The runway?

**Senator IAN MACDONALD**—Extend the runway.

**Ms McNally**—We do not actually deal with runways in this part of the portfolio.

**Senator IAN MACDONALD**—You do not?

**Ms O'Connell**—Senator, after lunch, Aviation and Airports will be able to deal with that.

**Senator IAN MACDONALD**—Will they deal with aviation infrastructure? I thought it would be under infrastructure. It is about hard cash to build things.

**Senator BERNARDI**—The Conroy pork-barrel!

**Senator IAN MACDONALD**—The Conroy pork-barrel!

**Senator MILNE**—The runway pork-barrel?

**Senator Conroy**—No, they were offering it to me yesterday—if I would do it they would name it after me!

**Senator IAN MACDONALD**—I let the comments about pork-barrelling go over the shoulder, but this is a community that has been cut off for eight weeks and they really do need some assistance.

**Senator MILNE**—Can I—

**Senator IAN MACDONALD**—No, hang on—Mr Williams was just going to tell me about the railway line.

**Mr Williams**—Can you repeat the question, Senator?

**Senator IAN MACDONALD**—From Townsville to Mount Isa, are there any proposals or any submissions for upgrading, strengthening or duplicating anything?

**Mr Williams**—There is no specific funding allocated by the Australian government to such a proposal. My understanding is that a private company entitled Australian Transport and Energy Corridor, ATEC, is a potential proponent of such a railway and may have put proposals up to Infrastructure Australia, but that is as much as—

**Senator IAN MACDONALD**—Is that from Townsville to Mount Isa or from Melbourne to Mount Isa?

**Mr Williams**—From Townsville to Mount Isa, I think, yes.

**Senator IAN MACDONALD**—Really? Can you just check that for me?

**Mr Williams**—Yes, I will.

**Ms O'Connell**—Can I just also mention again that, in the report to COAG that Infrastructure Australia made available in December, one of the 94 projects is the Mount Isa rail corridor upgrade, which is from Mount Isa to Townsville.

**Senator IAN MACDONALD**—Okay. Is that one of the 28 priority projects?

**Ms O'Connell**—It is one of the 94 projects.

**Senator HEFFERNAN**—Is there any mention in that same document, Macca, of a proposal to open a new phosphate mine deposit in the Northern Territory? Are you blokes familiar with that?

**Ms O'Connell**—Senator, they are properly questions for Michael Deegan, who was here earlier to deal with all of the—

**Senator HEFFERNAN**—Come back, Michael!

**Ms O'Connell**—Infrastructure Australia projects.

**Senator Conroy**—No, he has gone.

**Senator HEFFERNAN**—There is a proposition equal to that of the Duchess mine, and it requires 240 kilometres of rail added to the north-south link to be viable. It would partially fill in what is to be completed on the Townsville-north-south link. Is it too late to ask about that?

**Ms O'Connell**—I have the list, which is publicly available on the Infrastructure Australia website.

**Senator HEFFERNAN**—Are you sure he is not just sitting outside the committee room?

**Senator Conroy**—Unfortunately, he has left the building. Elvis has left the building.

**CHAIR**—Senator Heffernan, if the officers can help you with that, Senator Milne has requested a little bit of time before we wrap up.

**Senator MILNE**—Thank you. I want to ask a couple of quick questions. The first one is in relation to rail safety. Is it appropriate to ask about that now or should I refer it to the Australian Rail Track Corporation? It is essentially about a push by people involved in the rail industry for a single national regulator and investigator.

**Mr Tongue**—Could we handle that one under the National Transport Strategy?

**Senator MILNE**—Okay. Does that also apply to the very fast train? Does that concern the rail corporation or you?

**Mr Tongue**—The very fast train in the context of Infrastructure Australia's—

**Senator MILNE**—In the context of: are you doing work on it? I have seen that it is in the list of 90 or so projects. Is any work being done on it, apart from that particular proposal? Is there anything being advanced?

**Ms O'Connell**—No. It is one of the 94 projects, as you pointed out, for Infrastructure Australia, and they are working on those proposals.

**Senator MILNE**—In terms of transport strategy, should I also them about the north-south rail freight corridor, in particular the intermodal approach to planning, which is one of the big issues they have, apart from upgrading the tracks and so on?

**Mr Williams**—It depends on what the question is. It could be a potential question to me or to David Marchant in the next section.

**Senator MILNE**—What they are saying is that it is not just about upgrading the tracks to get the freight onto the rail but also about getting better intermodal planning. Can you tell me

whether any work is going on to supplement the submission in relation to a north-south rail corridor?

**Ms O'Connell**—Again, in terms of the Infrastructure Australia list, there are a number of intermodal hubs that are part of the consideration by Infrastructure Australia that clearly relate to freight as well.

**Senator MILNE**—Do they relate to the rail freight up the east coast?

**Ms O'Connell**—I will have to take that on notice for Michael Deagan.

**Senator MILNE**—That is fine.

**Ms O'Connell**—I am reading from the publicly available list.

**CHAIR**—If there are no further questions—

**Senator IAN MACDONALD**—Senator Heffernan had one, I think.

**CHAIR**—It is the wrong area.

**Senator HEFFERNAN**—I unfortunately cannot get the answer. I have flagged the fact for the man who has disappeared that there is a proposal to put a bit of competition in the fertiliser market by opening up a huge new phosphate deposit in the Northern Territory, but 240 kilometres of railway line is required to do it.

**CHAIR**—On that point, thank you to Senator Heffernan and to officers from Nation Building—Infrastructure Investment.

[12.23 pm]

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

**CHAIR**—I now call Australian Rail Track Corporation.

**Mr Marchant**—May I make a short opening statement?

**CHAIR**—Of course.

**Mr Marchant**—I do not normally make a statement, but on this occasion I need to put in context some of the issues that ARTC is dealing with in relation to the Consolidated Revenue Fund. Senators would be aware that ARTC is a corporation under the Corporations Law and does not receive funding from the Consolidated Revenue Fund of Australia.

**CHAIR**—I appreciate that, Mr Marchant. We have time. However, if it is a lengthy statement you may get the call halfway through it to table it.

**Mr Marchant**—In December 2008, the government announced the nation-building and economic stimulus package, which included an investment of \$1.26 billion in ARTC in the form of equity. The equity investment was primarily directed at two broad packages of ARTC activity. The first part was to assist in the delivery of a major capital program to enhance the capacity of the Hunter Valley coal mines, enabling the rail infrastructure to manage the increase in export coal from the present level of 95 million tonnes per annum to over 200 million tonnes planned for 2012-13. Up to \$580 million of equity has been targeted to assist in supporting ARTC's balance sheet to raise debt to enable over \$1.2 billion of new infrastructure to be built in the Hunter Valley. The equity was necessary to overcome the

credit constraint on the market, which was restricting ARTC's ability to borrow \$1 billion in the market in the course of last year. Each project in the Hunter Valley, when approved in accordance with the regulatory regime in the Hunter Valley, will be incorporated in the excess pricing for full cost recovery plus the weighted average cost of capital by the coal industry, as approved by the economic regulator for the coal train market.

Secondly, the loading capacities in the Hunter Valley will be extensively improved with the upgrading of NCIG in Port Waratah. In economic terms, between the period 2010 to 2017, the infrastructure capacity for the Hunter Valley will enable export revenue from coal to raise between \$11 billion and \$20.9 billion; state added tax ad valorem, between \$450 million and \$750 million; and Commonwealth tax revenue, potentially \$1.6 billion to \$2.67 billion. With the mines opening up based on the existing infrastructure enhancement, it will create in the mining sector up to 9,000 new direct jobs by 2017.

The second layer of the government's December package, related to equity and to ARTC, was for \$563 million of projects outside the Hunter Valley. They were in two parts: projects which can commence before May 2009 and those projects where construction would commence post 2009. They included the Queensland border to Acacia Ridge track upgrade and the consort agreement by the Queensland government to lease that track to ARTC. That track upgrade is worth \$55.865 million and includes a resleepering on the standard gauge track between the Queensland border and Acacia Ridge. ARTC has also offered to build in a narrow gauge track as part of that to enable a narrow gauge connection to the Bromelton industrial area.

There is \$45.1 million for Sydney to Brisbane new and extended loops and upgrades, the details of which are outlined in the announcement. There is a Seymour to Wodonga track upgrade, which will complete the resleepering of the Melbourne-Sydney corridor. That is \$45 million. There is a Cootamundra to Parkes track upgrade, which is worth \$91.5 million and is a realignment of that track and will bring it up to the standard of the remainder of the main lines in Australia. There is the Wodonga bypass duplication, which will enable the construction of a dual bypass bridge at Wodonga at a cost of \$50 million. ARTC is already working with the Victorian government on a joint project of \$500 million to convert the existing broad gauge track between Seymour and Wodonga to standard gauge so that there are two tracks to Wodonga. This announcement enables the single bridge that has been constructed to become a double bridge so that those two tracks can get across the river and into the New South Wales framework at a cost of \$50 million. The Cootamundra, Crystal Brook and New England new and extended loops are worth \$42 million and will enable 1,800-metre trains to travel consistently from Cootamundra to Parkes to connect up with the Parkes framework, which we have already extended to 1,800 metres.

In addition to that, there will be Melbourne to Adelaide extended loops worth \$76 million, which will enable track lengths between Melbourne and Adelaide to be extended from the present maximum of 1,500 metres to 1,800 metres and which will have direct economies of scale for train operations and for the efficiency of train operations on that corridor as the remainder of that corridor, from Adelaide to Perth, is 1,800 metres and double stacked. In addition to that, there will be new and extended loops to 1,800 metres for Adelaide to Kalgoorlie worth \$23 million, which will enable a framework of continuous train lengths

through those corridors. The bottom line is that the government's economic and nation-building stimulus package, excluding the Hunter Valley projects which have gone through, will provide about a 25-minute transit time reduction for trains running from Melbourne to Brisbane. It will improve significantly the ride quality on the Melbourne to Brisbane corridor, will eliminate temperature speed restrictions brought about by the present configuration of the track and, lastly, will ensure that the track is more fire-safe without having all the timber framework built into the track during these sorts of seasons.

On the east-west corridor, the investment will enable some 63 minutes of transit time reduction between Sydney and Perth and an additional 18-minute transit time reduction between Melbourne and Perth. It obviously improves ride quality in those areas, which has been a problem in train operations. It will increase the axle load between Cootamundra and Parkes and therefore provide for more consistent train operations from the east coast to the west coast of our nation. It will also eliminate delays brought about by temporary speed and heat restrictions that take place in the present configuration of those tracks without concrete sleepers in place. The package of equity injection into ARTC of \$1.2 billion is basically made up of those parts. It also includes one other part in the form of a \$45 million contribution by the Australian government in the form of equity to ARTC to match ARTC's \$45 million program for the development of an Australian advanced train management system—a digital communications train control system worth some \$90 million, the proof of concept of which is now under way in partnership with Lockheed Martin, Ansaldo and others. This will be a three-year program, and if that program proves successful in the Australian context a situation would be enabled whereby it could be rolled out across Australia at a cost of some \$500 million, bringing the Australian industry into the digital age. In addition to that, the Australian government, as part of those packages, also provided at the request of ARTC a holiday on dividend payments to the Australian government until the end of financial year 2012-13 so we can use the prospective dividends to reinvest in the infrastructure.

**Senator IAN MACDONALD**—Was I temporarily distracted when you mentioned the Queensland rail projects?

**Mr Marchant**—I am not sure about your distraction, but I mentioned the Queensland rail project from the Queensland border to Acacia Ridge.

**Senator IAN MACDONALD**—That is it, is it?

**Mr Marchant**—I indicated that the package would enable ARTC to take up a lease of that piece of standard gauge track of 136 kilometres from the Queensland border to Acacia Ridge. That is the only gap we have on the management of the eastern seaboard—the Queensland gap. The Queensland government, after strong approaches from Minister Albanese, have agreed in both policy and principal terms to lease that track to ARTC so it can come under a one-track management framework, and I thank the minister for that—it has been very helpful. The investment is of some \$55.8 million.

**Senator IAN MACDONALD**—Yes, I did hear that.

**Mr Marchant**—We will lay concrete sleepers and reinvigorate that track from the Queensland border to Acacia Ridge. In addition to that, we are offering to put in a narrow gauge piece of track—

**Senator IAN MACDONALD**—Very good.

**Mr Marchant**—Which does not actually go past Acacia Ridge, to enable a connection to Bromelton proposed industrial area. We are ready to roll out that 86-kilometre sleeper-laying process and all the rest in March, subject to concluding an agreement on lease terms with the Queensland government.

**Senator IAN MACDONALD**—That is good. I understand that your corporation is a corporation under the companies act. Just to correct you, though, the Eastern Seaboard does go beyond Brisbane.

**Mr Marchant**—Yes—it is just not standard gauge beyond Brisbane, and our focus is on standard gauge.

**Senator IAN MACDONALD**—Is there any prospect of ARTC eventually taking over the line north of Brisbane, as it has done in the rest of Australia?

**Mr Marchant**—We have basically concentrated on doing our charter, which used to connect the Australian capital cities and major ports on the standard gauge interstate network. We have been concentrating on getting those connections put together and on facilitating improvements in their performance. Nobody has approached us to look at narrow gauge in the north of Queensland.

**Senator IAN MACDONALD**—But you are involved from Perth to Melbourne to Brisbane—so everywhere around the coast except north of Brisbane and north of Perth. No-one has ever approached you. Has it ever been raised?

**Mr Marchant**—No, it has not.

**Senator IAN MACDONALD**—Have you ever done any investigations about whether it would fit within your remit?

**Mr Marchant**—Absolutely not.

**Senator IAN MACDONALD**—Perhaps it needs the Queensland government to approach you to have a look at it.

**Mr Marchant**—We would need to look at it on a commercial basis. The policies are made by government. We are a company operating on a commercial framework.

**Senator IAN MACDONALD**—Could you make that statement available to the committee?

**Mr Marchant**—Sure.

**Senator IAN MACDONALD**—As I recall, you said that there is \$1.26 billion out of the stimulus package—

**Mr Marchant**—It was called a ‘nation-building and economic stimulus package’ in mid-December and to ARTC, specifically, \$1.26 billion in the form of equity.

**Senator IAN MACDONALD**—Did you say that there was \$580 million that came in which would allow you to raise debt of \$1.2 billion?

**Mr Marchant**—I was trying to explain that the \$1.2 billion is made up of two parts—it is actually three, but two parts. One is the \$563 million for specific projects that are part of the

nation-building package. Up to \$580 million is for a contribution to ARTC's balance sheet to enable us to move forward with our investment of \$1.2 billion in the Hunter Valley alone. We were in the market last year for a billion dollars worth of debt. The market last year for a billion dollars of debt was a little bit on the tight side and effectively the Australian government determined to contribute equity to actually facilitate that framework, and ARTC will continue to borrow debt to facilitate the Hunter Valley development.

**Senator JOYCE**—Couldn't you get the ARTC to go north of the Hunter Valley? Where does your auspice stop?

**Mr Marchant**—Our 60-year lease in New South Wales on the coastal line stops at the Queensland border. We are now negotiating, as part of this package, to go up to Acacia Ridge, which is a standard gauge terminal in Queensland. On the New England track, we stop at Werris Creek and then turn left to go down to the Gunnedah Basin framework. The line from Werris Creek to Moree to Onestar is a New South Wales government line which we manage for them. It is a New South Wales government line at their economic cost and framework—we are just facilitating management there. We have an option over that line that we can take and put a call option at our call.

**Senator IAN MACDONALD**—The \$1.2 billion is coincidental; it is not the same figure that you are talking about?

**Mr Marchant**—There is \$1.26 billion of equity investment into ARTC. ARTC has a forward capital program of \$3.2 billion. Part of that \$3.2 billion includes \$1.2 billion of investment in the Hunter.

**Senator IAN MACDONALD**—It is just a coincidence that there are two \$1.2 billions.

**Mr Marchant**—It is fortunate for memory—it is easier to recall that way.

**Senator IAN MACDONALD**—You say that that funding is fully cost recoverable from the coal industry.

**Mr Marchant**—In the Hunter Valley, we work under an access regime, as we do in most of the rest of our track—but under a separate access regime for the Hunter Valley. Every capital investment in the Hunter Valley is done with the acquiescence of the affected coal companies. That then goes into a regulated asset base and the coal companies are required to provide a return through our access charges on that base.

**Senator IAN MACDONALD**—The government's \$580 million is actually a capital equity investment that will stay?

**Mr Marchant**—It is a purchase of shares, so it goes into our share equity base. Inevitably, they will get dividends out of that because there is a guaranteed return on the Hunter Valley framework. At some point, we may restructure our balance sheet return capital in the future.

**Senator IAN MACDONALD**—Your shareholders are principally the Commonwealth—

**Mr Marchant**—The shareholder is the Commonwealth of Australia.

**Senator IAN MACDONALD**—This is just an extra capital injection into the corporation.

**Mr Marchant**—Of which the corporation will seek to make a return back to the dividend.

**Senator WILLIAMS**—Are you familiar with the New South Wales Grain Freight Review led by Mr Des Powell?

**Mr Marchant**—Yes.

**Senator WILLIAMS**—I was talking yesterday about the huge problems of Newcastle port in relation to the unloading of wheat, caught and delay in ships et cetera. Will the New South Wales Grain Task Force be looking at branch lines as well?

**Mr Marchant**—ARTC is represented on the task force. It will make its contribution to the task force in that framework. The task force brief is to look at grain lines and branch lines, as well as main lines, obviously, in New South Wales. I am not aware of your comments yesterday with regard to Newcastle ports; I do not follow the estimates committee task.

**Senator WILLIAMS**—As far as the exporting of wheat—

**Mr Marchant**—We manage the Hunter Valley network very closely, for obvious reasons—it is a very large network. In the last three months, we have had no problems with grain trains reaching the port whatsoever.

**Senator WILLIAMS**—I think the problem with the grain there might be the lack of trucks from GrainCorp. They are putting a lot of grain onto the roads going into Newcastle. They have only three grids for unloading road trucks at 600 tonnes an hour whereas a train can handle 2,700 tonnes an hour. There is a real bottleneck there, and hopefully that will be addressed in the near future by the appropriate authority.

**Mr Marchant**—For about the last five years, just about everybody involved in the rail industry has been seeking to get long-term commitments from the grain industry to enable reinvestment in rolling stock. That has not been possible for the various grain providers. I think the above rail operators made it clear that eventually the stuff would not be available unless someone can commit. I think there is a commercial solution to that, not a government solution, and that commercial solution has not been exercised.

**Senator WILLIAMS**—The abolition of the single desk probably has not helped either, but I will not go down that road.

**CHAIR**—No. You tried it yesterday and it did not work.

**Senator WILLIAMS**—I did not mention it yesterday, Chair.

**CHAIR**—That crazy neoliberal Kevin Rudd and his deregulation!

**Senator WILLIAMS**—You say that your organisation is on this task force. Why has this come so late when for years people have been crying out for rail freight to be reintroduced to take pressure off the roads?

**Mr Marchant**—We are a member of the task force; we are not a policy setter.

**Mr Tongue**—I think some of those questions would have been better put to our nation building infrastructure investment people. I can seek to bring them back, but if you are happy to put those questions on notice we can handle it that way.

**Senator WILLIAMS**—I am happy to put them on notice. Just going on to another issue, the model national rail safety legislation was approved by the ATC to be implemented by the

end of 2008. Most jurisdictions have missed the earlier target of 1 July 2007. Only Victoria, South Australia and New South Wales have so far implemented this very important legislation. This has taken far too long. When is the legislation going to be implemented and what is the government doing to hasten this?

**Mr Tongue**—Could we handle that one under infrastructure and surface transport policy at item 11 or at item 12?

**Senator WILLIAMS**—Okay. What about the CPRS emissions trading? The CPRS proposed that passenger and truck transport emissions costs will be offset for three years and one year respectively. Do you want to handle that later on as well?

**Mr Tongue**—Could we handle that at item 10?

**Senator WILLIAMS**—Righto.

**Senator JOYCE**—The Ardglen Tunnel between Werris Creek and Scone—

**Mr Marchant**—The Liverpool Ranges.

**Senator JOYCE**—When do you envisage that to be completed?

**Mr Marchant**—The Ardglen Tunnel is part of our forward Hunter Valley investment strategy, which is published on the internet. We review it every five years and go through it in detail with the coal companies. We are presently going through a consultation with the proposed coal companies that will be affected. As you are probably aware, Whitehaven, Idemitsu and now BHP have sites in that area. As of last October, a new player, Sin Wah, has been given an approved site from the state government's mining licences area. We are engaging with them with regard to joining together on the exercise. As to which of the six options we have published, we have published an engineering report on the six likely options for the Liverpool Ranges bypass. We address which of the six options would be most desirable by the coal companies who are going to use it and which one would fit the long-term capacity they require. That has changed quite dramatically, given the extension of the mines there. You would not want to build a tunnel or other option that was not able to take the capacity that was in a foreseeable period. We are engaging with that process now. We are going through a development process, and we hope in the second part of this year to have a settled process with the proponent mining companies and us moving forward on detailed design and engineering.

**Senator JOYCE**—So this is all about getting a greater capacity to move coal out of the Gunnedah area down to Newcastle?

**Mr Marchant**—That is correct.

**Senator JOYCE**—Which actual body recommended the upgrade of the Ardglen Tunnel?

**Mr Marchant**—We did the development work-up on the options around Ardglen Tunnel based on our forward projections of what would be—

**Senator JOYCE**—So the ARTC did the forward projections.

**Mr Marchant**—With the coal industry. We went through the forward projections of what was likely to be the movement in coal, what that would likely mean with regard to tonnages,

how that could be translated into track capacity and efficiency in the network, and a year and a bit ago we published an engineering study and a market study which went all through that.

**Senator JOYCE**—So there were no other bodies extraneous to those groups that you just mentioned that were instrumental in making that Ardglen decision on the tunnel?

**Mr Marchant**—No.

**Senator JOYCE**—Thank you for that. Your lease goes to Moree, or you have use of the access to Moree?

**Mr Marchant**—No, my lease goes to Werris Creek.

**Senator JOYCE**—But then you have some share agreement to Moree?

**Mr Marchant**—No, I have an option to take that line on a put option at my call. It is a state government line, and the state government, on all country lines in New South Wales, is responsible for the policy, pricing, service base and maintenance of it. We are a facility manager to the state government, under contract to manage that for them.

**Senator JOYCE**—Have there been any studies done into not taking the line down to the Ardglen tunnel, and instead putting that investment into taking the railway line north into Gladstone or into Brisbane?

**Mr Marchant**—There have been a number of strategy papers within the ARTC looking at that, and a number of forms. All of it goes down to the cost benefit of translating those volumes to the ports and the cost of transporting. By any clear outcome, the cost of transporting down Ardglen, which is a Newcastle port, is more cost-effective than moving 40 million tonnes of coal three to five times the distance north.

**Senator JOYCE**—What about the prospective opening up of Taroom, these other coal mines that are obviously going to need rail connections?

**Mr Marchant**—All of those options we have been through a number of times, and they do not stack up. That is very different to any study of an inland route—Melbourne-Brisbane—but you have asked me specifically about coal from the Gunnedah basin, and under any economic rational analysis, it does not stack up.

**Senator JOYCE**—And that takes into account issues such as—here at Thallon at the moment, I know it is a state rail issue, but at the rate they are moving grain out of that silo, it will take two years before they clear it out. There is no prospect of alleviating the cost through the movement of grain from Moree, Mungandi, Thallon and all of those areas which are currently going at a snail's pace.

**Mr Marchant**—Those sorts of issues are also broadly within the study base of an inland route, Melbourne-Brisbane, and that is a separate study that is being undertaken for report later this year.

**Senator JOYCE**—What time later this year?

**Mr Marchant**—November. But that study is to deal with the broader Melbourne-Brisbane issue. The issue of Moree grain et cetera will be partly touched on by the study that Senator Williams raised, which is a grain task force study.

**Senator JOYCE**—Have you had any communication or negotiations about the Ardglan tunnel with the member for New England, Tony Windsor?

**Mr Marchant**—No, not any negotiations with him. He has lobbied on behalf of the tunnel over a number of years.

**CHAIR**—As there are no further questions, I thank you, Mr Marchant.

[12.49 pm]

### Aviation and Airports

**CHAIR**—We will now move to aviation and airports and get started on that before lunch.

**Senator WILLIAMS**—Is Sydney airport coping with the congestion there?

**Mr Doherty**—The Sydney airport capacity is an issue we will understand better at the end of the master plan process.

**Senator WILLIAMS**—So it is coping okay with congestion at the moment?

**Mr Doherty**—Certainly. It is coping with the demand at the moment. What we will see with the master plan is forecasts of demand looking forward.

**Senator WILLIAMS**—Are there enough trained air traffic controllers at Sydney? Is there a shortage of labour there? We saw disruptions here a week ago when many airlines were delayed et cetera due to air traffic control problems at the Sydney airport. Can you give us an update on where you are at with air traffic controllers.

**Mr Doherty**—Air Services Australia, who are scheduled to appear later, are the people who employ air traffic controllers. They would be best placed to do that.

**Senator IAN MACDONALD**—Is it your people I should be asking my Karumba airstrip questions to?

**Mr Doherty**—It is.

**Senator Conroy**—I thought we had agreed on the name?

**Senator IAN MACDONALD**—I do not know; there is some disagreement on whether it is the Joyce or the Conroy name.

**Senator Conroy**—They warned me about you, Macca.

**Senator IAN MACDONALD**—Did you hear my questions of Infrastructure Australia about that?

**Mr Doherty**—I did not hear them directly; I was told that you raised the questions.

**Senator IAN MACDONALD**—I, amongst others I guess, have written to the minister about the Karumba airstrip. Is there any prospect that the federal government might contribute to (a) the proposal by the Queensland government and the local authority to put in one-third each to reseal it—that was one proposal, and I understand that has been made to you by Queensland RTM—or (b) the more important proposal of extending and sealing the runway so larger planes can get in with food in times like this, and also so there is an adequate tourist service, amongst other things, for what it is a rapidly growing locality. Is it on your radar?

**Mr Doherty**—Certainly. We have a program called the Remote Aerodrome Safety Program. The minister has written to the council inviting them to make an application. We are aware that the Queensland government has announced its intention to fund one-third of the sealing program. The next round for grants under that program opened for applications last week and close in April, so the minister wrote and invited the council to submit an application in that program. The program would involve the contribution of funding normally from the state, the local council and the Commonwealth, but if it meets the terms of that program and is approved under it, then the Commonwealth would be meeting one-third of the cost.

**Senator IAN MACDONALD**—The Commonwealth would meet one-third?

**Mr Doherty**—That would be the way it would work.

**Senator IAN MACDONALD**—That is a safety related program, is it?

**Mr Doherty**—That is right. That is to ensure safe, year-round access essentially—or as far as possible.

**Senator IAN MACDONALD**—That would cover the sealing. What they desperately need is an extension of the runway as well, because in times like this, when they have been cut off from civilisation for eight weeks, they either barge food and mail around the top of Cape York to Weipa and then on to Karumba, or come down the Norman River if they can get to Normanton, which is a trek in itself. The extended runway would allow Dash 8s, which can carry some cargo, to land so the people do not starve. In better times, which is most of the time, it allows tourist traffic to come in and it allows seafood products to be taken out, so it is very important. That is a long preamble to asking you: out of the \$42 billion so-called stimulus package for infrastructure, is the department looking at getting money for projects like that, which create jobs, do actually do something for Australia's export potential and stimulate the economy?

**Mr Doherty**—The only program that we in the Aviation and Airports division are involved in is the Remote Aerodrome Safety Program, so I have had no engagement in broader thinking about those regional infrastructure issues.

**Mr Tongue**—Senator, it would be a relevant question to raise this evening under local government and regional development issues.

**Senator IAN MACDONALD**—All right. That sounds great. Do you in this division—or is it with CASA or someone else—take an interest in meteorological services at airports?

**Mr Doherty**—In broad terms, we do have an interest because it is part of the overall framework for administering a safe system, but CASA and perhaps Airservices would probably have more direct contact with the provision of meteorological services.

**Senator IAN MACDONALD**—While there is no-one else here—that means I am not holding others up—what does your division actually do? Can you in a sentence tell me what your role is?

**Mr Doherty**—Yes. In broad terms we are the policy division for aviation and airports, so our key role, I guess, is to look at how the whole system coordinates and administers the broad legislation. We participate in the processes of the International Civil Aviation Organisation, which sets the global structure, and then we have interests in the industry policy

section, in the overall framework for safety administration—although the detail of that administration is then done by CASA and, to an extent, ATSB—and in the overall framework for services, which is Airservices' area. A significant amount of our work is related to airports, and there we have a specific role as the regulator of the federal airports under the provisions of the Airports Act and as representatives of the Commonwealth for the leases that were granted to those sites.

**Senator IAN MACDONALD**—Okay. I want to ask about the Fort Street High School, or Senator Heffernan might like to take that up. Is that your area?

**Mr Doherty**—Yes.

**Senator IAN MACDONALD**—I was going to ask you about something else, but it has completely gone from my mind. I will think about it over the lunch break. Is it correct that the school built some buildings without the proper insulation requirements for airport noise? Are you familiar with that issue? I understand Senator Williams raised it at the last estimates, and you gave some answers.

**Mr Doherty**—I think Maureen Ellis would have been involved in that. I am not conscious that the school has failed to meet any requirements. As I understand it, this is a very old school and I expect the construction was done before there were any—

**Senator HEFFERNAN**—No, particular buildings were recently built and under local planning they seem to have got round the need to make provision for the fact that they are under the flight path, which is what this is all about.

**Mr Doherty**—I do not know the details, I am sorry, of the construction that has taken place at the school. I am aware there is a commitment to assist with insulation work there. But, if there is a specific question about the work that has been done, I am happy to take it on notice.

**Senator HEFFERNAN**—We will come back after lunch. Are we going to lunch now?

**CHAIR**—Yes, we may as well. We will resume at two o'clock on the dot with you.

**Proceedings suspended from 1.00 pm to 2.00 pm**

**CHAIR**—I welcome back officers from Aviation and Airports.

**Senator McGAURAN**—I wonder whether this is the right area to ask a question about the status of the Essendon Airport.

**Mr Tongue**—This is the right area.

**Senator McGAURAN**—A question was asked about the airport in the Victorian state parliament, I believe, to the Premier. The Premier outlined his government's position with regard to the Essendon Airport. In short, it is to shut the Essendon Airport. Can you tell me whether, under the previous government, there was a caveat over the sale of the airport that it must remain open as an airport when it was sold?

**Mr Doherty**—It would have been leased for a period of essentially 99 years for operation as an airport and, at the end of that time, with the right to either return it to the Commonwealth or negotiate some arrangement.

**Senator McGAURAN**—If the Premier's policy is to close the airport, what ways and means does he think he has to do that, or is this watertight?

**Mr Doherty**—I am not aware of any approach on that basis. As far as I am aware, the Australian government has no intention to close Essendon Airport.

**Senator McGAURAN**—Perhaps I can ask the Minister. Minister, does the government have any intention of closing the airport or, to the contrary, does the government stand by the opening of the Essendon Airport?

**Senator Conroy**—I think you just—

**Senator McGAURAN**—Yes, it was a bit tangled.

**Senator Conroy**—It was a bit tangled.

**Senator O'BRIEN**—What was the question?

**Senator McGAURAN**—Does the government have any intentions to shut the Essendon Airport? You are quite right, it was a bit mangled—it being just after luncheon.

**Senator Conroy**—The government does not intend to close Essendon Airport but will explore issues to limit the impact of aircraft noise on the local community.

**Senator McGAURAN**—Say that again.

**Senator Conroy**—The government does not intend to close Essendon Airport but will explore issues to limit the impact of aircraft noise on the local community. When approving the Essendon Airport 2008 master plan on 28 October 2008, the minister established a working group to examine and advise him on options for the management of issues relating to aircraft and other operations at Essendon Airport of concern to the surrounding community. The working group first met in December 2008. Now it meets on a monthly basis prior to submitting its report to the minister in April 2009.

**Senator McGAURAN**—Can we get any interim report or indication of that working group's recommendations?

**Senator Conroy**—I doubt whether you will be able to get it before the minister, and then it would be up to the minister.

**Senator McGAURAN**—Okay. The government has no intention of closing the Essendon Airport as an operational airport but if it did, as I understand it, it could not do so anyway, unless it broke the lease. Would that be right? Given that it is written in the lease that the airport must remain open as an airport, unless the federal government broke its own lease it could not shut the airport.

**Mr Doherty**—We have not explored the mechanics of how that could be done by negotiation, legislation or otherwise.

**Senator Conroy**—Because we are not planning on doing it, so we have not explored them.

**Senator McGAURAN**—No, but Mr Brumby is, you see. In answer to a question in the state parliament, it is his policy and intention to shut the Essendon Airport.

**Senator Conroy**—Does he own it?

**Senator McGAURAN**—This is what I am exploring. I know that he has a great deal of influence over you, so I am a little frightened in that respect. Are there any loopholes in the lease, because I know when he knocks on your door, Senator Conroy, you will open it wide. You open it wide and in he comes.

**Senator Conroy**—He is an excellent Premier of Victoria.

**Senator McGAURAN**—Is this watertight? You or your government will not cave in, Senator Conroy? Is the lease—

**Senator Conroy**—I just read out to you the exact—

**Senator McGAURAN**—But I need more than just your intention. I want to know whether the lease is watertight.

**Senator Conroy**—The government does not intend to close Essendon Airport.

**Senator McGAURAN**—Have you or the working group had any discussions with the state government? If you have, has the state government put to the working group their policy and intent, whatever their authority and power, to shut the Essendon Airport?

**Senator Conroy**—We have released a master plan for the ongoing use of the airport.

**Senator McGAURAN**—Yes, I know. You have got to speak to Mr Brumby.

**Senator Conroy**—Essendon Airport has a 50-year lease with an additional 49-year option to operate the airport.

**Senator McGAURAN**—Exactly. I could not agree more, because when we were in government, we leased it on the grounds that it remained open as an airport. That is written into the lease, and you should see the airport today.

**Senator Conroy**—Have we changed the lease?

**Senator McGAURAN**—Essendon Airport is booming and blossoming.

**Senator Conroy**—Mr Doherty, we have not changed the lease since we came to government?

**Mr Doherty**—No.

**Senator Conroy**—Senator McGauran, the lease that you signed, that you are talking about, remains intact, unchanged.

**Senator McGAURAN**—Good.

**Senator Conroy**—Shall we move on?

**Senator McGAURAN**—No.

**Senator Conroy**—There are no more questions after that.

**Senator McGAURAN**—So, in other words, Mr Brumby is just hot air. There is no way the state government can either cajole or convince or use its factional power to change the attitude of this government towards Essendon Airport. I will tell you why the Essendon Airport is so important—and you should know it, Senator Conroy.

**Senator Conroy**—I do. I support keeping it open.

**Senator McGAURAN**—It is a regional airport. It is the airport for the air ambulance service, and it is now booming around the outskirts of the airport. You drive past it on your way to Tullamarine.

**Senator Conroy**—I do.

**Senator McGAURAN**—You can see how it is booming, yet Mr Brumby wants to shut it down. Now, when a State Premier says that, you have got to take him—

**Senator Conroy**—Do you have a question?

**Senator McGAURAN**—The question is: when a state Premier says those words in the parliament in answer to a question, you have to believe that he might know something we do not.

**Senator Conroy**—I am sure Mr Brumby knows lots of things you do not, Senator McGauran.

**Senator McGAURAN**—Does he know how to shut the Essendon Airport?

**Senator Conroy**—I have categorically stated the federal government's position, and I am just not sure whether there could possibly be any other questions.

**Senator McGAURAN**—My colleague has now entered the room.

**Senator Conroy**—Senator McGauran, you have done well. To be fair to you, you have filled in for Senator Macdonald ably.

**Senator IAN MACDONALD**—Essendon Airport is a very important issue for Melburnians. I just indicated to Mr Doherty that I wanted to find out what influence, authority or control the Commonwealth government has over parking regulations at the Canberra Airport.

**Mr Doherty**—Senator, at the end of the day, the parking arrangements at Canberra Airport are a matter for the airport. If they comply with the broad zoning under the master plan, and if they meet any development requirements for work being done at the site, it is up to them to provide the parking.

**Senator IAN MACDONALD**—But the Commonwealth still owns the land, doesn't it?

**Mr Doherty**—I does.

**Senator IAN MACDONALD**—But it is issued on long-term leases to individual airport operators. Who owns the buildings, the direct factory outlets and all the office buildings? Are they on Canberra freehold, as a 99-year leasehold, or are they part of the airport reserve?

**Mr Doherty**—That is all part of the airport site, which is leased. It is all part of that 99-year lease, or the 50 plus 49.

**Senator IAN MACDONALD**—So it is a 99-year lease from the Commonwealth. Does the Commonwealth retain any influence over what happens at airports?

**Mr Doherty**—In the sense that there are a range of planning controls: broad planning through the master plan, and approval for specific major developments through major development plans supported by building control requirements.

**Senator IAN MACDONALD**—Does the Commonwealth have any influence over things like people travelling to airports, getting out of their means of transport and into the terminal?

**Mr Doherty**—Not to a great extent. There may be bits and pieces here, but I think the essential point is that I think Canberra Airport themselves would like to provide good parking facilities, and it is the growing pains, in effect, of other work they are doing to improve facilities—

**Senator IAN MACDONALD**—I am not talking about the construction work—that is a pain in the whatever. That is happening in Cairns, and it is almost worse there. They are things you expect when there is huge construction and expansion going on. What concerns me—and some people from Canberra have mentioned this to me—is that there does not seem to be anywhere that you can take your own vehicle and pick up anyone. You can take your own vehicle and drop off people, but you do not seem to be able to take your own vehicle and pick up anyone. Is it a question of access to airports that there must be an ability for citizens to—

**Senator Conroy**—Can I just clarify: are you saying there is no short-term parking, or there is no bay that you can pull in and wait?

**Senator IAN MACDONALD**—The signs seem to suggest that it is illegal to pull in and collect someone from the sidewalk. You can pull in and drop someone off, but you cannot pull in. This is why I am asking what influence you have, because perhaps I have got it wrong. I am just wondering whether you can elaborate on this.

**Mr Doherty**—Senator, I am just conferring with Ms Gosling. We understand that the idea of curb side pick-up is becoming a broader issue at airports, partly as a result of security concerns and partly for traffic management. I suspect that the scope is exacerbated by building work that is going on at the moment.

**Senator IAN MACDONALD**—Forget the building work. I accept that.

**Senator Conroy**—What about excessive pricing of short-term car parking.

**Senator IAN MACDONALD**—That is fine, Minister, but many people say to me they only want to pick someone up—

**Senator Conroy**—I am supporting you.

**Senator IAN MACDONALD**—Okay—without having to pay \$5 or \$2 for a short-term park and then having to get out of their car. I might be wrong. I do not want to malign these people. Is it something that I ask you, or will I ask airline security? The signs at the Canberra Airport actually say that you have two minutes to drop someone off—fine—but, for security reasons, you cannot pick someone up.

**Mr Tongue**—Perhaps I could dive in here. Without going into a great deal of detail, we have been doing a range of work with major airports about what we call ‘front of house’, because of events that happened in Glasgow and prior to that at other major airports. From a purely security perspective, we do pay attention to traffic management at the front of airports and try to manage that balance between what I call ‘passenger facilitation’ and the desire of people to get in and out quickly. It is certainly not the only issue that drives this process of traffic management, but it is a consideration. I, for one, would certainly be talking to airports if they suddenly decided that dropping off people was a good idea, unless there was some

really significant setback from the front of the terminal—which sort of defeats the purpose—and what I would call hands-on traffic management.

**Senator IAN MACDONALD**—I do not mind the fact that the Comcars park well out into the rain. That does not worry me at all. I am concerned about ordinary citizens who, as I read it—as I said, I might have this wrong—can drop off someone for not more than two minutes. If you are a terrorist, you have opportunities there. But, at the same curb, you cannot stop and pick anyone up, even for 10 seconds, for security reasons the sign says.

**Mr Tongue**—That is right.

**Senator IAN MACDONALD**—Can you tell me about that, or should I ask someone else?

**Mr Tongue**—I am happy to talk about it a little more under the Office of Transport Security later in the day.

**Senator IAN MACDONALD**—Okay. Is that because you do not know, or can we just get rid of this issue now, while we are on it?

**Mr Tongue**—I am happy to handle it now. I do not want to go too far into vehicle-borne bombs and all of those sorts of things. Part of the challenge at the front of airport terminals is traffic management and trying to get a flow of traffic. It is a bit like what they have done with Parliament House, with traffic going in one direction and trying to—

**Senator IAN MACDONALD**—Hopefully, they have not got the same planners involved, because that has been a disgrace, in my view.

**Mr Tongue**—It is a similar sort of thinking in terms of managing the flow, trying to have a sense of normal and typical behaviour and ensuring that you have the balance that I mentioned between facilitation—

**Senator IAN MACDONALD**—If I could stop you. That is fine, and I do not object to the two-minute set-down. It just seems incongruous to me that setting people down for two minutes is not a security risk, but picking people up—people who get off a plane, get into a car and speed away—is. If there is some sensitivity about what I do not understand but bad people do understand, do not make it public now. This is about the incongruity or inconsistency.

**Mr Tongue**—The current arrangements aid in the management of the flow of people and they also aid in the observation of what is going on at the front of the terminal. A large number of vehicles pulling up, waiting to pick up people, creates its own set of dynamics, particularly at busy times at major airports. You can end up with 10, 15 or more vehicles all crowding around, hovering, waiting for people to emerge from the terminal. That does a couple of things: it concentrates people at the front of the terminal; it means that you have a cluster of vehicles—not just one, but a cluster of vehicles—that are harder to manage; and it significantly changes the dynamics.

**Senator IAN MACDONALD**—So you are telling me that this is not a Canberra Airport—

**Mr Tongue**—It happens at most major airports. You will find that there is this traffic management system in place. It varies a bit, depending on airport architecture and design.

**Senator IAN MACDONALD**—Most of them do have a limited time—as I said, I think it is two minutes to get out of the car, and you are moved on if you are more than two minutes. That is fine. I agree with that, and I can understand that. But I cannot understand why you cannot have 30 seconds to stop and pick someone up from the curb side and drive away.

**Mr Tongue**—The challenge is managing the 30 seconds. The drop-off process is an easier process to control than inviting people to wait for those coming out of the terminal, because you cannot guarantee that it will be 30 seconds.

**Senator IAN MACDONALD**—Most people, as they get off the plane, say: ‘Hello. I am here, Love. Come and pick me up. I will meet you on the curb side.’

**Mr Tongue**—Frequent travellers, perhaps.

**Senator IAN MACDONALD**—I will leave it there. If someone were bold enough to say to the airport owners, ‘Get lost; I’m going to stop here,’ would they have to answer to the airport the internal bylaws of the airport owners, however they arrange them, or would they have to answer to the Federal Police, who have jurisdiction over traffic?

**Mr Tongue**—The answer is potentially both, depending on the circumstances.

**Senator IAN MACDONALD**—On notice, could you sensitively explain the difference between stopping for two minutes to drop off someone and stopping for one minute to pick up someone, whose jurisdiction it is, and against whom would constituents be offending if they ignored these rules.

**Mr Tongue**—Certainly.

**Senator IAN MACDONALD**—Thank you.

**Senator WILLIAMS**—Mr Doherty, are you familiar with some buildings that were built at Fort Street High School in Sydney?

**Mr Doherty**—I am not familiar with the buildings.

**Senator WILLIAMS**—Right. I will fill you in on the situation. Apparently there are two buildings—building F and building G—which were constructed at Fort Street High School. The claim is that the approval for the buildings was granted by the Marrickville Council and it did not insulate them against aircraft noise. To cut a long story short, I am saying that these buildings did not comply with Australian Standards 2021 when they were constructed.

My sources say: ‘Having had years of experience installing noise insulation, these buildings do not look like they have been insulated with aircraft noise in mind. A year ago, I was trying to find out if the buildings were constructed for aircraft noise compliance and one year on I am led to believe that the buildings did not have to comply with the local council’s aircraft noise insulation requirements. I understand a quantity surveyor’s report was prepared for the department of transport last year, and the estimated net construction cost of insulating the above existing buildings for aircraft noise is around \$1 million. These amounts are exclusive of builder’s overheads and profits, 15 per cent, and GST. I believe that had the buildings been constructed with the aircraft noise insulation in mind, the buildings could have been made to comply with Australian Standard 2021 for a third of what it will cost to install insulation as an afterthought.’

Do you know anything about these? It is almost \$1 million of insulation that looks like it has to go into these buildings.

**Mr Doherty**—We are involved in provision of insulation to Fort Street High, reflecting a government election commitment in the run-up to the 2007 election. Through that process we have had consultants examine the cost of providing that insulation, and in that process we have been told about two buildings that were built in 2004, I think, which did not have insulation and which the consultants thought would normally have been built with insulation in those circumstances. At this stage we are proceeding with the exercise to provide for the insulation of the whole school.

**Senator HEFFERNAN**—Does that mean that was a flawed development application?

**Senator WILLIAMS**—Chair.

**Senator HEFFERNAN**—This just follows on, mate. I have got the same question as you.

**CHAIR**—Senator Williams, you have the call.

**Senator WILLIAMS**—So you believe it is about \$1 million to insulate these buildings now?

**Mr Doherty**—I think that the quotes that we were given were slightly higher than that.

**Senator WILLIAMS**—How much higher? Can you have a stab in the dark?

**Mr Doherty**—The names that I was given, checking up on this, were: Rowe building, \$0.9 million; Cohen building, \$1.4 million.

**Senator WILLIAMS**—Do you know any reason why insulation was not put in when they constructed the buildings?

**Mr Doherty**—No.

**Senator WILLIAMS**—In response to a question I asked you during the previous round of Senate estimates regarding noise insulation near airports, you stated:

... we have completed the work on those buildings which have been identified as eligible under the program. There may be some fine residual work in areas, such as if the noise pattern moves or if there is some warranty work, but generally the vast bulk of that work has now been completed

Have the noise patterns moved at all since the last round of Senate estimates?

**Mr Doherty**—In Sydney, no, as far as we understand.

**Senator WILLIAMS**—Are these adjusted, these noise contours?

**Mr Doherty**—The actual pattern of noise is monitored, and so the ANEI chart of noise contours is adjusted.

**Senator WILLIAMS**—Has it been adjusted of late?

**Mr Doherty**—No. I do not think any adjustment has been required, and certainly no expansion as a result of the changes.

**Senator WILLIAMS**—If these contours were adjusted, would this mean further work would have to be commissioned, as far as noise insulation goes?

**Mr Doherty**—The way the noise insulation program was set up was that the criteria, while the program was operating, was based on the noise contours, so that if the noise contours expanded and more areas came into the high noise zones those zones became eligible for insulation. As it is, the Sydney program has been terminated and the levy has been switched off. So we have no expectation that further buildings will become eligible under the program.

**Senator WILLIAMS**—Except this \$1.4 million job. You have to do it.

**Senator Conroy**—It was an election commitment. As we have discussed at length before, Senator Williams, we are going to deliver each and every one of our election commitments.

**Senator WILLIAMS**—Good. I can understand that from economic conservatives. In the previous round of Senate estimates Senator Heffernan asked about the details of the \$14.5 million project to insulate Fort Street High School in the minister for transport's electorate. The response from Maureen Ellis was that the actual details were not available until 2009 because they would prejudice any further tender process. Now that it is 2009, are the details of this project available?

**Mr Doherty**—Sorry, further detail of the breakdown of the \$14.5 million?

**Senator WILLIAMS**—The response from Maureen Ellis was that actual details were not available until 2009 because they would prejudice any future tender process.

**Mr Doherty**—No, we have not made further details available.

**Senator WILLIAMS**—Senator Heffernan, would you like to continue on with some questions, especially on the issue I just raised?

**Senator HEFFERNAN**—You are going all right. But obviously I am curious about the government's pre-election commitment, Minister, on the variable noise pattern and how you have committed to that. Have you committed to the variable noise pattern for an insulation program?

**Senator Conroy**—We made an election commitment to insulate Fort Street High School from aircraft noise and we delivering on it.

**Senator HEFFERNAN**—No, that is not what I am asking. As part of your election commitment, have you a program which flagged on the variation in the noise pattern?

**Senator Conroy**—Fort Street High is an election commitment.

**Senator HEFFERNAN**—No. Forget about Fort Street High. I am talking about the variation in the noise pattern. If you do not know what I am talking about, just say so.

**Senator Conroy**—Perhaps you might need to explain. No-one at the table appears to be following your line of questioning, Senator Heffernan.

**Senator HEFFERNAN**—I am sure they do. There is allowance in the aircraft landing pattern for changes to the aircraft landing pattern, which varies the aircraft landing noise pattern. Where are we up to with that?

**Mr Doherty**—There were two noise programs established, one at Adelaide and one at Sydney. Both worked on essentially the same lines, which were that there was money appropriated which provided for insulation of eligible buildings. That was recovered over

time by a levy on the operation of aircraft. In relation to Sydney, the program has been terminated in that all the eligible work and warranty claims had expired and the levy had reached a stage where it had paid off the available work. So the legislation still remains in place and could be activated, but there is no active noise program in Sydney.

**Senator HEFFERNAN**—Thank you, Mr Doherty. That goes to the nub of the question, which is that there has been no variation in the geographic noise model.

**Mr Doherty**—As I understand it, we will continue to monitor the ANEI changes, and if it got to a stage where there was significant change—

**Senator HEFFERNAN**—You can then re-enact the—

**Mr Doherty**—There would be the possibility for government to make a decision. Adelaide is in a slightly different situation in that the noise program is still on foot in Adelaide, and I think recently there were additional buildings identified as eligible.

**Senator HEFFERNAN**—So the tenders are finished, the job is complete and the book is signed off.

**Mr Doherty**—For programs, not for the special election commitment project.

**Senator HEFFERNAN**—Would Fort Street have been eligible if it was not an election commitment?

**Mr Doherty**—Fort Street was not eligible during the period of the program.

**Senator HEFFERNAN**—So that was purely a political decision.

**Senator Conroy**—It was an election commitment, you are completely correct, Senator Heffernan, as it was an election commitment in 1998, 2001, 2004 and 2007.

**Senator HEFFERNAN**—You are allowed to have election commitments, Minister.

**Senator Conroy**—Very good of you.

**Senator HEFFERNAN**—I am very saddened, though, that you pinched that \$2 billion out of the sovereign fund for the bush communications. Were building F and building G built since 2002?

**Mr Doherty**—I am not familiar with the terms ‘building F’ and ‘building G’. The advice that I was given was the two buildings concerned were called the Cohen and the Rowe building. They may be the same.

**Senator HEFFERNAN**—Yes, fair enough. But, given the noise contour, were these buildings appropriately insulated in the beginning. They were not, apparently.

**Mr Doherty**—I do not know the ins and outs of the New South Wales planning system as it applied. All we have is the word of the consultants, who indicated that their expectation was that they would have been.

**Senator HEFFERNAN**—Could you take on notice whether they complied with the building regulations given the noise contour at the time and whether they were actually eligible for insulation by the New South Wales government given their input into the building approval process.

**Mr Doherty**—I am not trying to be unhelpful. We would take on notice a question if we had the information available. But I do not think we will have that information.

**Senator HEFFERNAN**—Just in the event of—

**Senator Conroy**—The Parliamentary Library might be able to do your research for you. The department is indicating it does not have the information.

**Senator HEFFERNAN**—But he does not know.

**Senator Conroy**—If we have it I am sure we will be able to provide it.

**Mr Doherty**—If we have any information about why that was done we can provide that, Senator, of course.

**Senator HEFFERNAN**—I hope it was not because of a political donation.

**Senator Conroy**—You have no links, I trust, Senator.

**Senator HEFFERNAN**—No. Don't take the bait.

**Senator Conroy**—I trust you have no links.

**Senator HEFFERNAN**—I am adding a bit of colour and movement.

**Senator Conroy**—I was pleased to see you were not named in the article yesterday, Senator Heffernan. I found it a minor miracle, but I was pleased.

**Senator HEFFERNAN**—I have to confess, I am less notorious than some of my friends.

**Senator Conroy**—Yes, and that is an unusual thing for you to be able to say, Senator Heffernan.

**Senator HEFFERNAN**—I am a pure innocent. So we accept that it was a political, symbolic gesture to Fort Street High School to make the political—

**Senator Conroy**—It was an election commitment. It was not symbolic; it was an election commitment.

**Senator HEFFERNAN**—So could a cynic say that this is an instance of the Commonwealth funding the failures of the state?

**Senator Conroy**—That is asking an opinion, which I am sure that the officer cannot be asked.

**Senator HEFFERNAN**—But I am asking you.

**Senator Conroy**—I am not as familiar with New South Wales politics as you are, Senator Heffernan.

**Senator HEFFERNAN**—What would have been the difference in cost between adequately insulating these buildings during the initial construction—and I do not expect you to know the answer to this without notice—and insulating or retrofitting them?

**Senator Conroy**—I am not sure. It is probably possible—

**Senator HEFFERNAN**—It seems to me there is a planning failure.

**Mr Doherty**—Senator, I do not know that information and I do not know that we could get it.

**Senator HEFFERNAN**—What is the definition of a public building under your program?

**Mr Doherty**—I do not know off the cuff. I understand it has been used for schools and hospitals, but I can take that on notice and provide you the definition.

**Senator HEFFERNAN**—Do the noise regulations apply to state government buildings?

**Mr Doherty**—The New South Wales planning noise regulations?

**Senator HEFFERNAN**—Yes.

**Mr Doherty**—I do not know.

**Senator HEFFERNAN**—My information is that state government buildings do not have to comply with the regulations. A state government is responsible for insulating their own buildings for noise under your noise insulation program?

**Mr Doherty**—I will have to check the details of the guidelines for the program.

**Senator HEFFERNAN**—When you find that out, you might answer the question: why did the Commonwealth spend money doing state government buildings when the states should have done them themselves? The next questions can be on notice, Minister. Has there been any further insulation work carried out on buildings and by any other state governments? If so, how much was spent in each case.

**Mr Doherty**—That would be a potential in Adelaide and I will need to check that.

**Senator HEFFERNAN**—Did the New South Wales government make any contribution towards the cost of the noise insulation work. If not, why not?

**Mr Doherty**—For Fort Street High School? I do not understand that to be the intention. I think the full cost is being met as part of the election commitment.

**Senator HEFFERNAN**—These are New South Wales state government buildings.

**Senator Conroy**—It was an election commitment.

**Senator HEFFERNAN**—Are there plans to recoup the cost of insulating these buildings or not?

**Senator Conroy**—It was an election commitment.

**Senator HEFFERNAN**—Thank you very much. Senator Williams?

**Senator WILLIAMS**—I am pretty happy. We have the answer as ‘election commitment’.

**Senator HEFFERNAN**—There you go. It takes a long time to get a simple answer.

**Senator Conroy**—And that is an answer you have not heard before from me.

**Senator HEFFERNAN**—That is the power of politics.

**Senator Conroy**—Yes.

**Senator IAN MACDONALD**—It is worth commenting that, when you were in Opposition, election commitments were not grounds for doing that, but that is—

**Senator WILLIAMS**—The rules have changed.

**Senator Conroy**—You created programs that kept passing projects that failed the guidelines—

**Senator HEFFERNAN**—Rather than get involved in a whole lot of useless and time-wasting argy-bargy, could I just raise something that seems to have gone quietly to ground?

**Senator Conroy**—Is it a question?

**Senator HEFFERNAN**—It is. It is quite an interesting adventure, in fact. Canberra airport and the plans to turn that into a hub, not necessarily restricted by time—where are we up to in terms of the Tralee development?

**Senator Conroy**—Does that fall within our portfolio?

**Senator HEFFERNAN**—It is certainly airports.

**Mr Doherty**—It has been an issue relating to the development of the Canberra airport. The decision on development in that corridor is a decision that is made by the New South Wales planning regime.

**Senator HEFFERNAN**—Surely, in the interests of the airport at Canberra and the corporation or the company that owns that—

**Senator Conroy**—The largest donors to the Liberal Party in the ACT.

**Senator IAN MACDONALD**—Who is?

**Senator Conroy**—The Canberra airport.

**Senator IAN MACDONALD**—I take back all my questions, then.

**Senator Conroy**—I will put on record I am sure Senator MacDonald said that with a tongue in his cheek.

**Senator HEFFERNAN**—If there was a scenario in which an airport owner offered to—

**Senator Conroy**—You cannot ask the officers hypothetical questions.

**Senator HEFFERNAN**—No, I am going to ask a question. If an airport owner offered tenancy—

**Senator Conroy**—It is a hypothetical question.

**Senator HEFFERNAN**—to an airport leaseholder at a \$500,000 discount subject to them doing something else, would that be troublesome to your department?

**Senator Conroy**—It is something that sounds like it should go to the police.

**Senator HEFFERNAN**—It has gone to the police and I have not heard a word since. It went to the police two years ago. You know nothing about it?

**Mr Doherty**—It is an abstract question to me and I cannot answer it.

**Senator Conroy**—My recollection is the police even raided the—

**Senator HEFFERNAN**—I will leave it.

**CHAIR**—Right. As there no further questions on aviation and airports, I thank the witnesses very much.

[2.38 pm]

### Airservices Australia

**CHAIR**—Welcome.

**Senator IAN MACDONALD**—The issue that is front of mind for all of us who travel a lot—particularly those who rely on travel, particularly up my way in North Queensland—is the issue of the air traffic controllers. What is the situation with their pay claims and their vote to strike, which I understand has not happened yet. Can you just update us at the beginning?

**Mr Russell**—Yes. We have been in intense negotiations with the air traffic union, Civil Air, for the last couple of weeks and we have made quite good progress. The negotiations are at a delicate stage. In fact, we have further meetings planned of the negotiating committees tomorrow and I am hopeful that we might see an agreement soon.

**Senator IAN MACDONALD**—That is good news. I assume the minister has been kept informed of negotiations between your organisation and Civil Air?

**Mr Russell**—Yes, he has.

**Senator IAN MACDONALD**—Mr Russell, again, I assume—and correct me if I am wrong—the minister is well briefed, either from you or from his own sources, on the impact any industrial action might have on the economy, Australian jobs, emergency services—

**Senator Conroy**—I am not sure Mr Russell is in a position to give an assessment of what—

**Senator IAN MACDONALD**—I will ask you then, Minister. I assume the minister, Mr Albanese, has been briefed, either by Airservices or someone else, on the impact any industrial action could have on the economy, jobs, international and regional airlines—

**Senator Conroy**—I am sure Mr Albanese is very conscious of the importance of the aviation industry to the broader economy.

**Senator IAN MACDONALD**—My question was a little deeper than that: not only the aviation industry, but a cessation of operations of the Australian industry, the impact it could have on Australia in these difficult financial times.

**Senator Conroy**—Perhaps you misheard me. I said the impact of it on the broader Australian economy, agreeing with your question.

**Senator IAN MACDONALD**—Okay. So he is aware of—

**Senator Conroy**—I am sure he is well across his duties and understandings in this area.

**Senator IAN MACDONALD**—Do you, Minister or Mr Russell, have any contingency planning and actions of what the government might put in place if—

**Senator Conroy**—First, that is a question about government policy and I will take it on notice.

**Senator IAN MACDONALD**—I am encouraged by Mr Russell's original response that this is all now hypothetical, but it did seem fairly serious a while back. I was just wondering what contingency plans the government might have had in place, and so you will take that on notice for me. Thank you.

**Senator Conroy**—Pleased to take it on notice.

**Senator IAN MACDONALD**—Again, I do not want to ask any questions that would impact in any way on the—

**Senator Conroy**—We appreciate the sensitive way in which you have been asking your questions so far.

**Senator IAN MACDONALD**—Mr Russell, are you and other parties conscious of the difficulties in Australia at the moment with financial problems, floods and, more devastatingly, fires, and the impact any uncertainty in air travel might have on those areas? Are they the sorts of things that your organisation has considered?

**Mr Russell**—I am certainly aware of the current state of the aviation industry in Australia and what has been occurring in the international industry, and it seems to me that the industry is in for a particularly tough period. So I am very mindful of that issue, in the context of the questions that you have been raising, yes.

**Senator IAN MACDONALD**—Again, I am a bit hesitant to even raise this, but the opportunities I have are very limited. Minister, perhaps it is sufficient for me to ask: is the government aware that the Minister for Employment and Workplace Relations can issue a declaration under section 498 of the Workplace Relations Act about bargaining periods and that sort of thing?

**Senator Conroy**—I am sure the minister is fully aware of her obligations and responsibilities and options.

**Senator IAN MACDONALD**—That is not the aviation minister, of course; that is a different minister.

**Senator Conroy**—I am sure the Deputy Prime Minister is fully aware of her powers.

**Senator IAN MACDONALD**—Okay. I do not want you to disclose any cabinet material, but this is an issue that is wider than either the relevant transport minister or the workplace relations minister, which would be a matter for cabinet. Could I ask if the government, through cabinet, has contingency plans if things go wrong?

**Senator Conroy**—I am happy to take that on notice and give you any information the minister considers relevant.

**Senator IAN MACDONALD**—I was asking you, really, in your role as a cabinet minister.

**Senator Conroy**—Right. I am not in a position I can discuss cabinet considerations.

**Senator IAN MACDONALD**—Okay. Finally, Mr Russell, I think you said right at the beginning that you were hopeful that things were reaching a conclusion. Am I misquoting you?

**Mr Russell**—No, senator. I am hopeful, yes.

**Senator IAN MACDONALD**—So the time frame would be less than a week?

**Mr Russell**—I think meetings over the next couple of days will be quite decisive, yes.

**Senator IAN MACDONALD**—I guess it is not appropriate to take it any further.

**Senator Conroy**—We appreciate you have been very sensitive in how you have addressed your questions.

*Senator McGauran interjecting—*

**Senator IAN MACDONALD**—I know Senator McGauran will not inflame a situation that sounds like it is close to some conclusion. That is all I have.

**CHAIR**—Senator Williams, did you have some questions?

**Senator WILLIAMS**—I will go after Senator McGauran because I do not want to inflame you.

**Senator McGAURAN**—None of us want to inflame an issue where, heaven forbid, this union has been running amok for years and now, suddenly, we are all very sensitive about getting them to the table. The point that you have reached now is because the minister, to his credit, got tough on the union and you, Mr Russell, also got tough on the union. So sensitivity does not work with this union. Take it from me, I get all their emails. I know your negotiations are at a very sensitive point, but tell me: is the union's 63 per cent ambit claim in regard to a pay rise still on the table?

**Senator Conroy**—You are asking Mr Russell to discuss the ongoing negotiations. I think you could well take a leaf out of Senator MacDonald's sensitive and appropriate questions. We will take that on notice.

**Senator McGAURAN**—Okay. There are many things I model myself on when it comes to Senator MacDonald—

**Senator Conroy**—You might want to try—

**Senator McGAURAN**—Sensitivity ain't one of them.

**Senator Conroy**—McGauran admits: not a sensitive soul.

**Senator McGAURAN**—I followed this issue from the start and I know what you are up against, Mr Russell. I am sure the union are tuned in, but I do not think they are going to throw in the whole deal because a couple of Liberal senators are asking a few hard questions. In fact, I daresay it was the hard questions that got us to this point. You have taken it on notice, but it is quite obvious the union still have their big pay claim on the table. The crux of this is the sick leave. You told us at the last estimates that you have put a ceiling on that sick leave at 15 days. Is that still on the table?

**Mr Russell**—This issue has been discussed as part of the negotiation and I just cannot provide any real information on it just at the moment.

**Senator HEFFERNAN**—In the log of claims, you could confirm they wanted unlimited sick leave—that is, 365 days a year?

**Mr Russell**—It is one of the issues that have been the subject of the negotiation.

**Senator Conroy**—And remains outstanding.

**Mr Russell**—Yes, I think you could say that.

**Senator HEFFERNAN**—The pattern of absenteeism in the lead up to each log of claims is well documented. You would have seen that graph—

**CHAIR**—Sorry, Senator Heffernan, but I think Senator McGauran has still got a couple of questions.

**Senator HEFFERNAN**—I am trying to be sensitive too.

**Senator Conroy**—For you that was sensitive.

**CHAIR**—It does save Senator McGauran jumping in later if he could finish his questions now.

**Senator McGAURAN**—You said in the last estimates that this sort of wildcat sick leave tactic has been used, and you have accepted it as a tactic used—a very dangerous one. You said it was used by a small number of controllers. Now, is that the union's view too to you? Are they saying, 'Hey, we don't know who these people are and we have no control on these wildcat sick leave strikes'?

**Senator Conroy**—You are now asking the officer to give you an opinion.

**Senator McGAURAN**—He gave the same opinion on page 75 of *Hansard* last time.

**Senator Conroy**—We are now in a situation where we are close, hopefully, to resolving the issue. I think Mr Russell would be wise to take it on notice, given that we are potentially close to a resolution. I know, Senator McGauran, you want to help resolve that situation.

**Senator McGAURAN**—So how close? Are we weeks away?

**Senator Conroy**—I think Mr Russell used the words 'crucial in the next few days'?

**Mr Russell**—Chairman, I am hopeful that the next few days will be decisive in terms of these negotiations. I am very happy to take these questions on notice, but I make the point again that these negotiations are at a delicate stage and I just do not want to say something that may jeopardise them, with great respect.

**CHAIR**—Mr Russell, I think the committee would probably appreciate what you are saying, because we understand that there is another party involved in these negotiations who are not here today. Minister?

**Senator Conroy**—Senator McGauran, you seem aroused by the issue of unlimited sick leave. During the entire term of the coalition government, was it ever addressed in 12 years?

**Senator WILLIAMS**—Who asks the questions around here?

**Senator Conroy**—I just wanted to confirm that that was factually correct.

**Senator McGAURAN**—Which is what?

**Senator Conroy**—Unlimited sick leave: it was never addressed at any stage during the coalition government.

**Senator McGAURAN**—Perhaps, Mr Russell, you can give us the history in regard to the union's behaviour.

**CHAIR**—Senator McGauran and Minister—

**Senator Conroy**—I am just trying to clarify as fact.

**CHAIR**—I think Mr Russell is making it very clear—and, yes, Senator McGauran, you have followed this intensely—that the negotiations are at a sensitive position. That is what

you put to the committee. You wish to maintain that sensitivity because there is another party that is not a party to the conversation at the moment. For the purpose of throwing everything upside down you would rather take the questions on notice. And I am sure if it all turns upside down Senator McGauran will have a lot more questions at the next round of estimates. Would that be fair?

**Mr Russell**—That is the position, Chairman.

**CHAIR**—Okay.

**Senator McGAURAN**—This is to Mr Russell. What I am concerned about is you may well strike an agreement with the union but, as you have said, there are a few out there, apparently not connected to the union, who will continue on with this behaviour. They have to be found and rooted out, don't they? Or we are going to get the same pattern, even against union view.

**Senator Conroy**—You are asking an opinion there. You said, 'Don't they have to be rooted out, don't you think?' You are asking an opinion.

**Senator McGAURAN**—Mr Russell, nothing will change.

**Senator Conroy**—Mr Russell is in the middle of a delicate negotiation and I think Senator Macdonald accepts that and Senator Heffernan, to his credit, accepts that; and even Senator Williams.

**Senator WILLIAMS**—Don't speak for me.

**Senator Conroy**—I think you can work on the basis that we will take it on notice.

**Senator McGAURAN**—I am just going to make this point one more time. Over the time that this has been an issue for this committee, we have been told that this is not the union who have been carrying on misusing the sick leave; that it is not the union, it has got nothing to do with the union, it is all about a few, whom we do not know, but they are separate from the union—they are wild cat, if you like. That is what we have been told on several estimates committees. So aren't I entitled to believe either that was the wrong information or that in fact, whatever agreement comes up with the union, nothing with regard to misuse of sick leave and other disruptive activity will change because there is a group out there who are not party to this agreement? It is one or the other: we have been misinformed, or nothing is going to change.

**Senator Conroy**—You are asking an opinion, Senator.

**Senator McGAURAN**—I know what the answer is. The answer is it has always been the union.

**Senator Conroy**—I am glad that you so vigorously have pursued this over such a long period, but Mr Russell has indicated he will take these questions on notice. It would be unfair, and everybody else in the committee seems to accept that, but that is where the matter stands. If you would like to put more questions on notice we welcome that, Senator McGauran.

**Senator McGAURAN**—Okay. The contingency plan which my colleague raised would still be in play because the agreement has not been finalised yet—there may be many a slip between cup and lip, I think the saying is. Having been in government, we know there is a

contingency plan, and this committee has a right to ask and know what it would be. What is the contingency plan?

**Senator Conroy**—As I said, we will take that on notice and any information that is available that Mr Albanese is willing to give you we will get for you.

**Senator McGAURAN**—But that is a question that ought to be answered, not a question of opinion.

**Senator Conroy**—I did not say it was an opinion. I said I would get you an answer. We have taken it on notice

**CHAIR**—Senator Heffernan.

**Senator HEFFERNAN**—I do not know whether it is by accident or divine intervention, but these estimates were obviously organised before the vote was taken, which was, as I understand, 80-odd to a few to take the strike option if they needed it. Is that right?

**Mr Russell**—Yes.

**Senator HEFFERNAN**—Which is a fairly blunt instrument that is hanging not only over your organisation but over the government and over the Australian public. So there is that blunt instrument hanging over all our heads, and I am sure that there will be a blunt axe used in return if all this turns to custard after we have been very sensitive here today. I did put some questions, which I think were quite legitimate, on notice at the last estimates about the absenteeism pattern of activity, to which I got a very dead answer—which I suppose, in view of the circumstances, might have been appropriate. But sometimes people have to move on: farmers have got to move on and come to terms with the new weather pattern and new farming techniques; and organisations that have unlimited sick leave, limited but fairly generous non-notifiable absenteeism provisions et cetera. In fairness to the Australian public, I hope that in your negotiations both you and the government can get these people to recognise that they have got more than a fair crack of the whip. So, in return for us having the opportunity to get right up everyone with a blunt axe and a sledgehammer if it all turns to custard, I will defer today.

**Senator McGAURAN**—Of course, the flip side of that, Senator Heffernan, and I put this to Mr Russell, is that it is one thing to bring the negotiations to a close and come to an agreement; it is another thing to cave in. We will be scrutinising this agreement very closely, that this is not a gigantic cave-in on the eve of the Queensland state election or whatever other political game the government likes to play with this rather out of control union.

**CHAIR**—Senator McGauran, your colleagues have been very grown up about this. You have had your turn.

**Senator McGAURAN**—There is a question.

**CHAIR**—Mr McGauran, you had your turn. I was going to go to Senator O'Brien. I think, in all fairness, you did have your shot. It would be nice to hear a question.

**Senator McGAURAN**—The question is: Mr Russell, can you assure us there is not a cave-in in the wind?

**Mr Russell**—Yes, Senator.

**CHAIR**—Mr Russell, thank you for your patience. Senator O'Brien and then Senator Macdonald.

**Senator O'BRIEN**—Mr Russell, I think it was in the last budget estimates you told this committee:

At this stage we anticipate achieving the full staffing complement by the end of August with new controllers flowing to the system over the coming months. This is just the beginning of our increased recruitment activities with a further 80 to 100 ATCs to be recruited per year over the next five years.

How did we go and how are we going?

**Mr Russell**—We have made some very good progress in this area. Our staffing issue at the moment is okay. The way we deploy our people can be improved, however. It is a combination of bringing additional staff into the organisation, as I indicated at that previous hearing, over the next couple of years and reorganising the way we deploy them. If I could just provide you with a little update, our current requirement for operational air traffic controllers is 893 positions. We currently have 945 air traffic controllers. During 2008 we had 49 resignations, 14 of whom left to go overseas and 25 in fact rejoined us, most of whom are expats from overseas.

We have no difficulty attracting what we would call ab initio trainees. Recently we put a small advertisement on our website for 30 positions for experienced controllers. We had 208 applications; 162 of them were from overseas, and many of those are air traffic controllers of experience wanting to come back to Australia. So there is not an issue there, we think, in terms of the immediate staffing issues. We know very well that if we sat on our hands, so to speak, we would have a problem because the average age of our air traffic controllers is 42. Twenty per cent of them are older than 50. So we do need to continue to train them, and that has been part of our ongoing program.

**Senator O'BRIEN**—So you have your training academy.

**Mr Russell**—We do.

**Senator O'BRIEN**—How many people are going through that facility on a regular basis?

**Mr Russell**—This year, between 80 and 100, and that will be the number that we are seeking to train over the next five years.

**Senator O'BRIEN**—What sort of proportions of successful outcomes do you get for people, because not everyone who goes through the system, and even passes, necessarily has the aptitude to survive the environment in air traffic control?

**Mr Russell**—Our pass rate has improved, mainly because we have re-organised the way we have conducted this training activity. To put a number on our recent pass rate, I might just ask Caroline Fleming to respond to that.

**Ms Fleming**—We have about an 85 per cent pass rate coming out of the academy. The trainees then do a portion of time in the field, and we may have a small attrition rate there. If we get experienced controllers, so we have a balance of experienced people coming in and ab initio—or new, clean-skin people—we have a much higher rate with the experienced people. So, generally, we would get most of those through.

**Senator O'BRIEN**—If you have experienced people, they still go through the academy?

**Ms Fleming**—Yes, but in a much different course, of course. An ab initio person would do about an 18-month training course. For someone with experience, we would look at their skills and then we would match them to what we need, and their courses are tailored much more. So they might be anything from six weeks to three months.

**Senator O'BRIEN**—Generally speaking, the 80 to 100 that you got into the academy last year will be ready some time between the middle of this year and the end of this year?

**Ms Fleming**—That is right. They come out in a staggered way, depending on the length of their course.

**Senator O'BRIEN**—Mr Russell, going back to what you told us, did you in fact get to your full staffing complement at the end of August last year?

**Mr Russell**—We have the right number of air traffic controllers for our requirements against our establishment, Senator.

**Senator O'BRIEN**—I am asking about last August, and the prediction you made.

**Mr Russell**—Yes, we were there, but I do make the point there is still a deployment issue that we need to continue to work on.

**Senator O'BRIEN**—I am not sure what that means. Can you explain it?

**Mr Russell**—It goes to the question of the way we are organised on a sector basis. There are some 32 sectors across the country, and we have people endorsed specifically to some of those sectors, so you do not have quite the flexibility. That is part of the issue that we are working on with this broader reform in this air traffic group.

**Senator O'BRIEN**—Which sectors are we—if I can put it this way—under-equipped for?

**Mr Russell**—I would take that question on notice, if you do not mind, Senator, and provide you an answer.

**Senator O'BRIEN**—All right. I appreciate that. Given that I was asking questions early last year about problems at Launceston Airport, can you bring us up to date with the provision of air traffic control services at Launceston Airport?

**Mr Russell**—I will ask my colleague, Jason Harfield, who is the GM, Air Traffic Control, to answer that question, Senator.

**Mr Harfield**—With Launceston, we have brought up the staffing establishment to six, which includes the manager. On location, we have another recruitment exercise that was completed late last year, and we expect to have another trainee down there in the next 12 months. We have just recently also changed the roster down in Launceston from being a two-person roster of 10-hour shifts each, to have three people on under normal circumstances throughout the day to provide a level of redundancy for any sick leave, also to allow some extension to the rostered hours, if required.

**Senator O'BRIEN**—Has that overcome the problems that were being experienced?

**Mr Harfield**—We had a number of interruptions during January—four, compared to 25 for the previous 12 months. Those four in January appear to be a multitude of circumstances just

after the New Year, where we had some illness in Launceston, and the people that would need to help to fill the shifts were unavailable due to the holiday period and were away at the time.

**Senator O'BRIEN**—So people were on leave?

**Mr Harfield**—They were not on leave; they were on days off but unavailable. However, we were able to limit the time the tower was shut to much smaller periods than what we previously had because we had a better roster in place that provided a level of redundancy.

**Senator O'BRIEN**—Did that have any impact on aircraft arrivals or departures?

**Mr Harfield**—Yes it did; they were in the normal out-of-hours mode during that time.

**Senator O'BRIEN**—How many aircraft did it affect?

**Mr Harfield**—I will have to take it on notice, Senator.

**Senator IAN MACDONALD**—Mr Russell, perhaps as a question on notice—hopefully, the issue is resolved shortly—could you tell us the outcome of the negotiations over the next couple of days, weeks? What I am doing is putting this on notice so that before 17 March someone can give us a report on where we are at by 17 March and, hopefully, things will be hunky-dory by then.

**Mr Russell**—I will be pleased to, Senator.

**Senator IAN MACDONALD**—Could you also particularly make sure in the report that you make reference to any arrangement that has been made about the issues which my colleagues were asking you about—that is the question of what seems, on the face of it, to be unconstrained sick leave. Take that particular issue on notice, but that will hopefully be after it is all over.

**Mr Russell**—Yes, okay.

**Senator WILLIAMS**—On an issue that is totally different to what we have been talking about—I think it is your area—you levy a navigation or en-route charge, and it is based on the weight of the aircraft. Is that correct?

**Mr Russell**—Yes, it is, Senator. If you do not mind, I might take that in the first instance.

**Senator WILLIAMS**—Fine, Mr Russell. My concern is smaller regional aircraft—for example, Aeropelican, the one that flies to the town I live in. It is really struggling in its service to Inverell. Is there any chance you could, for those small aircraft, perhaps, put it to a per head basis, or do you have to stick to the weight issue?

**Mr Russell**—We currently have our long-term pricing agreement negotiations underway, where we sit down with all of our airline and aircraft customers and talk about these issues. That process is underway; Aeropelican has every opportunity to put a submission to us, and we will consider it. I am happy to do so.

**Senator WILLIAMS**—You would be aware of the costs of small aircraft and not getting a lot of seats.

**Mr Russell**—Very mindful of it, Senator.

**Senator WILLIAMS**—Wonderful. I appreciate that. I will suggest to them that they put a submission to you.

**Mr Russell**—Okay. Thank you.

**Senator WILLIAMS**—Thank you.

**Senator IAN MACDONALD**—There are no other questions from any of my colleagues, thank you, Mr Russell. We can move on to the next issue.

**Mr Russell**—Thank you, Senator.

**CHAIR**—Okay. Thank you, Mr Russell, and thank you, officers from Airservices Australia. We wish you well in the next couple of weeks with the union. I now call Civil Aviation Safety Authority.

[3.10pm]

#### **Civil Aviation Safety Authority**

**CHAIR**—Welcome, Mr Byron and officers from CASA. Mr Byron, as per usual in senate estimates, we do invite you to make a very brief opening statement if you wish to.

**Mr Byron**—I actually said my goodbyes last time, but I do have a very brief statement to make which I am sure the committee will be interested in—and that is that, as you may be aware—I hope you are aware—in December our minister announced the appointment of my successor, Mr John McCormick, an experienced airline executive, operator and pilot, who takes over the organisation on 1 March, so not very far away. My term, as I mentioned at the last estimates hearing, was due to expire at the end of November, and I advised the government some time ago of my intention to serve my term and then depart. But I agreed to work with the minister to assist, to some degree, in the process of inducting the new chief executive officer into the organisation. I am pleased to inform you that over the last few weeks Mr McCormick has accompanied me to a number of the regular meetings that I have both internally and externally with other government agencies, and this week he is undergoing a fairly intensive series of briefings. As part of that induction program, he is also able to observe these proceedings.

**CHAIR**—Thank you, Mr Byron. I will go straight to questions. Senator Williams?

**Senator WILLIAMS**—Mr Byron, in the last six months or so there has been plenty of publicity about Qantas outsourcing its maintenance overseas. Is this a concern for your organisation or are you happy with the job that they carry out overseas?

**Mr Byron**—I will make some introductory comments and then I will hand over to Deputy Chief Executive Officer, Operations, Mr Quinn, in a moment. But the nature of your question was: am I happy? The fundamental issue of outsourcing maintenance is a long-term activity and practice in the aviation industry. The key to it is that the organisation conducting the maintenance has appropriate approvals. If they are looking after Australian registered aircraft that carry our fare-paying passengers, then our Civil Aviation Safety Authority takes a very active interest to make sure that that organisation, wherever it is, operates to an appropriate standard.

On top of that, the provisions of the Civil Aviation Act mean that the operator has a duty of care—a very serious duty of care—and some specific obligations to make sure that maintenance conducted on their aircraft operated under their air operators certificate are

managed and organised by appropriately qualified people approved by CASA within the organisation. This is what we call the maintenance control function. So we take an active interest in all airlines and what they are doing. As far as the specifics of the question about the outsourcing, and Qantas does some outsourcing—a lot of airlines do some outsourcing—certainly I have no significant concerns about the practice.

**Mr Quinn**—On the specifics of your question regarding Qantas, obviously this was a topical issue last year—

**Senator WILLIAMS**—Exactly.

**Mr Quinn**—particularly following the review that we conducted. I think to put some context around what we are talking about for that particular operation, the typical Qantas outsourcing of its maintenance of its 737s, 767s and 747s runs around the 10 per cent mark. The majority of the maintenance is conducted on Australian turf, in Australian facilities, and when the capacity and capability of those facilities becomes maxed out they go offshore to a number of organisations, as Mr Byron said, that are certified by CASA. During the industrial problems that they had last year, I think that percentage shifted from about 10 per cent to about 20 per cent. As a result of that, CASA has taken an active role in increasing surveillance of the organisations that they use. There are about half-a-dozen organisations throughout Asia that they use and the audits that are being conducted by CASA do not indicate any significant problems with those stations.

Having said that, when the maintenance is conducted, a team typically comprising a dozen or so Qantas licensed engineers travel with that aircraft to oversee and ensure that the maintenance work is being conducted appropriately. So I believe that Qantas are taking a responsible role in how they execute that. They don't have to do that; they do. That is the way their standards work.

Errors in maintenance, particularly, happen everywhere. They happen here. They happen in production. We have seen many aircraft, brand-new aircraft, come out of Boeing and Airbus with errors. From a CASA perspective, the process that the organisation has to rectify and look at these types of errors that either come out of their own shop or out of an offshore station, is a solid process. It is one that is used internationally—the MEDA, maintenance error decision aid, process. That organisation, I think, conducts about two or three of those types of investigations every week. Considering this is an organisation of several hundred aircraft with 6,000 maintenance personnel, you are going to see as part of the human error chain the odd problem.

Our plans to continue on that line of increasing surveillance on outstations will continue, in a slight different format. Previously, we used to audit specifically the heavy maintenance bases where the heavy maintenance is done on these aircraft. We have now taken that a step further in looking at the line maintenance type facilities across the network of the organisation. Obviously, we do not have the ability to look at the entire network, as it is broad. We select a few key points where line maintenance, the sort of maintenance that is done in turnarounds, is conducted, and CASA has added that to its surveillance work.

**Senator WILLIAMS**—The incident with Qantas where I think it was the oxygen cylinder that exploded, was it, in the bay under the—

**Mr Quinn**—That's correct, yes.

**Senator WILLIAMS**—What was the cause of that? Was it just a freakish event? What were the findings of that inquiry into that?

**Mr Quinn**—I have seen the preliminary report from the ATSB, the Australian Transport Safety Bureau, who are following us. So they are probably best placed to look at that. But if there was a specific determination that it related to a failure of the bottle, or of a component of the bottle, that would be quite detailed from a technical perspective. But there are no other adverse findings that should affect the continuing airworthiness of the 747 fleet.

**Senator WILLIAMS**—Just on a personal note more than anything, I have not done a lot of flying in my life—I have certainly done more in the last eight months than I have done in the rest of my life put together. How is Australia's air safety record overall? I know it is very good. Are there many incidents or near misses on approaching airports and that type of thing? Have there been any near misses of late that have been of concern to you or are you happy with the way the whole safety structure is running at the moment?

**Mr Quinn**—Were you talking about regular public transport operations?

**Senator WILLIAMS**—Yes.

**Mr Quinn**—The system is safe. CASA's line is that, if we didn't think it was safe, we would be doing something about it. Near misses, whether they be near misses in terms of some type of failure on an aircraft or near misses in terms of a physical breakdown of separation, every failure in the system is taken seriously and we have a close cooperation with the ATSB. That is a much improved relationship in terms of information sharing and trying to understand some of these problems.

It is an industry that has some risk associated with it, but I think our performance internationally is second to none. The record speaks for itself in terms of the accident rate, particularly involving RPT operations. If you look at the international statistics, which were just launched recently by the International Air Transport Association, you will see an accident rate of about 0.8 per million sectors. In Australia, it typically is a big zero and we ensure we keep that record where it is.

**Senator WILLIAMS**—Yes, congratulations. Our record is obviously probably second to none in the world. Just on another issue, about training pilots, I note that from the start of this year student pilots must meet new English language standards. Previously, could they fly without understanding English?

**Mr Byron**—I might ask Mr Carmody, Deputy Chief Executive Officer, Strategy and Support, to answer that one.

**Mr Carmody**—No, Senator, they could not fly without understanding English. But we have made the system more rigorous. The International Civil Aviation Organisation last year implemented standards for pilots around the world with a language rating scale of six levels. That was a very broadbrush approach. We went one step further here in Australia because there are a lot of training activities of non-English-speaking students. We implemented it within the student pilot regime as well. We have gone further, in fact, than most other nations.

**Senator WILLIAMS**—That is about all I have. My mother's maiden name is Carmody, so we might be related somewhere down the track, Mr Carmody.

**Mr Carmody**—We may well be.

**Senator O'BRIEN**—I know there are others with some questions but given they are not here I will ask a few to keep the witnesses before the committee while we are waiting. There has been some publicity about a directive issued to Qantas about the qualifications of certain of their employees. I believe, Mr Byron, you signed a directive to Qantas on 5 February this year. Is that right?

**Mr Byron**—I certainly signed a directive, Senator. I would have to double-check the date, but it is around about that time frame. That is correct.

**Senator O'BRIEN**—Has that directive remained in the form you signed it on that date?

**Mr Byron**—I have the directive in front of me, Senator.

**Senator O'BRIEN**—It has not been amended?

**Mr Byron**—No.

**Senator O'BRIEN**—I was trying to make some sense of it when I saw it and there seems to be some problem with the language. Who drafted it?

**Mr Byron**—Senator, can I ask what is the problem?

**Senator O'BRIEN**—I am happy to go through that but I just wanted to find out where the drafting was done. Was it in-house or did you have someone out of house do it?

**Mr Byron**—No, it was done in-house, Senator.

**Senator O'BRIEN**—There seems to be a word left out in direction 1, subparagraph C. Should there have been an additional word at the beginning of that paragraph, such as the word 'are'?

**Mr Byron**—The stem that relates to that subparagraph, if we are on the same page here, says:

... held by all of the operators personnel who—

and then we go onto (c)—

authorised to approve the design ...

**Senator O'BRIEN**—'Who authorised' does not really read very well, does it?

**Mr Byron**—I accept that it could be clearer with the word 'are' in there to say, 'Are authorised'.

**Senator O'BRIEN**—It may seem like nitpicking but ultimately enforcement will lead to some need to interpret what this was intended to mean.

**Mr Byron**—I accept that, Senator, and I accept that it could have been clearer with the extra word in there. However I would say this particular issue needed to be dealt with promptly, and it was dealt with in the time frame that I required, which was a pretty short notice. In my discussions with the operator, they are in no doubt as to what they are required to do.

**Senator O'BRIEN**—I think I understand what you were intending to do but this is a legal instrument, isn't it?

**Mr Byron**—Yes, it is, and I accept that comment.

**Senator O'BRIEN**—Presumably it was drafted up in your legal section.

**Mr Byron**—Yes, it would have been.

**Senator O'BRIEN**—Another issue that seems to arise is that direction 1 requires an audit of persons who hold CASA licences and authorisations. What about those who do not?

**Mr Byron**—At the time the purpose of this was to target people who Qantas believed to be approved by Qantas conducting maintenance as part of their normal procedures. If I may, I might ask Mr Quinn to give it a bit more detail.

**Mr Quinn**—Yes, Senator, I had this discussion with the team, and also just to reinforce what Mr Byron said, the operator is certainly under no illusions as to what we are trying to do here. I understand your point. The difficult part of that is this is an organisation containing about 2,000 licensed engineers and about 6,000 maintenance personnel. How do we audit is what we do not know, basically. So the purpose of the direction was threefold. Firstly, to address the actual licences and make sure they have got a problem. Bear in mind that this was the second type of event. The first incident involved a different scenario, but someone actually cooking up their qualifications. It was not the case with this one. But we thought, given what had gone on, it was appropriate for us to look at them checking the licences, checking the validity of the licences and tell us what is going on. The second point, which is probably more important to this latest event, involves the operator Qantas being able to demonstrate to us that they have an adequate system in place to ensure that those people who are performing and particularly certifying maintenance for this aircraft, are actually licensed.

In this latter case the individual involved had basically tricked his supervisor as to his capability and his licence status, and then he was therefore out there doing the odd work here and there very, very sneakily. The last part and probably the most important part of it, hence the urgency with which the directive was issued by Mr Byron, was to understand—and this is an enormous amount of work—we required them to go back several years through their records to establish what work this individual actually signed off on, that is what certifications were done and understand the risks associated with those. Were they significant certifications of the things that may affect the safety of flight, or were they minor issues in a cabin, for example, understand what those are and recertify the aircraft. At this stage I believe they have gone back to about 2004.

The signatory process appears to have started in 2007 and they are satisfied that all of the fake certifications or false certifications have been validated. The aircraft have been recertified. They found nothing significant. However, the point for us at the moment is that we are requiring them to conduct a detailed risk assessment, which is currently underway within the organisation, to be able to demonstrate to us that the system does not have any holes in it. This is a legacy operation that is dealing with some legacy process and that needs to change. I believe that the risk assessment process is currently underway.

**Senator O'BRIEN**—Is this a process that fills gaps that CASA's previous oversight of Qantas may have left? In other words are you catching up with this directive on what some people have said is a lesser level of scrutiny of Qantas than might otherwise or should otherwise have occurred?

**Mr Quinn**—I understand your point. The important thing to understand is it is the responsibility of the operator to ensure that the competency and validity of their licensed staff are in place. For CASA to be activity monitoring 2,000 licences on a daily basis from a shift point of view would be impossible, therefore, we require them to have the appropriate processes. Surveillance has been conducted in the past but when you are doing random surveillance that is hit and miss on a large number of people you are never going to find the rats in the system.

**Senator O'BRIEN**—Mr Klein gave evidence to the Senate inquiry last year that he thought the level of scrutiny of Qantas was inadequate given that the number of CASA personnel scrutinising a large operation led to the inevitability that you could not properly scrutinise it. That is why I asked the question: are we now in the process of issuing a directive to try and catch up because we have found that there have been gaps in the system? Are we now issuing a directive to try and catch up on holes in the system that have appeared through a less than adequate scrutiny process in the past?

**Mr Quinn**—Senator, if I did have additional resources, at the end of the day I need to make a judgment call on how we utilise those resources and where we target them from a risk perspective. To be frank that issue would not rate highly in where I would use the additional resources in terms of risk.

**Senator O'BRIEN**—Because you did not think this would happen?

**Mr Quinn**—It is not that I did not think it would happen, I just do not see it as one of the high risk areas.

**Senator O'BRIEN**—Your perception of risk proved to be incorrect because what has been happening, there are now two instances of a person without qualification certifying aircraft in the Qantas fleet, so your perception of risk was wrong.

**Mr Quinn**—My perception of where the—

**Senator O'BRIEN**—Or is that an acceptable level of risk?

**Mr Quinn**—My perception, you can call it flawed if you like. There are probably a lot of other things out there in that industry that I definitely do not have a crystal ball to be able to predict some very unusual things, particularly when you are dealing with activities like this. This is not accidental. We are dealing with intent here, and human beings dealing with intent, that is a difficult thing for me to regulate or manage. The focus from a risk perspective is more on the accidental—what protections, what error tolerance systems we can build into the regulations, and therefore provide adequate oversight from that perspective.

**Senator O'BRIEN**—But doesn't that indicate the flaw in the risk management approach, because what you are saying is where human intent to get a personal advantage comes in, you cannot make a judgment about where that risk will occur?

**Mr Byron**—Senator, if I might just add a view here. There are many, many issues that occur in an operation and in a maintenance organisation that have the potential to affect the safety outcome. Some are covered by regulation, some are not. There are a lot of things in the air transport industry that the industry has to deal with. They change on a daily basis. In terms of a large organisation like Qantas, overlooking recruiting, training and overlooking people with allegedly CASA approvals, small organisations that may not have fairly robust systems or levels of checking may end up taking a different approach to a large organisation like Qantas, which then will reflect how CASA will react. With a large organisation like Qantas they do have systems in place. They have verification processes for checking people when they recruit them, train them, and that sort of thing.

**Senator O'BRIEN**—But, Mr Byron, we have discussed this a number of times. I think the point that is arising, and we have got limited time, which is why I am trying to perhaps abbreviate things—

**Mr Byron**—Yes.

**Senator O'BRIEN**—And I know you have got limited time, which is why I am trying to abbreviate things, is that in this case the judgment of risk which directed CASA's allocation of staff has seen this problem slip through. The question that I was asking Mr Quinn was, if you cannot really make your judgments of risk based on these sort of individual, personal, gain-seeking behaviours, is that a flaw in your system of risk management?

**Mr Byron**—In my view, Senator, any system will not be 100 per cent perfect. I think I have said before that aviation safety cannot deliver absolute safety. There are always going to be variables and risks in there. I think to a large extent this comes down to behaviour, and influencing behaviours is something that we need to be doing. The reason for the directive was because we wanted this operator to take this issue very seriously with all its staff. Why? Because we had two incidents. We have not issued the directive to other operators. I would hope that that behaviour is not widespread. But your broader question is, does this require us to look at our approach to this issue and the risk it presents? Of course, yes, I would accept that, and certainly in the processes of planning oversight of the air transport sector, I would expect Mr Quinn to certainly be taking this issue and what lessons can we learn from it. We certainly sit down as a management group on a quarterly basis and look at a lot of information that we have access to and say, 'Well, okay, how is CASA responding to the safety outcomes that are being delivered out there?' Certainly this sort of compliance issue is on the table for the next round of discussion; I accept that.

**Mr Quinn**—Senator, if I can just add to that, I think it is important to note here that it actually was the operator's system that did detect both of these.

**Senator O'BRIEN**—Well down the track.

**Mr Quinn**—Well down the track, yes, unfortunately down the track. It had been operating, particularly with the second case, for several years.

**Senator O'BRIEN**—The system had failed to a serious extent.

**Mr Quinn**—Their system had failed, and as we expect the industry to be always working on continual improvement, so are our systems, and hence to gain confidence in the operation

the direction was issued to ensure that their system is right. We will now go away and have a look at our own process.

**Senator O'BRIEN**—So direction number 1.2 required them to tell you who was acting beyond their qualification on 27 February, and presumably that was intended to be enforceable?

**Mr Quinn**—Correct.

**Senator O'BRIEN**—Which year?

**Mr Quinn**—I have not got the instrument in front of me.

**Senator O'BRIEN**—The instrument does not specify a year.

**Mr Byron**—Certainly the intention was this year.

**Senator O'BRIEN**—But you could not enforce it, could you?

**Mr Quinn**—I can comment that, although I do not have this formally from the operator, the process of the 2000 licences has been conducted and there are no other—

**Senator O'BRIEN**—That is good. You will not have to try and enforce it because you could not. That is realistic, isn't it? When you look at those words, there is no year.

**Mr Quinn**—No.

**Mr Byron**—Your point is taken, Senator. The intent of the instrument was to get the activity done because we had already written to all operators after the first incident, to all operators, and after the second incident we wanted the checking done. To enforce it, yes, we take your point. But the first step of actually getting the work done was done.

**Senator O'BRIEN**—My father used to say to me, 'More speed, less haste.' It seems to apply to this directive, doesn't it?

**Mr Byron**—To a degree. I think the important thing—I wanted this work done on the day we issued the directive and the work started, so I would debate that on this particular case. We cannot afford to sit around for too long before we take action.

**Senator O'BRIEN**—No, no, but you know what I mean. If you are going to issue a directive, you do not want to have to come back and reissue it when you find it was faulty.

**Mr Byron**—I am sure we will learn from this experience.

**Senator O'BRIEN**—I hope so. I do not have any more questions unless something else arises.

**CHAIR**—Thank you, Senator O'Brien. Senator Heffernan has one or two in wrapping up.

**Senator HEFFERNAN**—No, he does not.

**CHAIR**—Thank you very much, Mr Byron and the officers of CASA. Mr Carmody, could you hang back for five minutes, thanks.

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**Australian Transport Safety Bureau**

**CHAIR**—I welcome officers from the Australian Transport Safety Bureau. Questions, Senator O'Brien?

**Senator O'BRIEN**—I would like a response from ATSB on the coronial inquiry into the loss of the vessel in the Torres Strait. I have only read a news article about it but I would like to hear the comments of ATSB, given the extremely strong criticisms levelled against ATSB, amongst others.

**Ms Macauley**—Yes, coronial findings were handed down a short time ago, and in fact it did make some criticisms of the ATSB in those findings. The situation, as I understand it, was when our investigation was being conducted our review of aspects of the search and rescue operation was part of that investigation. At the time we assessed, on the best available evidence to us, our view of how that part of the operation took place and whether it was adequate.

However, during the subsequent coronial inquiry, some new evidence was in fact presented at that inquiry, and that, as I said, was not available to us in the earlier investigation. Naturally enough, we had to take that information and assess it separately, and we have waited until the coroner has made his findings a short time ago.

We have reopened the investigation to review that new information. We have already done some significant work in that area and we are hoping to have an updated investigation report shortly that takes into account that new information.

**Senator O'BRIEN**—Do you know why that information was not available to ATSB earlier?

**Mr Foley**—In essence, we took evidence from a number of individuals at the time, very soon after the incident in October 2005. One of those individuals was the regional manager from the department of immigration. Another was the SAR mission coordinator, who was a water police officer from the Queensland Police Service. We got their evidence very soon after we got to Thursday Island on the first occasion.

We were content with what was told to us by those individuals at the time. The coroner, in his findings, explored a number of avenues that we had also explored in respect of the regional manager's evidence. We were satisfied that the conclusions that we arrived at, at the time, were valid and accurate. Similarly, the coroner also explored some aspects of the initial search and rescue operation with the mission coordinator, who then added or recanted some of the things that we were told initially and added some further evidence that we were not aware of at the time. So, with our best endeavours, we released a report on 19 May 2006—about six months after the incident. Some of this new evidence came to light during the subsequent inquest hearings, which were conducted last year. Indeed, the process from this point is, in respect of just that initial search and rescue operation, we will go back to rewrite the public record as far as that is concerned.

The coroner's criticisms, if I can take up your question, we felt were reasonably muted. We took them on board. We understand the essence of his criticisms and we concur on some of those aspects. But he also said in his findings that he relied entirely on the work that we had

done in testing the seaworthiness of the vessel and was very positive about the work that we had done in our investigation in that regard. So, on balance, we were reasonably happy with the outcomes of his findings.

**Senator O'BRIEN**—I can recall that this issue has been ventilated at Senate estimates a number of times before the coronial inquiry and a number of senators raised concerns. I think Senator McLucas was one who raised particular concerns. Indeed, it was suggested that this search would have been conducted differently had the occupants of the vessel been white. That is what the coroner found, didn't he?

**Mr Foley**—I do not know whether that is a fair summing up of his findings. I think he made a number of very sensible recommendations and findings in relation to SAR assets available in the Torres Strait and the nature of the search and rescue task in the Torres Strait. My personal view is that his findings and recommendations in that regard are sound. Indeed, I expect that, if you will, our revisit of the evidence—and we have already done much of that work in the intervening time—will substantiate his findings in that regard. But there is no suggestion in his findings that I can recall that there would have been a different outcome had they been white.

**Senator O'BRIEN**—I must say that I am relying on media reports rather than the full coronial report, and that is the way it is being reflected in media reports. You are suggesting that that is not accurate?

**Mr Foley**—I do not think that is an accurate reflection of his words, no.

**Senator O'BRIEN**—In terms of the findings, as reported, it was suggested that the search and rescue officer seemed to treat the requests for assistance as a joke and refused to respond to them. Is that an accurate reflection of the finding?

**Mr Foley**—There were a number of factors involved. I do not think he ever treated it as a joke per se. I know that there were some comments made at different times which the coroner suggested might be construed to mean that he thought that it may have been a false alarm. But I think the SAR officer, for a number of different reasons, took the actions that he did. When we go back and release the reviewed section of the report, if you will, I think it will show we have canvassed those issues pretty well. I think the coroner also did in the inquest.

I think the nature of the search and rescue operation is different up there in Torres Strait. They have a different need for search and rescue assets from the rest of Australia, because they use their tinnies or their runabouts as we would a Commodore. In that regard, I think, there was criticism levelled at the mission coordinator with respect to his participation in the search and rescue operation. The suggestion was that he had responded to many false alarms in the past or done may search and rescue operations where there had been an EPIRB activation as a result of a runabout running out of fuel, for example. So all I can say, Senator, is I refer you to the coroner's findings. I think that they accurately reflect what happened on the night and, indeed, some of the attitudes that perhaps prevailed.

**Senator O'BRIEN**—What is the process as far as ATSB is concerned? Would you issue a report for comment and circulate it to affected people before it is made public?

**Mr Foley**—It is our standard process. We will need to consult involved parties once again on that portion of the report that we will rewrite, if you will, and for the most part it will be our standard process. So it will be a process of interested-party comment; we will take the comments on board, reflect them in the final portion of the report and then remove, if you will, that portion of the report from the original report and issue the new section to replace it.

**Senator O'BRIEN**—What is the timetable for the process?

**Mr Foley**—I expect the amended draft words will go out to consultation in the next week or so. After that there will be a couple of weeks of consultation, I expect, and then we will release it as we would a normal report. It is not our intent to rekindle or revisit issues in a way that is going to be destructive. We need to make sure that comments that we make are constructive and that what is ultimately on our website, which is used for educational purposes, is as accurate as we can make it.

**Ms Macauley**—Accepting that we were not provided with that information originally, it is incumbent upon us to correct the public record in that respect.

**Senator O'BRIEN**—As soon as possible.

**Ms Macauley**—Correct.

**Senator O'BRIEN**—So you wouldn't expect there to be a long delay from this point to when final report is issued?

**Mr Foley**—No.

**Ms Macauley**—No.

**Senator O'BRIEN**—Before May?

**Mr Foley**—I would expect so, yes.

**Senator O'BRIEN**—Thanks.

**Senator IAN MACDONALD**—Is it you or someone else—and this came up in another estimates committee—on the use of mobile telephones in aircraft. Is that a safety issue?

**Ms Macauley**—It is not a safety issue per se. Any regulation of its use is not a matter for the ATSB. But we may have investigations that we conduct where the use of mobile phones may be reviewed or examined as to whether they played a factor through either a distraction or some sort of electromagnetic interference. But its regulation is a matter for the Civil Aviation Safety Authority.

**Senator IAN MACDONALD**—Which I missed, unfortunately. You are obviously aware of the issue, and I want you to answer this in hushed tones—because I do not want on a three-hour trip on an airplane people sitting next to me shouting into their phones—but is it a technical fact that telephones can interfere with navigation equipment, as we are told every time we get on board? Just whisper the answer.

**Ms Macauley**—I think there are mixed results in the research that is out there and in any of the investigations that have been conducted either here or overseas. I will hand over to Mr Julian Walsh to talk to that issue a bit further.

**Mr Walsh**—Senator, I do not actually know that I can really provide an awful lot more than what Ms Macauley has already said. Certainly, our process would be, in any sort of event where there is some suggestion of interference or some malfunction in flight control systems, it is the sort of thing that we would certainly look at to try and ascertain whether people were using any sort of device, whether it be a laptop computer or a mobile phone. I am certainly not aware that we have any incidents on record that indicate that we have any particular concern in that area at this point in time. It is something we would investigate routinely if we saw it, but it is not something that has come up as an issue of concern to us.

**Senator IAN MACDONALD**—Obviously, your organisation is one which looks at causes after the event, but I am certain that you have very many skilled investigators who would be aware of the latest research worldwide on these sorts of issues. Are you saying to me that nothing that comes from an authoritative source suggests that there is a problem? Perhaps you could also say there is nothing that suggests there is not a problem.

**Ms Macauley**—As I said earlier, the findings and the research in that area is quite mixed and I do not think there is an absolutely authoritative position in that area. The approach that is being taken in terms of whether people use them on board, for example, is a cautious one, in the absence of any absolute authoritative position in that respect.

**Senator IAN MACDONALD**—I have missed the boat here and perhaps Mr Tongue might take it on notice from me to CASA, but it is a regulatory issue, is it, and the Australian Air Regulations now say they must be turned off. Is that correct?

**Mr Tongue**—I would have to take some advice from CASA.

**Senator IAN MACDONALD**—Okay. Could you put that on notice for me, please? Is it regulated by the government or is it just an airline thing and what is the scientific background for the issue? I think that is all I had, Mr Chairman.

**CHAIR**—Thank you very much, Senator Macdonald. If there are no further questions of ATSB, I do thank the officers.

#### **Office of Transport Security**

**CHAIR**—I welcome officers from the Office of Transport Security.

**Senator WILLIAMS**—With regard to the maritime security identification cards, MSIC, workers with a criminal history are able to obtain a card as long as it is not a maritime security related offence and they have not been imprisoned. Is that correct?

**Mr Tongue**—Broadly correct, yes.

**Senator WILLIAMS**—Can your department define what maritime security offence is?

**Mr Hanna**—A maritime security relevant offence is an offence prescribed in the maritime legislation and I will just articulate that for you. There are a number of offences that are included. There are disqualifying offences, which are the high level offences, which include hijacking, destruction of an aircraft or vehicle, being involved in treachery, sabotage, those type of offences, and there are other offences that relate to trafficking of drugs, the laundering of money and also weapons and explosives.

**Senator WILLIAMS**—Does the department's definition preclude applicants that have been convicted of an offence in one of our aviation security zones?

**Mr Hanna**—If that offence that occurred within the aviation security zone also fell within one of the definitions or one of the offences in the maritime legislation then yes. For example, if the incident of drug trafficking occurred in an aviation zone, that would still be an offence with regard to maritime.

**Senator WILLIAMS**—All right. Does the department's definition of a maritime security offence preclude Australian citizens convicted of offences at overseas ports?

**Mr Hanna**—No. All offences, including those committed in another country or part of another country are considered to be maritime security relevant offences.

**Senator WILLIAMS**—So to clarify, if a person is convicted of domestic drug trafficking, would that be deemed as something that is a maritime security related offence?

**Mr Hanna**—If that offence was also accompanied by a sentence of imprisonment, yes.

**Senator WILLIAMS**—So if a person has been convicted and jailed for a violent offence, they are still able to have an MSIC?

**Mr Hanna**—It depends on the nature of that violent offence, if it was also associated with another crime, but violence in itself is not a maritime security relevant offence.

**Senator WILLIAMS**—Can you commit that no-one on Australia's waterfront has been convicted of a drug trafficking or dealing related offence?

**Mr Hanna**—In September 2007, AusCheck was created within the Attorney-General's Department and they are the agency that does the processing now, and makes the determination of whether someone has an adverse criminal record. It is possible that someone would be convicted of a drug-related offence and not sentenced to imprisonment. That in itself would not constitute a maritime security relevant offence and therefore would not disqualify someone from holding a maritime security identification card.

**Senator WILLIAMS**—From my notes here, I understand that a figure from late last year indicated that around 10 per cent of those people approved for MSICs had a criminal history. Is this figure accurate?

**Mr Hanna**—It is the case that a number of individuals in society, in general, have convictions on their criminal history. These also relate to traffic offences and very minor violent offences. So the figures that are quoted for people that have criminal offences also include these minor convictions. The case of individuals with offences is obviously much higher than those that have maritime security relevant offences.

**Senator WILLIAMS**—So those figures are around 10 per cent. Do you have a more recent figure available on that? I understand the figures from late last year indicated that around 10 percent of those people approved for MSICs had a criminal history. Are there any more recent figures available on that or do you want to take that on notice?

**Mr Tongue**—Could we take that on notice and get the results to you, please?

**Senator WILLIAMS**—No problem at all. Can you give any indication as to what the majority of those allowable offences relate to?

**Mr Tongue**—Again, Senator, we would take that on notice.

**Senator WILLIAMS**—Yes. Since the introduction of the MSIC program, can you advise us how many people each financial year have returned a negative security assessment as conducted by ASIO? Do you want to take that on notice as well?

**Mr Tongue**—Yes, and I'll have to talk to ASIO about that one.

**Senator WILLIAMS**—That will be fine.

**CHAIR**—Thank you, Senator Williams. We will now go to a tea break and resume at 4.15 sharp.

**Proceedings suspended from 4.01 pm to 4.15 pm.**

**CHAIR**—I welcome back officers from the Office of Transport Security. I take this opportunity to welcome our esteemed colleagues from the European Union who have popped in to say hello and their support staff. Welcome to Australia and I hope you enjoy your stay.

**Senator IAN MACDONALD**—I am a bit reluctant to raise these things publicly but can you tell me what is happening in general broad terms to the sky marshals program?

**Mr Tongue**—Senator, some of that, I think, was covered by the AFP estimates yesterday. They manage and run the program.

**Senator IAN MACDONALD**—So the Office of Transport Security is not involved with that program?

**Mr Tongue**—No, it is purely an AFP program.

**Senator IAN MACDONALD**—Do you deal with screening at airports?

**Mr Tongue**—We certainly do.

**Senator IAN MACDONALD**—I think the airlines actually engage the contractors to do the screening, is that correct?

**Mr Tongue**—At each of the major airports there are screening authorities that operate and the screening authority can be an airline, for example Qantas or Virgin, or it could be an airport. They engage the contractors that provide the service of passenger screening.

**Senator IAN MACDONALD**—Who audits the security authority at each airport?

**Mr Tongue**—There are several layers of audit, but the Office of Transport Security is one of the layers of audit.

**Senator IAN MACDONALD**—What are the other layers?

**Mr Tongue**—For example, if a major airport has a contract for screening services at an international airport it will audit the service provider, one of the security companies for example, to ensure that the service provider is meeting its contractual obligations. We then, in turn, audit the screening authority, in this case the major airport, to ensure that it is delivering on its obligations and the security regulations for passenger screening.

**Senator IAN MACDONALD**—Does the department or the minister get many complaints about the operations of the screening organisations?

**Mr Tongue**—Mostly complaints are handled by the screening authorities, the airports or the airlines. Occasionally complaints filter through to us but mostly they are dealt with by the people that provide the service.

**Senator IAN MACDONALD**—A lot of people complain to me—and I have had these experiences too but as politicians we learn not to complain and just accept it with resign and good grace—that they can pass through in one day four different sorts of screening devices wearing the same clothes, and in one of them they will be required to undress and in the other three they will be able to walk through without a beep. Is there some problem with the screening that allows this to happen?

**Mr Tongue**—There is variability, Senator. It is, in part, driven by environmental circumstances, for example heat and humidity or extreme cold. It is partly driven by the environment because the machines are looking to detect metal. The building in which they are housed, if it has a lot of steel it can affect the operation of the machines. The machines are calibrated slightly differently at major airports to try and ensure consistency of approach. It can be the fact that passengers are not conscious of the mass of metal on their body. For example, people coming into Canberra airport having been through Melbourne, go out, do some shopping and collect a whole bunch of coins. That tips the mass of metal on their person as they go back out of Canberra airport.

There is a whole range of factors operating. Where you are from in North Queensland the extreme humidity is a real challenge from time to time in terms of calibrating equipment. We also have an issue of the differing types of equipment at our airports. Smaller airports tend to have older equipment; bigger airports tend to have newer equipment, so there is a whole range of factors going on there with the technology.

**Senator IAN MACDONALD**—Someone reported to me the other day this incident which in the three times it is wrong is of concern or the one time it was right it was over-officious behaviour. The person was wearing the same pair of shoes through four screening points in one day. In one it was alleged there was metal in the shoes and in the other three there was no response at all. Is there some form of industry standard set by your organisation or by someone else?

**Mr Tongue**—We regulate with industry through what we call the METS, the methods and techniques of screening, which are the broad guidelines that are used by industry. We also work with industry from time to time auditing that the equipment is working correctly. We are aware of this variability issue. It is an issue that happens all around the world and as part of the aviation green paper process we have undertaken a major review of screening to look at these questions and we are currently finalising that process.

**Senator IAN MACDONALD**—Do you think it would be useful to the speed of passage through these screening things if there were a standard set of guidelines issued? For example, I have seen people who deliberately buy blunt ended little nail scissors and I have heard of them going through one screening without any problem and the other one being confiscated as a weapon. Mind you, they would have a pencil and a pen and other things on them where they could gouge out the pilot's eyes but they are—

**Senator Conroy**—My shoes only get caught at Canberra airport. At no other airport I go through do my shoes get picked up.

**Senator IAN MACDONALD**—You should be able to afford better shoes, Minister, on your salary. You should not have metal issues.

**Mr Tongue**—It is the steel caps, Senator!

**Senator IAN MACDONALD**—The Left has taught you how to do it! And various things like that. I will not say that my wife has, but other ladies have complained to me that they go out of their way to buy those cosmetic things that could not possibly be seen and yet in half of the airports they will be confiscated. After you pay for this 10 times at \$10 a time, it gets a bit annoying. Is there any merit in getting a standard message out to every screening point in Australia to say, 'Well, look, we do not think a little pair of nail scissors with a rounded end could possibly be a danger to the pilot or the crew'?

**Mr Tongue**—The standard message is embodied in something we call the prohibited items list, and Australia's prohibited items list is still significantly influenced by those days immediately after September 11. As part of the aviation green paper the government has said that it will look at that prohibited items list. The idea is that even in the United States some of those items have been allowed back onto aircraft. In Australia we have been a little slower to adjust. Our ambition is that we will be able to harmonise with the major players—that is, the Europeans and the Americans. That would have the effect of starting to address some of these concerns and trying to pick up things like plastic knives, nail clippers and small bladed knives, bearing in mind that immediately after September 11 when those things were banned from aircraft we did not have hardened cockpit doors fitted.

**Senator IAN MACDONALD**—You did not—

**Mr Tongue**—We did not have hardened cockpit doors fitted.

**Senator IAN MACDONALD**—Yes.

**Mr Tongue**—We did not have the crew training that is currently available. We did not have Federal Police at airports. We did not have the whole range of layers in the security system that are now in place. It is certainly timely to go back, but the standard list is that prohibited items list. It does allow some interpretation, and that is a training issue for the 4½ thousand people that provide screening services across Australia.

**Senator IAN MACDONALD**—I am using the nail scissors as an example, to say, 'Look, these are okay.' Anyone can see that. I am not raising this because of issues people raise with me about inconvenience. We are all prepared to put up with any inconvenience to ensure safe and secure travel. But it would speed the process through the airports, which are getting more and more clogged as each day goes by, if the security people were not getting people to unpack to take out a pair of nail scissors.

**Mr Tongue**—Consistency is an issue, as is speed through the process. We have also just completed some major technology trials to look at whether the latest X-ray equipment, for example, and other forms of equipment can assist in moving people more quickly because, if you like, it can see more accurately so less unpacking needs to be done.

**Senator Conroy**—What about separating the laptop wielders from the non-laptop wielders? That would seem to be the simplest way.

**Mr Tongue**—Some of the equipment that is on the market now would mean that laptops would not need to be taken out at all. The equipment is reliable enough. There is a whole range of issues that we are working through as part of the aviation green paper/white paper process with industry.

**Senator IAN MACDONALD**—I would not go into that issue. Someone might one day, when we have got more time, tell me why taking it out of a case makes it any more secure.

**Mr Tongue**—It is easier for the X-ray equipment to see.

**Senator IAN MACDONALD**—Yes. It does not obviously worry some overseas airports quite as much as it seems to worry us in Australia.

**Mr Tongue**—That is the technology issue.

**Senator IAN MACDONALD**—I think that might be all I have, apart from the issues we raised earlier.

**CHAIR**—If there are no further questions, I thank the officers from the Office of Transport Security.

[4.27 pm]

#### **Bureau of Infrastructure, Transport and Regional Economics**

**CHAIR**—Welcome.

**Senator IAN MACDONALD**—Mr Chair, I do not have a lot of questions. I am not sure if any of my colleagues do. You guys act on reference from the minister or the department. Is that correct?

**Mr Potterton**—We have a research program which is approved by the executive and the secretary of the department. We consult the office of the minister and, on occasion, we will undertake specific references.

**Senator IAN MACDONALD**—I am not asking you at this stage what work you might be currently doing on reference directly from the minister, but what is your general research program at the moment?

**Mr Potterton**—Our research program covers a range of areas. We have a range of projects addressing the government's priorities in areas of modernising Australia's transport infrastructure and the infrastructure agenda more broadly—urban and cities issues, congestion, local governments, regional developments and developing Northern Australia. I would be happy to give you more detail against each of those areas as you might like.

**Senator IAN MACDONALD**—Yes, I would be very pleased if you would do that. Is it possible to do verbally? Not that we want to waste time but, in the absence of others, I might get you then to briefly go through each of those and tell me what you are doing, where you are at with them and the availability of your work. Is it public yet or what?

**Ms Foster**—We could make available to you the list of topics that is on BITRE's work program, and that might be an expeditious way of answering that question.

**Senator IAN MACDONALD**—Okay. Is that a bigger list than Mr Potterton just raised with me?

**Mr Potterton**—Yes, it is. There are some 50 projects altogether, both including research and statistics.

**Senator IAN MACDONALD**—I would not want to question you on all of those but there are a couple of issues that I do want to pursue. Is a copy of that long list of projects currently readily available to the committee?

**Mr Potterton**—Yes, Senator. It is right here.

**CHAIR**—So you wish to table that, Mr Potterton?

**Mr Potterton**—Yes, we would like to table the research program.

**Senator IAN MACDONALD**—You would be fairly well engaged at the moment on the nation-building infrastructure projects. Do you work in conjunction with Infrastructure Australia or do they give you references?

**Mr Potterton**—We consult Infrastructure Australia on our research program. They take a great deal of interest in our work. There are no specific projects that they have asked us to do at this stage.

**Senator IAN MACDONALD**—Thanks for this, and I just want to briefly run through a few of them. What is the state of research on Australian seaport activity?

**Mr Potterton**—That research is in progress at the moment. It is updating some forecasts of container port and other port activity that we undertook some two to three years ago. As I say, it is in progress at the moment.

**Senator IAN MACDONALD**—Does it also look at the bottlenecks we have productivity, particularly in the coal ports?

**Mr Potterton**—No, Senator, it is an analysis of future throughput, if you like. It provides planning information for industry and government but it does not directly address any bottlenecks.

**Senator IAN MACDONALD**—Governments, I am sure, would be very interested to work out how to stop the billions of dollars we use each day with ships sitting off Dalrymple Bay and I understand down Newcastle way as well and Hay Point in Queensland. It does not encompass that sort thing?

**Mr Potterton**—That is a sort of whole of supply chain question, Senator, so it is broader than simply looking at the port throughput and requirements. No, we are not directly engaged in that issue at this point.

**Senator IAN MACDONALD**—But your organisation or your predecessors must have done something in that area in the last four or five years, surely?

**Senator Conroy**—How about in the last 12 years?

**Senator IAN MACDONALD**—Or the last 12 years.

**Senator Conroy**—If they did you did not take any notice of it, Senator MacDonald.

**Senator IAN MACDONALD**—They are sort of state courts, Minister. It is a bit hard to get the states to do anything in that area.

**Mr Potterton**—No recent work comes to mind, Senator. I would have to check back as to exactly when we last looked at that issue in detail. There have been a number of reports on the public record over recent years but none that the bureau has undertaken.

**Senator IAN MACDONALD**—That surprised me because we lose quite an amount with ships sitting off the coast for weeks at a time waiting to get into port.

**Senator Conroy**—The previous minister never gave them the reference either.

**Senator IAN MACDONALD**—I do not know. I know the previous Treasurer made some very pertinent comments about it. I am relying information that, apparently, it has not been looked at.

**Senator Conroy**—That National Party, you can never rely on them, Macca. You are in the same party as them now.

**Senator IAN MACDONALD**—We are in a different party in Queensland; a government party actually, shortly. In relation to your report on challenges facing local government, what stage has that reached?

**Mr Potterton**—Senator, that is yet to commence, but it will be a study looking at challenges and pressures facing our local government councils.

**Senator IAN MACDONALD**—Are any of these that you have given me close to finalisation?

**Mr Potterton**—Yes, Senator.

**Senator IAN MACDONALD**—Which ones? Perhaps if you just go to a reference.

**Mr Potterton**—R4, Aircraft movements at capital city airports, we expect to be released within the next three months.

**Senator IAN MACDONALD**—That will depend on the outcome of the sensitive negotiations that were in place in air services that we heard about a little while ago.

**Mr Potterton**—R7, Urban public transport: recent trends, is close to completion, Senator. A number, of course, have been released already this year, Senator.

**Senator IAN MACDONALD**—Which are they? They are not on this list. These are a work in progress, are they?

**Mr Potterton**—Yes. Greenhouse gas emissions for Australian transport, R21, is also complete. Going back, R11, Road and rail freight: competitors or complements? is close to completion as well.

**Senator IAN MACDONALD**—Okay, there are a few of them. How are you going with R12, Australian ports in an international context?

**Mr Potterton**—That is proceeding well, Senator. We are benchmarking Australian ports against a number of international ports and that also should be released within the next few months. It is not as close to completion as the others I have indicated.

**Senator IAN MACDONALD**—You work on climate change and transport. You would be urged to complete that before the legislation is introduced in a couple of months on the Carbon Pollution Reduction Scheme that we are being told by the Minister is coming forward. I think Senator Conroy in another estimate has undertaken to get for me when exactly that was to be introduced. Is there a great urgency to get that completed?

**Mr Potterton**—These are all fairly broad studies, Senator, so, no. I can tell you that the first one there, R18, was released as part of the treasury modelling report in October last year. That has really been the most important one in terms of the policy linkage with the CPRS.

**Senator IAN MACDONALD**—Can I just refer you to S7, Cost of living in Australia's regions, which contains data on costs of living and drivers of differences in costs. That would be something you would do regularly, is it?

**Mr Potterton**—No, Senator. It is a large one off project at this stage providing a cross-section of cost of living across the country. It is a new project and will be the first release of its kind.

**Senator IAN MACDONALD**—When do you anticipate that might be available?

**Mr Potterton**—We would expect it to be released in the early second half the year, Senator.

**Senator IAN MACDONALD**—Of this year?

**Mr Potterton**—Of this year, yes, 2009.

**Senator IAN MACDONALD**—The Northern Australian booklet attracts the attention of both myself and Senator Heffernan, amongst others, I am sure.

**Mr Potterton**—That is also proceeding quite quickly, Senator, and may be released in the first half of this year.

**Senator IAN MACDONALD**—It is relating to economic development opportunities and patterns. I hope your work will justify a claim I have been making in the 18 years I have been here that Northern Australia with about six per cent of Australia's income produces something like 30 per cent of its export earnings.

**Mr Potterton**—We will certainly be looking at both population and exports, Senator.

**Senator IAN MACDONALD**—I assume this has been referenced to you by Mr Gray?

**Mr Potterton**—Yes, Senator.

**Senator IAN MACDONALD**—A good guess. He is obviously wanting to check my figures and take over his own mantra. Good luck to him; good on him. We are at one on that. That research project will give an accurate indication of population in the north?

**Mr Potterton**—Absolutely, Senator, yes.

**Senator IAN MACDONALD**—Will it do things like export earnings and GDP and all those sorts of things?

**Mr Potterton**—Yes, Senator.

**Senator IAN MACDONALD**—Is it appropriate for me to ask you—it depends on how far along you are—what do you class as Northern Australia?

**Mr Potterton**—I might ask my colleague, Dr Dolman.

**Dr Dolman**—Essentially we have adopted a definition of above the Tropic of Capricorn. However to make that practical we have actually looked at local government areas that are around that boundary and statistical local areas around that boundary to make it possible to collect the data.

**Senator IAN MACDONALD**—That is interesting. Mr Gray sometimes uses catchments in the north, which is quite a different thing, but I am pleased to hear you using that. Local authorities that are sort of on the border of the north like Calliope, which is now the greater Gladstone council, would that be included? If you have any flexibility can I urge you to include it. It makes the statistics look a bit better.

**Dr Dolman**—I can take that on notice. My expectation is that it will be included if it is very close to that boundary. There are a number that have dropped down below the Tropic.

**Senator IAN MACDONALD**— Yes, and it is really part of the Central Queensland conglomerate, you would call it. When your material comes out, is it immediately publicly released, or does it go to the instructing minister first and then is put out publicly when he gives the okay?

**Mr Potterton**—Yes. We certainly brief our minister and then it is released by agreements in the minister and his office.

**Senator IAN MACDONALD**—It is a matter of course that it is released, or does it depend on the direction of the minister in each instance?

**Mr Potterton**—There is an expectation that all of these projects will be released, Senator.

**Senator IAN MACDONALD**—Okay. And similarly Mr Gray would have given you the reference on migration patterns in northern Australia?

**Dr Dolman**—It is not so much a direction. The way we develop the program is look at projects that we think would be useful in terms of framing policy development in that area. Essentially that project has come out of observations that we have made in looking at the population characteristics of Northern Australia. We think that migration patterns are particularly interesting. Again, that has been put back to ministers to confirm that it is something that they would be interested in and ultimately the secretary makes a decision about which projects receive—

**Senator IAN MACDONALD**—But in the case of these two, they have already received the tick of approval; is that right?

**Dr Dolman**—The program has been approved by the secretary, yes.

**Senator IAN MACDONALD**—Excellent, okay. If I might say, they are two excellent research projects and I look forward to the results, particularly if they support my mantra. If they don't, perhaps I won't ever ask you anything again.

**Senator McGAURAN**—You spoke of the expectation of the release of your document. Has there been an occasion where a document has been sent back for changes?

**Senator IAN MACDONALD**—Since November 2007.

**Mr Tongue**—I can handle that one, Senator. None that I am aware of.

**Senator Conroy**—That was nearly a serious own goal, Julian.

**Senator McGAURAN**—As Senator Heffernan often says about this committee, no fear nor favour in regard to our questioning, but I notice you did flinch, Minister.

**CHAIR**—Senator McGauran, do you have any other questions?

**Senator McGAURAN**—I do. R9, challenges facing local government: can you tell me what that involves and when that will be released? And where is it released; what is your network?

**Mr Potterton**—I will answer first the last part, if I may, and then pass to my colleague for the first part. We release all of our reports on our website and we have a mailing list that obviously we develop over time, including policymakers and regional development stakeholders in this regard.

**Senator McGAURAN**—Parliamentarians?

**Mr Potterton**—Including parliamentarians, yes. In terms of the content—

**Dr Dolman**—Senator, you are asking where that project is up to?

**Senator McGAURAN**—Yes, just a bit of background on it.

**Dr Dolman**—That project has come out of the government's agenda, in particular looking at policy issues relating to local government. And what we are doing there is looking at some of the pressures that local government face, particularly growth pressures as population grows rapidly in some local government areas and whether there are some local government areas that are socially or economically disadvantaged relative to others. Also the opposite, I guess, to growth pressures could be lack of growth, the population moving away from the local government area and some of the challenges that puts on a local government in terms of their operations. We are actually at the stage of scoping that study, so we have not settled a final set of issues that we would be looking at. But they are a flavour of the sort issues that we would be looking at as part of that project.

**Senator McGAURAN**—That is going to be very valuable. So it is a way off yet?

**Dr Dolman**—Yes, we have just commenced that project and we are talking to our local government and regional development division within the department about the details of what they would like to see.

**Senator McGAURAN**—Would this just be a one-off or ongoing? The moment you release it everything can change again in regard to local governments.

**Dr Dolman**—Already some of the issues we have been doing looking at population pressures, with the global financial crisis that has changed quite dramatically over the last six months.

**Senator McGAURAN**—Yes, ongoing. Then on the back you have got S22, *Waterline*. That is ongoing, isn't it?

**Mr Potterton**—Yes, it is.

**Senator McGAURAN**—How frequently is that released?

**Mr Potterton**—We release it twice a year.

**Senator McGAURAN**—Twice a year. When is the next one due?

**Mr Potterton**—The next one is certainly quite soon.

**Dr Dolman**—I think the next one would be out in March or April.

**Senator McGAURAN**—Now, that is a superb publication. We all look forward to that because we know that the benchmarks set are being met and surpassed, aren't they, in regard to container lifting. What was the last container benchmark, the last containers per hour lifted average?

**Dr Dolman**—For the five container ports that we measure in *Waterline*, the last reported crane rate, which was in December 2007, the five-port average was 27.2 containers an hour.

**Senator McGAURAN**—And Melbourne?

**Senator Conroy**—I just know this information is available on the web.

**Dr Dolman**—The crane rate for the same time in Melbourne was 29.3.

**Senator McGAURAN**—See, I know the minister doesn't want to hear this—

**Senator Conroy**—No, I was just offering the opportunity to look it up yourself.

**Senator McGAURAN**—This was an important publication and it ought to have a wide distribution.

**Senator Conroy**—And that is why it is up on the web.

**Senator McGAURAN**—It proves the point that when the waterfront reform was introduced, as far back as 1997, we had to endure a charge on Parliament House to add to how hard it was to reform the waterfront. It just proves, more than a decade on, that those reforms were worth fighting for.

**CHAIR**—What is your question, Senator McGauran?

**Senator McGAURAN**—Strength to the arm of this publication.

**CHAIR**—If there are no further questions of the officers, I do thank you.

[4.50 pm]

**CHAIR**—I welcome officers from Infrastructure and Surface Transport Policy. Ms Riggs, good to see you back again. Are we doing National Transport Strategy at the same time?

**Ms Riggs**—We know that sometimes the committee has not found it easy to distinguish between the work of both these divisions. So we thought it might assist if we appeared together.

**CHAIR**—That is very welcome, thank you. In that case, I also welcome Ms Riggs from National Transport Strategy. Senator Macdonald.

**Senator IAN MACDONALD**—Chairman, could Mr Robertson or Ms Riggs remind us before we start what exactly the work of these branches involves as opposed to, say, Infrastructure Australia or the national infrastructure program.

**Mr Robertson**—You asked a fairly wide-ranging question, Senator. Perhaps if I start by just outlining the functions of the Infrastructure and Surface Transport Policy division. Essentially it covers four broad areas that are in most cases interrelated. We have one branch dealing with road safety. Another one deals with vehicle standards. Another branch looks after maritime policy and has the overview of the Australian Maritime Safety Authority. And we have another branch, Transport Integration and Reform, which oversees the work of the reform agenda in managing differential regulatory arrangements between the states. There is some overlap there to the work of the National Transport Strategy, which is a specific set of requirements coming out of decisions by the Australian Transport Council and which Ms Riggs has the responsibility for managing.

**Senator IAN MACDONALD**—Just because I did not hear, what was the first one of those four you mentioned?

**Mr Robertson**—Road safety.

**Senator IAN MACDONALD**—Okay. Just in relation to the latter one, and this may be to Ms Riggs as well, during the course of the debate on the recent road transport charges legislation we were told that the states had almost agreed to uniform road transport charges and rules, if I can put them as loosely as that, and that work was being done.

**Ms Riggs**—I could start a response to this, Senator, and maybe Mr Jones might need to join us to add some further detail. The Commonwealth and the states and territories have agreed and implemented a consistent approach to the charging regime for heavy vehicles, most recently through a determination that all ministers committed to in early 2008, and it was the Commonwealth's dimension of that that you are referring to the debate about. So that is uniform.

In terms of other dimensions of the regulation of heavy vehicles, there are a number of major areas where the National Transport Commission has developed and had accepted by all jurisdictions model legislation for the regulation of heavy vehicles, but each jurisdiction is responsible for implementing that model in their own jurisdiction. And, in doing so, not all of them implement the model legislation exactly as it has been developed—they make variations to it, for various reasons. So in that respect there are some differences between the rules that govern how heavy vehicles are inspected before they are registered, what the compliance and enforcement regimes are for the on-road rules that big trucks have to follow, as between the various jurisdictions.

**Senator IAN MACDONALD**—I know Senator Heffernan has a lot of issues about this. I thought we were assured in the course of the debate on this legislation—which, as you know, I took through for the opposition—that that was almost a done deal.

**CHAIR**—Senator Macdonald, Senator Colbeck has questions if you want us to go to Senator Colbeck and then come back to you.

**Senator IAN MACDONALD**—Yes, I need to go to Environment for 10 minutes, so I will leave my colleagues to pursue those issues. I know they will do that well.

**CHAIR**—Senator Colbeck?

**Senator COLBECK**—Thanks, Chair. I just want to ask some questions on the Tasmania Freight Equalisation Scheme. The revised announcements were made in, I think, November last year.

**Mr Sutton**—Yes, that is correct. The government announced its decisions in relation to the scheme on, I think, 6 November last year.

**Senator COLBECK**—Thanks. My assessment of it is that the effectively we ran up the no-change flag. Is that a reasonable assessment?

**Mr Sutton**—The government's announcement indicated that in effect the substance of the scheme and, in particular, the parameters under which the scheme operates would remain unaltered until a further review in 2011-12.

**Senator COLBECK**—We had some discussion at the last estimates about a further round of consultation that was promised with industry and I did come into conflict with the minister at that point in time because the brief was actually before the minister. Obviously that second round of consultation never happened. What was the reasoning behind that? We did have a significant discussion about information that industry was prepared to make available that they considered would be beneficial to the government in its decision-making process, given the process that was used of a contractor through BITRE to conduct the survey work.

**Mr Sutton**—The government's November announcement was informed by analysis that had been done by the Bureau of Infrastructure, Transport and Regional Economics. As I think you are aware, that work was under way during the course of last year.

**Senator COLBECK**—Yes.

**Mr Sutton**—The BITRE report is actually now available on the bureau website. What the report indicates is that proceeding, if you like, with the changes to the scheme as indicated by the parameter changes would have resulted in significant reductions in expenditure under the program. The government announcement indicated that, in the interests of providing certainty to industry in Tasmania, it would maintain the scheme and the parameters at their current levels.

**Senator COLBECK**—Yes, but the point that I was making at the previous estimates was that industry knew what sort of information would come through the process that BITRE was using. They had some confidential information which they were prepared to share on an in-confidence basis that would have better informed the government. They were prepared to share with the agency their commercial deals, which were not effectively published market rates, which is what effectively the research was based on.

**Mr Sutton**—The bureau analysis, which is available on the bureau website—

**Senator COLBECK**—I understand that.

**Mr Sutton**—indicated that the key parameters based on the bureau's work were issues like the road freight equivalent, the sea freight cost disadvantage, the scaling factors which were all part of the mechanism under which the rates are determined. The net effect was that there were overall significant reductions. The analysis was that the fundamental issue was that, over time, road freight costs have risen significantly greater than sea freight costs. And under the

formula under which the TFES is determined, if that formula had been applied it would have resulted in significant reductions in assistance.

The government took the position that, if there had been consultations in relation to the report, it would have been unlikely to result in a definitive figure for what should be those changes in the parameters. Taking into account the effects on certainty for Tasmanian business, or the effects of uncertainty, I suppose, for Tasmanian business that would be created, it took the decision to leave the parameters unchanged.

**Senator COLBECK**—How would you know if you don't ask, though? They were prepared to provide in-confidence commercial information, and effectively it still has not been put into the system.

**Mr Sutton**—The net outcome of the government's decision was that it ensured that there are no reductions in assistance.

**Senator COLBECK**—I understand that. As I said at the outset, we have effectively put out the no-change flag and left it as it is for this point in time. But industry was given to understand that there was a process under way. I know that it spent a long time in the minister's office, probably two or three months sitting there while it did some toing and froing. In terms of discussions with industry and the time that it actually appeared, we had our discussion on 21 October and it appeared on 6 November. And it had been sitting in the minister's office for a significant period before we had our discussion at estimates. The industry was told that something was going to happen; it did not happen. I suppose we are where we are with respect to that, but it is disappointing that they did not receive the consultation.

**Senator Conroy**—Is there a question?

**Senator COLBECK**—There will be, Senator. I know you are trying to be helpful. I have been listening to you all day being so helpful!

**Senator Conroy**—I am happy for you to ask any question; I just hope you will get to it.

**Senator COLBECK**—It is disappointing that that did not occur. I know that you have made a decision not to change the parameters, but there was a lot of discussion about the density parameters. When the documentation came out, it indicated that Circular Head Dolomite had indicated that they would be happy to see a discount rate of 30 per cent for the high-density rate. They are quite concerned about that, because none of their submissions—and we have been through them fairly comprehensively—show that. Can you enlighten me as to how that might have appeared through the process?

**Mr Sutton**—Senator, the government's decision, as I say, was to leave all the parameters unchanged. We are working through some administrative reforms related to the program that will not impact on the overall expenditure under the program. All the underlying parameters, including the approach to the high-density issues, were left unchanged. I think that reflected the complexities of the program and the linkages between the various elements. Yes, there was no adjustment to the high-density factors, but that is in the context of the overall assistance levels being unchanged. All Tasmanian businesses benefit from those assistance levels being left unchanged. The impact on individual businesses which had particular

issues—and I recognise that dolomite and the heavy density factor was one of those—I think needed to be looked at in the context of the overall government decision.

**Senator COLBECK**—The government might see it in that light, but they certainly do not, because it limits their capacity to compete on the mainland with similar products, which is effectively the base reason for the scheme in the first place.

**Mr Sutton**—Yes, Senator.

**Senator COLBECK**—And the fact that the documentation that came out indicated they would be happy with the 30 per cent discount rate when their submissions do not even consider that at all. They were looking to see the discount rate removed.

**Mr Sutton**—Senator, can I ask the document to which you are referring?

**Senator COLBECK**—I have an email from them, and it refers to the Productivity Commission work that was done as well, but it came out in the final work. The BITRE TFES parameter review, page 38, is the reference that I have been given. It is under the paragraph ‘What discount should apply to high-density freight’. I have a copy of their submission.

**Mr Sutton**—Senator, I might have to take that question on notice and look into it in more detail.

**Senator COLBECK**—But, effectively, outside of that review process that is not due to occur until 2011-12, there is no capacity to look at that as an issue at this point in time?

**Mr Sutton**—The government has no further reforms planned for the scheme at this point in time.

**Senator COLBECK**—So all the other bugs that lie in the system whereby, if Circular Head Dolomite were to put a half container of dolomite and fill the rest of it up with PVC pipe so that they had a full container, they could then claim a full discount for the whole container?

**Mr Sutton**—I am not aware of that particular anomaly, Senator, but, as was clear through the process, there were many issues associated with the operation of the scheme.

**Senator COLBECK**—I understand that there are a lot of issues with it. As you are aware, we spent a lot of time working on that as an issue and we were looking to make some improvements to the scheme—that was the whole focus of it—and to maintain the support for the Tasmanian industry. In fact, we were harangued politically, particularly by the member for Denison, over the fact that we had not made any changes, and it is quite surprising that, at the end of the day, the new government, of which he is a member, is now endorsing the process that we had in place in the first place. But it is also disturbing that some of the information that has been fed into the process comes out incorrectly, and that the players did not get the opportunity to go through the consultation process that they want to. I will leave it there.

**CHAIR**—Thank you, Senator Colbeck. Senator Heffernan, do you have any questions for National Transport Strategy, Infrastructure and Surface Transport Policy?

**Senator HEFFERNAN**—Have questions been asked on coordinating the interstate arrangements on driver safety and truck stops et cetera?

**Ms Riggs**—Senator, the National Transport Strategy Division is coordinating the work to develop the approaches for a possible single national heavy vehicle regulation system in the country.

**CHAIR**—Hip, hip, hooray!

**Ms Riggs**—Our Infrastructure Investment Division is delivering the program related to the provision of rest areas, and the issue of driver fatigue and the fatigue laws that have been implemented, I think at the end of September last year, were developed as model laws under the National Transport Commission arrangements and implemented independently, consistent with those arrangements, by each of the jurisdictions.

**CHAIR**—I was actually applauding the industry.

**Ms Riggs**—Thank you very much, Senator.

**CHAIR**—It is a long time coming. I was not taking the mickey.

**Senator HEFFERNAN**—So where is the four-year fund for the Heavy Vehicle Safety and Productivity Program up to?

**Ms Riggs**—That is being managed by the Infrastructure Investment Division, who were here this morning.

**Senator HEFFERNAN**—I have a series of questions which probably go to them as much as—

**CHAIR**—Do you want to put them on notice, Senator Heffernan?

**Ms Riggs**—We will happily take them on notice.

**Senator HEFFERNAN**—I suppose I might as well. Where should I direct questions about the establishment of a national scheme for setting minimum safe rates for employees and owner-drivers?

**Ms Riggs**—We will take them now, Senator.

**Senator HEFFERNAN**—I understand that, according to a joint media release by the government last year, the Transport Commission was to investigate methods of payment to heavy vehicle drivers and options to implement a payment system that encourages safe work practices.

**Ms Riggs**—That is right, Senator.

**Senator HEFFERNAN**—The National Transport Commission completed this report to the Australian Transport Council in October of last year?

**Ms Riggs**—Yes.

**Senator HEFFERNAN**—The ministers, according to a joint communiqué, agreed that there is a case for taking a whole-of-government regulatory approach to address this issue. The federal Minister for Infrastructure, Transport, Regional Development and Local Government agreed to progress this issue within the government. What progress has been made in implementing this decision at the Australian Transport Council?

**Mr Jones**—Senator, the progress has been that there have been a sequence of discussions that are continuing with the three ministers' offices—the Minister for Employment and Workplace Relation, the Minister for Innovation, Industry, Science and Research and also Minister Albanese. The departments supporting that process have been preparing background papers to assist the process of discussion between those offices. Basically, that is the nature of the progress to date. There are further meetings scheduled later this week on that issue.

**Senator HEFFERNAN**—So the whole-of-government agencies are which agencies?

**Mr Jones**—Three departments are affected. At the Commonwealth level all the legislation that deals with employee issues comes under the Department of Employment and Workplace Relations. The department that covers the independent contractor legislation is the Department of Innovation, Industry, Science and Research. Of course, the work was developed for ATC by the National Transport Commission, which is more closely associated with our own department, Department of Infrastructure, Transport, Regional Development and Local Government.

**Senator HEFFERNAN**—When do you anticipate that work will be complete? I realise the minister is not here at the moment. He is probably away having a sandwich or a glass of wine if he has got any brains.

**Mr Tongue**—I think that is a question for the government.

**Mr Jones**—We could not add any particular time frame to that process.

**Senator HEFFERNAN**—Ms O'Connell, do not be distressed by that. Do not be distressed by my remarks. They are meant to be humorous.

**CHAIR**—You could join him if you stopped asking questions.

**Senator HEFFERNAN**—I agreed to put those others on notice. Do not complain.

**CHAIR**—And I have a vested interest in this too.

**Senator HEFFERNAN**—Do not turn sooky.

**CHAIR**—I have got more of an interest in this than you have.

**Senator HEFFERNAN**—Will the government report back to the Australian Transport Council on its investigation by May this year as proposed by the National Transport Commission on page 46 of its report?

**Mr Jones**—The intention would be that there would be a report to the ATC meetings. The language you use was implying it would be some form of final report. It will be too early to say how much was complete by that point, but there would be a form of reporting, as needed, to the Australian Transport Council meetings.

**Senator HEFFERNAN**—I notice the National Transport Commission in that report in October to the Transport Council flagged four options in implementing a so-called safe rates payment system, one option being to leave the existing system in place and simply allow the recently passed heavy driver reforms to generate better safety performance in the heavy vehicle industry. Another option is to rely on state based regulations to deal with current payment arrangements. Is that correct?

**Mr Jones**—Yes.

**Senator HEFFERNAN**—On which state based regulations would this system be modelled?

**Mr Jones**—It did not propose that a state based system be modelled on any specific current individual state based system. My understanding is that three states do have and have legislated in this area. New South Wales, Victoria and Western Australia have their own regulation in this area, regulations that have some variations in the models between those three. But in other states and territories there is not legislation in this space.

**Senator HEFFERNAN**—According to page 39 of the Transport Commission's report to the Transport Council, South Australia, ACT, Queensland, Northern Territory and Tasmania do not have owner-driver regulations. What sort of regulations would these jurisdictions have to develop?

**Mr Jones**—Under that option?

**Senator HEFFERNAN**—Yes.

**Mr Jones**—That would completely depend upon the nature of anything that was developed in that option. I could not really speculate. It would be driven by whether a model was proposed that was state based.

**Senator HEFFERNAN**—And what status would the owner-drivers have in that model?

**Mr Jones**—It would be entirely dependent on exactly what model was developed. The NTC did not propose a specific model, so in a sense to take forward that recommendation it would need to be constructed in exactly what were the parameters. Even in those jurisdictions that have legislation now there is a variation in scope. My understanding is the WA-Victorian legislation focuses particularly on owner-drivers, whereas in the New South Wales example there are also elements of their legislation which deal with employee issues as distinct from owner-driver issues. So there already are variations and it would be completely open to how that option was developed.

**CHAIR**—I just want to clarify something, because I do have a very vested interest in this.

**Senator HEFFERNAN**—He is a burnt-out truck driver.

**CHAIR**—I am not that burnt-out. The questions are of a hypothetical nature, Senator Heffernan?

**Senator HEFFERNAN**—That I am asking?

**CHAIR**—Yes.

**Senator HEFFERNAN**—Yes.

**CHAIR**—They are hypothetical. I am just trying to assist, because I am dying to get to the bottom of it too.

**Senator HEFFERNAN**—Do you think this would involve some kind of mandated system of freight rates that are imposed on state registered vehicles?

**Ms O'Connell**—Senator, in terms of that, I think we are talking about a range of options which were outlined in the paper which are up for consideration by a working group, who are

currently looking at the range of issues. So I think that we should not necessarily speculate on what might or might not be the outcomes of that and instead allow that working group the opportunity to go through the range of options.

**Senator HEFFERNAN**—So you are not far enough advanced, as it were. Maybe if your side of the bargain is not to the point where these questions can be answered, Mr Chairman, should I put them on notice?

**CHAIR**—I think probably put them on notice.

**Senator Conroy**—That is an excellent idea.

**Senator HEFFERNAN**—Minister, in your absence I did make a—what would the word be?

**CHAIR**—A disparaging remark, tongue in cheek.

**Senator HEFFERNAN**—A disparaging remark that you were away having a cup of tea or a glass of wine or something. You are clean-living young man. I was forgetting that you, as the Minister, were here, so I completely withdraw any false implications.

**CHAIR**—So, Senator Heffernan, do you wish to put those on notice?

**Senator HEFFERNAN**—Yes, I will.

**CHAIR**—Do you have any further questions, Senator Heffernan?

**Senator HEFFERNAN**—I do not.

**CHAIR**—Thank you. In that case, thank you very much to the officers of Infrastructure and Surface Transport Policy and to Ms Riggs from National Transport Strategy.

[5.22 pm]

**CHAIR**—I now call the officers from Local Government and Regional Development. Senator Payne has a question.

**Senator PAYNE**—Thank you very much, Chair. I appreciate the committee's assistance in enabling me to ask these questions. The first questions relate to the Regional and Local Infrastructure Program. I will start by seeking some clarification. As I understand it, when it was announced on I think 18 November last year, there was an indication that there was an imperative, if you like, for the money to be spent immediately or as soon as possible. Is that a reasonable interpretation of the announcement?

**Mr Tongue**—Senator, the announcement was that the councils would access funding and move promptly to implement projects, so broadly, yes.

**Senator PAYNE**—What does 'promptly' mean in the department's view?

**Mr Tongue**—The program arrangements anticipated councils receiving funding very quickly and the design of the program was so that that could occur and so that works would commence this financial year.

**Senator PAYNE**—Commence this financial year, but not be concluded this financial year?

**Mr Tongue**—The bulk of them concluded this financial year too.

**Senator PAYNE**—Okay. I appreciate that clarification. As I understand it, the date for the complete expending of the funding is 30 September this year.

**Mr Tongue**—There are two elements to the initiatives. One is an element of \$250 million, which goes out to all councils and another is an element of \$550 million, which is a competitively based grants program.

**Senator PAYNE**—Yes. And so that 30 September 2009 date relates to which of those?

**Mr Tongue**—I will put Mr Pahlow on that.

**Senator PAYNE**—And I differentiate them by referring to one just as the Regional and Local Infrastructure Program and one as the Regional and Local Infrastructure Program, Strategic Projects. Is that correct?

**Mr Tongue**—That is right, yes.

**Senator PAYNE**—Thank you for making that so easy for us.

**Mr Pahlow**—Senator, the date for completion of the \$250 million program is 30 September 2009.

**Senator PAYNE**—So that is different from the one which we were just talking about before?

**Mr Pahlow**—The strategic projects one, yes.

**Senator PAYNE**—In regard to the first program, the Regional and Local Community Infrastructure Program and its compliance requirements, as I understand it applications were to be compliant if project details were provided to the department before 30 January. Is that correct?

**Ms Foster**—Yes.

**Senator PAYNE**—Can you advise the committee of the number of local councils that were able to provide project details in that time?

**Ms Foster**—Five hundred and sixty-five councils and shires were able to submit their projects and, additionally, the ACT government.

**Senator PAYNE**—So all 565 councils in Australia have been able to take up the funding offer?

**Ms Foster**—That is correct.

**Senator PAYNE**—And then further, in terms of compliance, there are categories that are outlined in your guidelines. Can you tell us how many of the funding requests that were received from local councils comply adequately with those guidelines?

**Ms Foster**—One hundred applications from councils comprising more projects—so councils in some cases have submitted a number of projects within the allocation given to them—but 100 councils have been approved and announced to date.

**Senator PAYNE**—So does that mean the other 465 remain under consideration?

**Ms Foster**—They are in the process of assessment. It has been about three weeks since the closing deadline. We received a total of 3,605 projects from the 565 councils and we are working through those as quickly as we can.

**Senator PAYNE**—Of the 100 that have been approved and announced are they projects or councils?

**Ms Foster**—That is councils, so that would comprise some hundreds of projects.

**Senator PAYNE**—Can you tell me how many?

**Ms Foster**—I do not have that detail with me. We can seek that for you.

**Senator PAYNE**—Could you take that on notice for me?

**Ms Foster**—Yes.

**Senator PAYNE**—Thank you very much. In relation to the guidelines that you are using for the assessment process, have they remained substantially the same since they were initially issued, or have there been any changes made to them?

**Ms Foster**—No, they have been substantially the same.

**Senator PAYNE**—Going back to the question in relation to a total of 3,605 projects over 565 councils, in three weeks a hundred councils have had their projects approved. Do you think the number would be hundreds of projects?

**Ms Foster**—Yes.

**Senator PAYNE**—What is the time frame in which you expect to deal with the other 465 councils and their projects?

**Ms Foster**—We would hope to have those done within the next few weeks.

**Senator PAYNE**—So by the end of March or before Easter. What sort of time frame?

**Ms Foster**—It depends to some extent on the complexity of the projects and whether or not we need to go back to councils to seek more information. As I said, we are progressing through them as quickly as we can but until we have actually got through the whole 3,600 plus, we will not know the extent to which we need to seek more information.

**Senator PAYNE**—Does that indicate that the hundred that have been dealt with at this time are ones that were perhaps less complex and easier for the department to deal with?

**Ms Foster**—We certainly have been working through the projects with the goal of approving as many projects as quickly as we can.

**Senator PAYNE**—I do not think that really answers my question. Does that mean the ones that have been dealt with now are the ones that, on the face of it, were pretty much easy to deal with and you are going to come to the more complex ones later? How is it being prioritised within the department?

**Ms Foster**—The ones that we have dealt with have been less complex, more straightforward.

**Mr Pahlow**—We also undertook to consider those that lodged early in the first batches, so we have tried to do that as well.

**Senator PAYNE**—I see. So you have been considering them in the period before the close of applications as well.

**Mr Pahlow**—Any that came in early, we tried to include them in those first rounds.

**Senator PAYNE**—Okay. As I understand it, councils are also going to be required to submit progress reports. Is that what they are called? Is that for this half of the funding or the other half?

**Mr Pahlow**—That is correct.

**Ms Foster**—Yes, that is correct. There will be progress reports for both.

**Senator PAYNE**—Okay. And are those progress reports going to be reviewed and monitored by the department?

**Mr Pahlow**—Yes.

**Senator PAYNE**—And when are they due?

**Mr Pahlow**—One interim progress report is due on or before 30 May and the final progress report is due on or before 30 November. That is for the \$250 million program.

**Senator PAYNE**—That is for the strategic projects?

**Mr Pahlow**—No.

**Ms Foster**—No. The \$250 million program is the one where the direct allocations were made to councils. That is the 3,605 projects. The strategic projects are the ones we refer to typically as the \$550 million.

**Senator PAYNE**—They did not even give us a different acronym. It makes life very hard, Minister, when you do not have a different acronym. What approach is proposed to be taken to the process of reviewing and monitoring the progress reports, particularly those that are due to be received on 30 May? Is it a matter of the department saying: 'We do not think this is being done properly. We want the council to review how they are utilising the funding or the progress of the project.' What is the purpose of the review and monitoring?

**Mr Pahlow**—It will be to ensure that they are satisfying the project milestone schedule that they set and that they look like completing by 30 September as we requested.

**Senator PAYNE**—And what if they do not.

**Mr Pahlow**—Then we will take remedial action.

**Senator PAYNE**—What does that mean?

**Mr Pahlow**—Investigate what the issue is. It might be that they are having issues getting development assessments passed, or that there is special—

**Senator PAYNE**—By themselves? Difficulties getting their own DAs passed?

**Mr Pahlow**—Yes, they have still got to comply with statutory requirements, environmental requirements et cetera. In some instances it might be that there are weather constraints—flooding, for instance, in the north of Australia and that sort of thing. If there are other difficulties we will see what actions we can put in place to assist them. Failing that, we will just have to consider the progress.

**Senator PAYNE**—So that is all in relation to ensuring that the 30 September expenditure deadline is met?

**Mr Pahlow**—That is correct.

**Senator PAYNE**—If a council were looking like it would not be in a position to expend the funding by 30 September—I think, Mr Pahlow, the example you use in North Queensland is broadly a good one in this regard—what action does the department take to address that?

**Mr Pahlow**—We would consult with the relevant council to understand what issues they were facing and see if we could provide assistance to them in meeting the deadline of 30 September.

**Senator PAYNE**—What sort of assistance would that include, do you think?

**Mr Pahlow**—Mainly understanding what issues are and discussing those with them. If it is, for example, difficulties sourcing appropriately skilled people, we will see what we could do to assist them to do that. If it is because they are not paying enough attention to the project we will point out that they have a contractual obligation to move the project along.

**Senator PAYNE**—So is it essentially a project-by-project management process that the department has to go through?

**Mr Pahlow**—We would like to try and do it on a council-by-council basis rather than project by project. Project by project would be very resource intensive.

**Senator PAYNE**—I am just looking at that on the numbers—yes.

**Mr Pahlow**—We will be able to amalgamate some of those 3,605 projects. For example, there might be a number of playgrounds across a local government area. We would not have a separate project for each council, so we would amalgamate.

**Senator PAYNE**—But even if we are talking about 565 councils that is still a fairly intensive process. What sort of methods will you be using to monitor their compliance?

**Mr Pahlow**—We would contact them.

**Senator PAYNE**—One by one.

**Mr Pahlow**—That is part of the reason why we also have the interim report. That will give us the initial heads up as to whether there are any issues or problems. We will also be monitoring media and other issues like that. Anywhere that we suspect there is a problem we will start paying closer attention to what they are doing or not doing.

**Senator IAN MACDONALD**—But you would not extend the time; you would just try and help them through their difficulties?

**Mr Pahlow**—We would try and help them through their difficulties, yes.

**Senator IAN MACDONALD**—But you will not extend the time?

**Mr Pahlow**—That would be a decision for the government.

**Senator PAYNE**—In terms of resourcing for the department, has there been any enhancement to the department's resourcing to perform that compliance role, let alone, might I say, the evaluation and approval process for the 3,605 projects in this program itself?

**Mr Pahlow**—We have been provided with additional resources for that purpose.

**Senator PAYNE**—Can you identify those for the committee?

**Mr Pahlow**—For the \$250 million, we have 721,000 this financial year and 356,000 in the next financial year, and there are additional resources available under the \$550 million program which would also be used for those purposes.

**Senator PAYNE**—What number of staff does that—

**Senator Conroy**—We are running a very thorough process to ensure we can assess them and monitor them.

**Senator PAYNE**—I appreciate that, Minister, and that has been indicated by the officers. What sort of staffing numbers do those enhancements equate to?

**Mr Pahlow**—That depends on when, Senator. At the moment, we have a lot of staff on board.

**Senator PAYNE**—Let us go with now, while you are dealing with 3,605 projects minus the 100 councils you have already finished.

**Mr Pahlow**—We have in the order of 12 staff. There would be fewer full-time equivalents because that is a very compressed period of time. During the assessment process, that could pick up to 15.

**Ms Foster**—We are also making quite extensive use of contract support and are consciously reallocating resources across the broader division as we have peaks and troughs of activity in the programs.

**Senator Conroy**—To get the exact correct answers, we are happy to take that on notice.

**Senator PAYNE**—I appreciate that, but that does give me a helpful perspective. Thanks, Ms Foster and Mr Pahlow. As we get down to crunch point, the 30 September expenditure point—between the interim progress report and the final progress report—do you think it will be necessary to provide further additional staffing resources to meet those deadlines?

**Mr Pahlow**—We would provide the staffing resources as required, Senator.

**Senator PAYNE**—Within the parameters of the money you have already outlined to us or do you think you will need more than that?

**Mr Pahlow**—Yes.

**Ms Foster**—My intention at the moment is to try and balance the resources across the division to meet the peaks and troughs of demand.

**Senator Conroy**—Some of this was dealt with in the secretary's opening statements.

**Senator PAYNE**—I apologise for not being here.

**Senator Conroy**—There is a copy available; it was tabled as well.

**Senator PAYNE**—Thank you very much. I will grab a copy of that. Can we go on to the Regional and Local Community Infrastructure Program, Strategic Projects, which we are going to call the \$550 million program, are we, for ease of reference?

**Mr Angley**—Yes.

**Senator PAYNE**—Thank you.

**CHAIR**—Sorry, Senator Payne, do you have a lot of questions?

**Senator PAYNE**—No.

**CHAIR**—That is fine. That is only because Senator Macdonald is not here, so we had better round him up.

**Senator PAYNE**—I have about half a dozen or so more substantive questions and then whatever flows. I will say things slowly.

**CHAIR**—No, you do not have to, Senator Payne. You are doing a fantastic job, and I wish you were a full member of this committee; others may learn some protocol.

**Senator PAYNE**—Thank you, Chair. On the \$550 million project, as I understand it, an application from a council had to be made by 23 December last year, was it, to be compliant?

**Ms Foster**—That is correct, Senator.

**Senator PAYNE**—And can you indicate to us how many councils have taken up that offer?

**Ms Foster**—Senator, you may be aware that the government announced its decision to reopen the process of the \$550 million program after the additional \$500 million was allocated.

**Senator PAYNE**—But at the time of the further announcement, can you tell me how many had taken it up?

**Ms Foster**—Yes. There were 344 applications.

**Senator PAYNE**—Is that 344 councils?

**Ms Foster**—No, 344 applications. Each council was allowed only one application.

**Senator PAYNE**—So it really is 344 councils.

**Ms Foster**—Yes, Senator.

**Senator PAYNE**—344 projects.

**Mr Angley**—It is almost 344 councils. A few were invited to make joint applications. You could put in your own separate one, but you were also able to put in for joint projects as well.

**Senator PAYNE**—Do you know how many that would be, Mr Angley?

**Mr Angley**—No. We can take that on notice.

**Senator PAYNE**—Thank you very much.

**Mr Angley**—But, as Ms Foster said, the numbers are going to change with the new deadline.

**Senator PAYNE**—Sure. And I guess we will be pursuing that further in the next round of estimates. Can you then tell me, in terms of the applications which have already been made, whether any assessment has commenced on those?

**Ms Foster**—We did commence looking at the project, Senator, but that assessment has been put on hold pending us reaching the second deadline, the new deadline, of 6 March.

**Senator PAYNE**—If you were a council which had an application already in under the previous arrangements, what are the rules in relation to reviewing that application or revising it? Can you take it out and start again, or what do you have to do?

**Ms Foster**—We have offered councils three options. We have said, ‘You must do one of the following: advise us that you wish to retain your initial application; resubmit a changed application; or, if you did not submit an initial application, you may now submit one.’

**Senator PAYNE**—So, given the tight time frame that was attached to that, had any applications that had been received by the department been rejected as either not being compliant with the guidelines or having being received after the deadline before the extension was announced?

**Ms Foster**—I do not have that detail, sorry, Senator. I will have to take that on notice.

**Senator PAYNE**—Thank you. I would appreciate that. Given the new deadline is Friday, 6 March and you have done some assessment, when do you expect that you will be able to provide the ranked list of applications, which, I think, goes to the Australian Council of Local Government, does it, for comment after that?

**Ms Foster**—The government consults with the Australian Council of Local Government Steering Committee through that.

**Senator PAYNE**—For feedback—maybe that is a better word than ‘comment’.

**Ms Foster**—Clearly, there will be a significant amount of work to do to review those applications, and I imagine that it will take us—

**Senator Conroy**—We will aim to do it as soon as possible.

**Senator PAYNE**—Do you have a target date on which you hope to be able to provide the minister with a final list of successful applications?

**Ms Foster**—We have not discussed that yet, Senator.

**Senator PAYNE**—In terms of this program, the \$550 million program, is the staffing allocation and the budgetary allocation reflected in the numbers Mr Pahlow gave me before?

**Ms Foster**—No. There is an additional allocation for the \$550 million program. We have \$1.8 million this financial year and \$0.92 million in 2009-10.

**Senator PAYNE**—Do you expect that that will need to be increased now that you have extended the program and will be inevitably receiving additional applications?

**Ms Foster**—I think we will need to wait and see how many applications we get and what complexity there is, but my intention initially is to work within the resources I have been given.

**Senator PAYNE**—An admirable intention, Ms Foster. But, given the significant extension to the funding and the extension to the deadline, which is still 10 days away, what is the pace of applications like? Are you expecting to receive a very significant number?

**Ms Foster**—I do not know what the extension of time will mean for the councils.

**Senator PAYNE**—The announcement was made on 13 February; we are 10 days after that now, as it is 24 February. What sort of volume of inquiries or flow of applications have you received in those 10 days?

**Ms Foster**—I think we will have to take that on notice. We have a hotline, which was established for councils to call. I do not have details of how many calls we have received relating to this specific program.

**Senator PAYNE**—Or whether it is running hot or otherwise. If you follow that up for me, that would be helpful. Reflecting on that, are you telling me that it is too soon to indicate how it is going—that you think you will need to come to the close period and then reassess? When you said you had 344 councils, I think, at the previous deadline, was that within the ballpark you were expecting? Was it low?

**Ms Foster**—I am looking at Mr Tongue who was actually running that area at the time.

**Mr Tongue**—It was a surprise to me, Senator, let me put it like that, given the tight deadline, to find that number of councils able to submit projects. It is one of the things that probably stimulated the government to think about extending the program. We tapped unmet demand.

**Senator PAYNE**—I see. Thank you very much.

**Senator Conroy**—It is just too soon to indicate.

**Senator PAYNE**—I appreciate that. It gives me some perspective on that. Thank you. Can you indicate to me how the second year of the program is intended to work in terms of the application and allocation of funds? Would that operate within the existing guidelines or will the guidelines change?

**Ms Foster**—I am not quite sure, Senator, what you mean by ‘the second year of the program’.

**Senator PAYNE**—As I understand it, if projects commence in the first calendar year—as they do, obviously—there is a need for them to be commenced within six months of the signing of the funding agreement. Is there a deadline for completion, though? It sounds to me as if they can inevitably flow into a second year. How does funding in work that process?

**Ms Foster**—The guidelines will remain consistent. On the deadline for completion, I will ask Mr Pahlow.

**Mr Pahlow**—By their very nature, they are larger and more complex projects. It is accepted that they will extend over two or possibly three years to complete.

**Senator PAYNE**—So, in the application process, is the council required to provide you with an estimated completion deadline?

**Mr Pahlow**—Yes.

**Senator PAYNE**—Then is there the same sort of progress reporting and monitoring and review process required for the \$550 million program to ensure that they are complying with the requirements for which the funding is being given?

**Ms Foster**—In fact, with the \$550 million program, the proponents will receive an amount upfront and then there will be payments against milestones in the project.

**Senator Conroy**—We need to focus on the scope. Regional Partnerships was open to everyone, including community groups, and it was only \$70 million a year. We are delivering over \$800 million, so there is a significant scope. It was based on the fact that we knew that councils had unmet needs, and so we are very keen to get this working as fast as possible, and I think Ms Foster has indicated that the guidelines are consistent. So we are keen to complete the application process as fast as we can.

**Senator PAYNE**—Thank you, Minister. Finally, to tidy that last discussion up, is the arrangement between the councils and the Commonwealth essentially regarded as a contractual arrangement by you?

**Ms Foster**—It is.

**Senator PAYNE**—In the process of review and monitoring and the progress report arrangement that we have discussed, if councils are not complying in these much larger projects which the minister has just alluded to—they are significantly larger than some of the ones we were talking about earlier—what methods does the department have for ensuring compliance?

**Mr Angley**—A lot of our resources go into the contract management once the funding agreements are signed, and one of the staple ways of doing that is through the agreement with each proponent about what milestones we will make payments on. If there is not proof from the proponent that that milestone has been reached or if we just do not hear from them and pursue them, we will not make that payment.

**Senator PAYNE**—In that project—

**Senator Conroy**—Whatever remedial statements we need to take we will take, but we are pre-empting the circumstances at the moment. It is sort of a hypothetical that you are posing at the moment, Senator Payne, so I am not sure that we can be any more definitive than that, but whatever we need to do we will do.

**Senator PAYNE**—I appreciate that. What I was seeking was some outline of whether the department has appropriate measures and intends to put them into place in advance to ensure, in relation to the very large sums of money that we are talking about—which you have just reiterated the importance of—that the expenditure is as the Australian people would expect it to be.

**Ms Foster**—That is the purpose of our milestone payments. With the contracts that we enter into with the councils, part of that contract is a project plan which articulates what is to be achieved by when and what the milestone payments are connected to.

**Senator PAYNE**—This is my final question, Chair.

**CHAIR**—I was counting your six, Senator Payne. That is quite all right.

**Senator PAYNE**—We have 344 projects or councils in the first iteration of this before the extension. You talk about this almost on an individual project management basis. How many

staff do you have doing that? That is a fairly extraordinary volume of work that you are expecting to be dealt with.

**Ms Foster**—That is right, though I would make the point that with those 344 applications, of course, there is a cap of \$550 million if these projects are larger.

**Senator PAYNE**—I understand.

**Ms Foster**—So we might expect that there will be fewer than that number of projects that actually become part of this program. I do not have the exact staff numbers. I will take that on notice but, again, as we are running these programs, we will have periods of heightened activity on the various programs, which will allow us to move our staff across them.

**Senator PAYNE**—Ms Foster, I ask you to take one other matter on notice. If there is any more clarity that you can provide around the dates going forward when you expect to be able to move things along in terms of presentation of a final list to the minister, the consultation—I think you called it—with the Australian Council of Local Government and so on, I would be grateful if the committee received those.

**Ms Foster**—Certainly, and we should be in a better position to do that as we get to the close of applications.

**Senator PAYNE**—I am not sure what the return date is for answers to questions on notice.

**CHAIR**—The seventeenth of April.

**Senator PAYNE**—Look at all that time you have. Thank you so much.

**CHAIR**—The questions are written on notice. Thank you, Senator Payne. I think Senator Macdonald may have some questions, so I will think aloud. Mr Tongue—

**Senator Conroy**—If Senator Johnston is here—

**CHAIR**—No, Senator Johnston has questions for AFMA. AMSA, sorry. That is right; we did AFMA last night. Sorry.

*Senator Payne interjecting—*

**CHAIR**—Senator Payne, Senator Nash used to do this to me all the time: one minute, one question. So I will time you and count, Senator Payne.

**Senator PAYNE**—For both the \$250 million and the \$550 million sets of projects, can you tell us whether, in fact, any councils have yet received money in both categories and whether any councils have yet started projects in either category?

**Ms Foster**—For the \$550 million the answer is a clear no, because that program has been put on hold until the new deadline of 6 March is reached, so there will be no projects approved or funded until after that date. For the \$250 million program, once the projects are announced we then establish a funding agreement with the council, and I think we have had our first funding agreement signed, which allows us to release the funds to that council.

**Senator PAYNE**—Okay. I think that does put a rather different colour on the use of the words ‘promptly’ and ‘immediately’ in terms of the time frames. I understand these things cannot happen overnight, but at the same time—

**Senator Conroy**—We are actually engaged in a proper process, something we picked up from a few Auditor-General's reports. I am happy to revisit some of the critiques of going fast and loose.

**Senator PAYNE**—I am using the language—

**Senator Conroy**—But you were not personally guilty, so I will spare you the lecture.

**Senator PAYNE**—It was through no fault of my own! I am using the language that has been used by your colleagues, Minister, in relation to decisive action, delivering promptly and providing immediate boosts to local and regional economies.

**Senator Conroy**—The applications were submitted on 30 January, and three weeks later a contract was approved and signed.

**Senator PAYNE**—Thank you, Minister.

**CHAIR**—I have just quickly spoken to my colleagues, Mr Tongue. Should there be other questions from Senator Macdonald, who has just had to shoot out of the room, could we keep the officers here? Does anyone have questions for northern Australia? If they do not, shall we call AMSA, because I know Senator Johnston has questions? If we finish with AMSA and Senator Macdonald comes back—

**Mr Tongue**—Yes, certainly.

**CHAIR**—Rather than just sit around and look at each other—

**Mr Tongue**—Yes, that is fine.

**CHAIR**—Okay. Thank you, then. I call officers from AMSA. Thank you. Mr Tongue, just while we are waiting, there will be questions for officers on Northern Australia, so they should not run away.

**Mr Tongue**—Okay. That same group is still around.

**CHAIR**—That is fantastic.

**Senator Conroy**—There are questions for them as well?

**CHAIR**—Yes, Senator Heffernan has questions for them as well. We will continue with the good work. I welcome officers from AMSA.

**Senator JOHNSTON**—Chair, thank you for the promptness of having an opportunity to ask the officials questions. Mr Peachey, I would like to know a little bit more about how our Dornier fleet is travelling. I think I should ask: do we have a contractual number of hours per annum that these aircraft are required to perform, obviously under the umbrella of when they are required for an emergency? And have we benchmarked their reliability? How are we going with all of that?

**Mr Peachey**—Senator, just on that first question about the contractual number of hours, we do have a contract with the provider as you would expect. We have formal KPIs that they are expected to meet. We monitor their performance over the period and we have regular contact with the contractor to assess progress with them. But just to give you a sense of the sorts of activities they have been involved in, during the calendar year 2008 there were some 201 search and rescue incidents involving the aircraft; there were 1,321 hours flown; there

were 112 lives assisted through the activities of the Dorniers; there were 17 pollution flights during that period, and that took 60 hours; and there were 341 customs flights during the same period, taking 1,713 hours. In total there were 559 flights and over 3,100 hours flown. As a rough statistic, the whole search and rescue program administered by AMSA saves in the order of about a life a day, and the Dorniers have a significant part in that work. So, as you would expect, the Dorniers are flying over the search and rescue guys on the water doing the rescuing.

**Senator JOHNSTON**—I think that is very good. How many missions were declined in that period?

**Mr Peachey**—I would have to turn to Mr Young.

**Senator JOHNSTON**—Mr Young, you are the bearer of the good tidings?

**Mr Young**—Senator, the question is a difficult one to answer, in the sense that declined missions are in fact not recorded because we do not ask for them. We know the status of the aircraft and therefore that they in fact do not get asked in the first place.

**Senator JOHNSTON**—So our KPIs and our benchmarking does not include when we have an emergency rescue situation and a Dornier is not available?

**Mr Young**—Our KPIs track the total availability of the aircraft.

**Senator JOHNSTON**—So our KPIs, if I may be so bold as to suggest, appear a bit deficient, because we are only tracking and monitoring what we do.

**Mr Young**—That is correct.

**Senator JOHNSTON**—We do not track or monitor what we do not do, cannot do—could have done but cannot because of some other reason.

**Mr Peachey**—Senator, if I could just interrupt, I get daily reports of Dornier availability. Every morning I get a report saying where the planes are and whether they are available or not. So I think it is stretching it a bit far to say that we cannot track. We have a daily—

**Senator JOHNSTON**—I am glad you are haggling with me, Mr Peachey. I do not want to take you to places that are not accurately reflecting the situation. How many of the daily report sheets give you a negative as opposed to a positive in terms of the five aircraft—how many have we got?

**Mr Peachey**—Five. The daily reports say they are available or they are going through routine maintenance or there is some issue that they are addressing.

**Senator JOHNSTON**—You are aware that Coastwatch has a very detailed structured system of availability of aircraft.

**Mr Peachey**—Yes, Senator, we are part of that. In fact, one of the statistics I did mention was Coastwatch reliance on our aircraft as well. I cannot underestimate the need for that integrated program to work effectively, and we do work very closely with Coastwatch to ensure that it happens.

**Senator JOHNSTON**—But you do understand what I am looking for? I am looking for a figure that tells us how often we needed or wanted our Dornier aircraft and how often we

could not have one because of some reason. The reason may well be service or maintenance—whatever reason—and we get a charter or we get someone else to do it. But also there will be reasons that are not planned, that are extraordinary and that are things that we should know about. Indeed, I think I would be failing in my responsibilities if I did not ask you: is there a system of analysis of availability; what are those figures; and what monitoring is there so that we can get a sense of the reliable availability of the aircraft against the demand?

**Mr Peachey**—Senator, as I said or indicated, I do not have a figure of when we have asked and it has not been available. We can no doubt go back and see if we can get that figure, but—

**Senator JOHNSTON**—I would very much be obliged. The date for questions on notice is 17 April, so by 17 April I am happy for you to tell me what you can about the system.

**Mr Peachey**—I am happy to do that, but, before we do, I just want to stress that this is not an operation that goes unmonitored or unchecked. As I said earlier, I personally get a report every day of where the planes are and whether they are available or not. As you quite rightly said, if one was not available for some reason—these are machines, after all; sometimes my car does not work—we do have access to other aircraft to assist the program.

**Senator JOHNSTON**—But I am looking for a figure that gives me comfort and confidence that there is a high level of availability at the times required. That is the essence of our business here.

**Mr Peachey**—Okay.

**Senator JOHNSTON**—And if we do not record that, I think we should.

**Mr Peachey**—Okay.

**Senator Conroy**—He said he would take it on notice, didn't he?

**Senator JOHNSTON**—Yes. I am just making it clear, Minister, as to what we are taking on notice.

**Senator Conroy**—I think he has got the point.

**Senator JOHNSTON**—I hope he has. The radar was a problem. How are we going with that?

**Mr Peachey**—The radar was a problem, Senator. As I understand it now, the radar has been fixed and the aircraft are operational with their new radars installed.

**Mr Young**—Could I add that the radar was certified by the certifying authority late last year and is still being rolled out for a couple of the aircraft. That will be completed this quarter.

**Senator JOHNSTON**—Which of our cities does not have the radar? The search radar on five Dornier 328 turboprop aircraft were temporarily replaced by weather radar. We have two of the five still waiting to be fitted or repaired, or whatever the circumstances were. Which ones are they—do you know?

**Mr Young**—I do not know which ones they are, Senator.

**Senator JOHNSTON**—Okay. I also understand that we have had quite a considerable number of mid-air mechanical incidents, including four engine failures. I am sure this is not new to you. I am simply raising this to give you an opportunity to tell me that that situation has not been beyond what the media have suggested. I am looking at April last year with respect to the performance. Have we had any other incidents since that report in the *Australian* with respect to mid-air incidents, including four engine failures? Have we had a successful resolution of that problem or have there been others?

**Mr Young**—Senator, I am not aware of any incidents of that type.

**Senator JOHNSTON**—Could I be as casual about this and as convenient to you as I possibly can, if there are incidents could you tell me within the time frame for the questions on notice. If I do not hear from you, I will take it you have done the work and there are none.

**Mr Young**—Certainly, Senator.

**Senator JOHNSTON**—Lovely. Could I talk about the Brisbane aircraft. I am advised that the Brisbane aircraft has not been online and available for some substantial period during 2008. Is that the fact or can you correct me on that assumption, please?

**Mr Young**—Senator, during 2008 the Brisbane base has not been operational. The aircraft has been replacing other aircraft around the country as they do scheduled maintenance and also planned upgrades. The aircraft itself has been operational; the base has not.

**Senator JOHNSTON**—For the benefit of Queenslanders, what is the circumstance in Brisbane? Why haven't we got a base and what is the hold-up?

**Mr Young**—Senator, the base was destaffed during a period in 2007 and 2008 when the paucity of pilots and engineers in the aviation market generally were draining on a number of operators, including air rescue. Because the aircraft was being deployed elsewhere, those staff were also deployed elsewhere. It is planned to re-establish the Brisbane base this year.

**Senator JOHNSTON**—So for 12 months or more we have not been able to man the Brisbane base.

**Mr Young**—My understanding is that it has been for a period of around 12 months.

**Senator JOHNSTON**—I know the difficulty. I can tell you Coastwatch has a similar problem from time to time. Can you tell me when you expect the Brisbane base to be manable and up and running again?

**Mr Young**—It is currently planned the Brisbane base would be re-established during quarter three of this calendar year.

**Senator JOHNSTON**—So after September.

**Mr Young**—July.

**Senator JOHNSTON**—After July. What do we do in Queensland if we have an emergency?

**Mr Young**—Senator, there is, in fact, a wide range of assets available in the Queensland area ranging from state equipped emergency service helicopters through to a range of other

fixed-wing operators that we can draw on and, in fact, the search and rescue system has layers of available aircraft.

**Senator JOHNSTON**—These fixed-wing operators have the same capability or comparable capability to our Dornier?

**Mr Young**—They have the capability to get out quickly to an incident and get overhead and determine what is there. They do not have an equivalent capability to the Dornier.

**Senator JOHNSTON**—So no infrared, no radar?

**Mr Young**—That is correct. We have, during that period, quite frequently deployed the Cairns and Melbourne Dorniers in the direction of activity elsewhere in Queensland and, of course, west into the Gulf of Carpentaria from Cairns as well, for example.

**Senator JOHNSTON**—Do we have a Dornier in Sydney?

**Mr Young**—No, Senator.

**Senator Conroy**—These are the Dorniers that were purchased under the coalition government?

**Senator JOHNSTON**—Correct.

**Senator Conroy**—I just wanted to confirm that.

**Senator JOHNSTON**—Absolutely—and been run by you during 2008, if you needed to be reminded. I believe we had an incident where there was some significant damage to one aircraft at a night mission. Can you advise us what happened there and where we are at with that aircraft, which aircraft it was, and which jurisdiction was affected?

**Mr Young**—My recollection is that it was the aircraft deployed out of Essendon.

**Senator JOHNSTON**—Essendon in Victoria?

**Mr Young**—Essendon in Victoria. It did training operations at Cooma airport—night approaches to Cooma airport—and suffered damage from an unswept runway; that is the advice that was passed to us. I understand that aircraft is now operational.

**Senator JOHNSTON**—How long was it offline for?

**Mr Young**—I do not recall precisely. I do not think the aircraft itself was offline for very long, but the infrared turret suffered damage.

**Senator JOHNSTON**—Mr Ric Smith, the former secretary of the Department of Defence, conducted a review. Did he make any recommendations with respect to the operations of our Dornier fleet that you are aware of?

**Mr Peachey**—In my discussions with Ric Smith he talked about the longer term arrangements for the Dornier and he explored the possibility of coming to some common platform and working with BPC to set up some common platform into the future.

**Senator JOHNSTON**—BPC—Border Protection Command?

**Mr Peachey**—Border Protection Command, yes.

**Senator JOHNSTON**—And that is just a recommendation, should I say?

**Mr Peachey**—That is something that we will explore at the end of the contract and, as you would expect, when the contract is up for renewal we would look at what is the most cost-effective way of delivering these services to the community. One thing that we would explore is how our requirements fit with the ongoing requirements of BPC and whether there is some way that we can gain efficiencies through a common platform.

**Senator JOHNSTON**—I think that is a fair assessment of where we probably should be looking to go. Thank you, Chair, and thank you, Mr Peachey, and all of your officers. I appreciate the frankness of your answers.

**Senator O'BRIEN**—I have got some questions. I presume that AMSA has had a close look at the decision of the coroner in relation to the sinking of the *Malu Sara*?

**Mr Peachey**—Yes, Senator.

**Senator O'BRIEN**—There are a couple of areas that impact on AMSA, I believe. Firstly, in one finding, under the heading 'Review of AMSA's Paper-based Boat Surveys', the coroner said:

If it has not already done so, AMSA should review the deficiencies in its procedures which allow defective vessels —

in this case the *Malu Sara*—

to be brought into survey without any physical inspection or testing by any AMSA officer or any evidence that any independent expert had inspected and tested the vessel.

Do you accept that that needed to be done and has it been done?

**Mr Peachey**—Senator, as you implied from the start, we looked very carefully at the coroner's findings and we are taking steps—and have already started steps—to implement the gist of the findings. In relation to this one, yes, we have taken steps to address it.

**Senator O'BRIEN**—So what are they?

**Mr Peachey**—We are reminding government agencies of the relevant safety standards. We are more active in monitoring compliance with those safety standards. We are looking for supporting documentation to demonstrate that the vessels meet safety standards and we are ensuring that they have been tested for seaworthiness. We have also required that more effective communication equipment be kept on board. We are ensuring that navigational aids commensurate with the area of operation are also on board. We are seeking to ensure that the people on these vessels carry 406 megahertz distress beacons and we are ensuring that the crew are qualified in accordance with the relevant standards on the uniform shipping laws.

**Senator O'BRIEN**—So, with regard to that finding, AMSA has accepted that its procedures were previously deficient?

**Mr Peachey**—AMSA is accepting the findings of the coroner saying that we should have a review of them to see whether we can strengthen them. Hindsight is wonderful, but you would expect in normal circumstances if you have got some signed declaration from an official that you would not have to go behind that signature and test the veracity of that declaration. But, having said that, and having seen the circumstance of the *Malu Sara*, we

have taken steps to ensure that we are satisfied that people are actually complying with the requirements.

**Senator O'BRIEN**—I suppose the question is whether you thought AMSA was the responsible agency or the authorising officer's agency was.

**Mr Peachey**—I am not sure whether discussion is helpful, Senator. We are getting some sort of speculation around areas that have been trawled over in a very detailed way by the coronial inquiry. What we are saying is, yes, we have carefully looked at it and we have taken measures to ensure that this sort of thing does not happen in the future.

**Senator O'BRIEN**—The coroner said, 'review the deficiencies in its procedures'—that is, AMSA's procedures—so the coroner found there were deficiencies in your procedures.

**Mr Peachey**—And the fact that we have taken measures to address what we see that the coroner found as deficiencies—we are accepting the findings.

**Senator O'BRIEN**—That means you accept that there were deficiencies in your procedures.

**Mr Peachey**—We are accepting they could be strengthened, certainly, yes.

**Senator O'BRIEN**—That is what the coroner found; do you disagree with him?

**Mr Peachey**—I think we are splitting hairs over words, Senator. I think what we are saying is—

**Senator O'BRIEN**—I am saying his words were, 'There were deficiencies in your procedures.' Do you disagree with those words?

**Mr Peachey**—To the extent that we have had to improve them, I support his findings.

**Senator O'BRIEN**—And in relation to AusSAR, which also falls under AMSA, I believe—

**Mr Peachey**—Yes.

**Senator O'BRIEN**—The finding under the heading 'Training for AusSAR Officers' reads:

AusSAR should review the training it provides to its operators to ensure they fully understand the provisions of the National Search and Rescue Manual and the Inter-Governmental Agreement on National Search and Rescue Response Arrangements.

It should ensure its officers interact with other agencies in a manner consistent with the framework set out in that manual and agreement. In particular AusSAR officers should be trained to ensure they recognise circumstances in which the agency should immediately assume primary responsibility for the overall coordination of a search and rescue incident.

AusSAR should review the basis on which it assesses whether a report from observers of sightings are confirmed or otherwise.

In part, that touches on a suggestion in the body of the report that it was open to AusSAR officers to come to the conclusion that they should have taken over the search for the *Malu Sara* early on the evening of the night it disappeared. What is AusSAR's response to that particular finding?

**Mr Peachey**—We have looked at the procedures. We have looked at the manual. We have spoken to the people involved in the jurisdictions and if there is any ambiguity in the requirements, we have sought to clarify that in the manual.

**Senator O'BRIEN**—But there has been somewhat of a culture for AusSAR to resist the idea of taking over a search until they have really had to, hasn't there?

**Mr Peachey**—Not in my experience.

**Senator O'BRIEN**—I can recall a vessel that went missing off the coast of Northern Tasmania where just such an event occurred, and this seems to somewhat parallel it. You are not familiar with those circumstances?

**Mr Peachey**—No, that is before my time, Senator, but I think you will find that, when the balloon goes up and we are called in, we do actually respond very quickly. If you continue reading on in the coroner's report, you will find that the coroner put a lot of praise on the effort that occurred.

**Senator O'BRIEN**—There is a different passage. There is a passage commencing on page 73 that details the events on the evening and the interrelationship between the local policeman, Cairns police and AusSAR. Then, later, the passage I just read, which appears on page 94, is the summary of the coroner's finding. The reason I went to that was that, although understanding what he recited as to what took place, the implication in what he is saying there is: 'Your officers have got to be attuned to the fact that sometimes they need to pick up on the signals from what is being said without relying on the precise wording of requests to take over—that maybe it's time that you did.' Do you agree with that?

**Mr Peachey**—I agree, Senator. If our officers can pick up on the signals at the earliest opportunity, that would be great. I do not see, in this case, that our officers necessarily erred in what they did. They received a communication from the guys on the ground. There was no indication at the time. I do not want to go over the whole findings and the evidence, of course, but, as I said previously, as soon as the call for assistance went up, we were all over the area, searching and providing resources for the people affected.

**Mr Young**—Senator, I might add that my recollection is that the AusSAR officer on duty in fact, on more than one occasion, queried the Queensland police officer to clarify coordination arrangements on the night.

**Senator O'BRIEN**—Sorry, could you repeat that because you said a couple of things there I am not sure of.

**Mr Young**—The AusSAR officer on duty on the evening that you are describing clarified coordination arrangements with the Queensland police officer. So it was not that this subject was not discussed; it was that it was discussed and Queensland held the coordination for the incident.

**Senator O'BRIEN**—I know that Queensland did. The passage on page 75 of the coroner's report talks about a conversation at 6 am—that Sergeant Flegg contacted AusSAR. In this paragraph, the coroner recites this:

... he described the course of the incident in these terms: "And it just started out, you know that they were lost... and now it is gone and turned into, 'Oh we are sinking. Can you come and get us?'"

And the coroner then said:

The AusSAR officer failed to apprehend the significance of Sergeant Flegg's remark, due to the manner in which the comment was made.

I think that is the basis of the later finding. So the suggestion I took from the coroner's report was that he thought that was the cue, perhaps, for your officer to have said, 'Well, hang on. If they're gone, they're sinking. What are we doing?' But apparently that is not what happened. Is that a fair recital of the events?

**Mr Young**—That is a fair recital of the events, Senator.

**Senator O'BRIEN**—What I am asking is: does AusSAR accept that there, perhaps, needs to be some training of officers to attune them to the possibility that they need to take over in circumstances where there is not a direct request but the circumstances are unfolding to them which indicate that perhaps there should be.

**Mr Young**—Yes, Senator, and we have reviewed our training processes and, in fact, working with the National Search and Rescue Council, reviewed the manual to ensure that it is clear and it provides good, clear guidance for both ends of such a conversation.

**Senator O'BRIEN**—You are reviewing it or you have?

**Mr Young**—Have reviewed it, Senator.

**Senator O'BRIEN**—Okay. Could you supply to the committee, on notice, those passages that have been changed or added to the procedures manual, and in any other form, which are relevant to this passage of the coroner's finding?

**Mr Young**—Certainly, Senator.

**Senator O'BRIEN**—Thank you.

**CHAIR**—Thank you, Senator O'Brien. With the indulgence of the committee, we will take a five-minute break now. We will come back to Senator Macdonald and the officers from Local Government and Regional Development. Thank you very much.

**Senator IAN MACDONALD**—Mr Chair, Please stop me if Senator Payne covered some of these things while I was absent. I am interested in the Major Cities Unit.

**Ms Foster**—The Major Cities Unit is a component of Infrastructure Australia, Michael Deegan's outfit.

**Senator IAN MACDONALD**—Okay. I am really very late on that, aren't I, having sat through Infrastructure Australia. There is an Australian Council of Local Governments Steering Committee. Can you tell me about that?

**Ms Foster**—Yes. Let me just go to the press release. It was a steering committee set up after the inaugural Australian Council of Local Governments meeting last year and it has a number of members, a number of lord mayors, the President of ALGA, a number of councillors from around the country and the National President of the Local Government Managers Australia.

**Senator IAN MACDONALD**—Where would I find the list? Perhaps it is easy enough for you to give me the list of people on that steering committee?

**Ms Foster**—The list has been published. It went out as a media release.

**Senator IAN MACDONALD**—Can you get it for me as a question on notice?

**Ms Foster**—Certainly.

**Senator IAN MACDONALD**—How are the participants in that picked?

**Ms Foster**—They were picked by government with a view to pulling together a representative group of people to help steer our work with local government.

**Senator IAN MACDONALD**—Do you have the list there?

**Ms Foster**—Yes.

**Senator IAN MACDONALD**—Was Lord Mayor Campbell Newman part of that group?

**Ms Foster**—Yes.

**Senator IAN MACDONALD**—And Councillor Shea from Cairns. Can you tell me what others from Queensland are on it? Are they identified by state?

**Ms Foster**—Some of them are.

**Senator IAN MACDONALD**—Can you briefly run through them—read them out to me and perhaps tell me where they come from?

**Ms Foster**—There is Councillor Geoff Lake from Monash in Victoria; Campbell Newman from Queensland; Councillor Robert Doyle from Melbourne; Clover Moore from New South Wales; Paul Bell from Queensland; Genia McCaffery from New South Wales; Ronald Lami Lami from the Northern Territory; Bruce Miller from New South Wales; Joy Baluch from South Australia; Michael Gaffney from Tasmania; Lisa Scaffidi from Western Australia; Kerry Moir from Northern Territory; Troy Pickard from Western Australia; Mary-Lou Corcoran from South Australia; Ray Pincombe, who, as I said, is the National President of Local Government Managers Australia and is from South Australia; Barry Sammels from WA; Jenny Dowell from New South Wales; Linton Reynolds from WA; Pam Macleod from Victoria; Graham Sansom from New South Wales; Lisa Price from Victoria; Paul Slape, who is the National Secretary of the Australian Services Union; Allan Sutherland from Queensland; Val Schier from Queensland; Ron Hoenig from New South Wales; and Lynne Craigie from WA.

**Senator IAN MACDONALD**—Were they appointed on the recommendation of the department?

**Ms Foster**—I do not know that. Can I take that on notice?

**Senator IAN MACDONALD**—If they had been appointed on the recommendation of the department, you would have done it, I assume.

**Ms Foster**—I have been looking after this area for the whole of a week.

**Senator IAN MACDONALD**—Then you would not have done it. All right. You had better find that out for me. What are the steering committee actually going to do?

**Senator Conroy**—We did have a little bit of a discussion with Senator Payne, but I am sure we can—

**Mr Tongue**—Perhaps I could dive in. The notion is that the 560-odd mayors will get together yearly and that this smaller group will meet perhaps three times a year or so to progress those items that are identified as being of joint interest to the federal government and local government. Asset management, for example, is one topical issue that emerged out of the first Australian Council of Local Governments meeting. We expect a whole range of issues.

**Senator IAN MACDONALD**—Will they comment on the financial assistance grants?

**Mr Tongue**—I am not sure I would use the expression ‘comment on’. I think they will ‘have ‘views on’.

**Senator IAN MACDONALD**—They are just an advisory committee to the minister, are they?

**Mr Tongue**—Yes, basically an advisory committee on local government issues.

**Senator IAN MACDONALD**—Will they have a view on the grants programs that I did hear Senator Payne talking about?

**Mr Tongue**—It is on the record that they will be consulted as part of the grant process. Constitutional recognition is another issue clearly of importance to local government.

**Senator IAN MACDONALD**—Yes. The only way they will ever get that is if they can get all the states to agree, and I think that is unlikely. So it will meet three times a year to advise the minister on a range of issues?

**Mr Tongue**—Three or so. It will depend.

**Senator IAN MACDONALD**—On an agenda that will be prepared by the department for the minister?

**Mr Tongue**—Working with local government representatives and the minister, yes.

**Senator IAN MACDONALD**—When you are finding out how these people were appointed, can you find out also the rationale for their appointment—whether it was geographic across the nation or based on their particular expertise.

**Ms Foster**—If we have that information.

**Senator IAN MACDONALD**—Someone must know why they were appointed.

**Mr Tongue**—Broadly, they reflect interests across local government—for example, capital cities, state and local government associations and Indigenous councils.

**Senator IAN MACDONALD**—So that was the basis for their appointment?

**Mr Tongue**—They pick up a range of interests.

**Senator Conroy**—Expertise, experience and geography.

**Senator IAN MACDONALD**—And they will have some influence on the grants programs, will they, or their advice will be sought?

**Mr Tongue**—Their advice will be sought, yes.

**Senator IAN MACDONALD**—Isn't that going to be a fraction dangerous, with the honey jar there and lots of bees coming to it?

**Senator Conroy**—That is a cynical approach. We have ended the blame game; we have passed that.

**Senator IAN MACDONALD**—It is not blaming anyone for anything—not yet, anyhow! I am just saying: isn't it a fraction difficult—

**Senator Conroy**—We have embraced our local government representatives.

**Senator IAN MACDONALD**—I get all the rhetoric; thank you.

**Senator Conroy**—You are not suggesting they are not up to the task?

**Senator IAN MACDONALD**—No. I am saying: doesn't it make it difficult for them to sit in judgement of other councils, and their own? It is going to be particularly difficult for them to be recommending their own projects.

**Mr Tongue**—I think it depends how we manage that process. Certainly members that I have dealt with are aware of potential conflict-of-interest issues. It is about how we set up a process of consultation that takes views into account and at the same time keeps the process moving.

**Senator IAN MACDONALD**—I have heard, again in answer to Senator Payne, some discussion about the extending of the date for applications for the increased grant for local government things. Could you briefly confirm the new amounts involved?

**Ms Foster**—The original amount announced at the Council of Local Governments meeting in November was \$300 million—\$250 million to be allocated to councils based on a formula about relative need, population and growth, and \$50 million for what we call strategic projects, bigger projects. With the stimulus package of \$42 billion, that \$50 million was increased by \$500 million to \$550 million.

**Senator IAN MACDONALD**—I think you gave Senator Payne the statistics on how many applications and this, that and the other. I will not go through those again.

**Ms Foster**—I did.

**Senator IAN MACDONALD**—I will read it on *Hansard*. What was the upper limit for grants?

**Ms Foster**—We had a minimum of \$2 million of Commonwealth funding for each project. We wanted to encourage larger projects and said that we would favour larger projects and those with partnership funding. I am not aware that there was an upper limit.

**Senator IAN MACDONALD**—So there is not an upper limit. How will this interact with the Major Cities Unit, which you reminded me is not part of this program? Will the Major Cities Unit have a say in the allocation of this \$550 million?

**Ms Foster**—No. We work closely with the Major Cities Unit across the department in terms of the sorts of programs that we deliver that impact on major cities—the kinds of road programs, for example, that Ms O'Connell's area delivers. We also will talk with the Major Cities Unit about broader planning issues. But the actual processing of applications and provision of advice to government will be done within the department.

**Senator IAN MACDONALD**—And the applications contain the criteria to be used?

**Ms Foster**—Yes. We made the criteria, or the guidelines, publicly available.

**Senator IAN MACDONALD**—There is a very good and major project, coincidentally in Townsville, for the redevelopment of an awful mall—not only aesthetically awful but economically awful—which will require big funds. Is that the sort of project that could be looked at in this capacity?

**Ms Foster**—Yes, it is.

**Senator IAN MACDONALD**—I forget the figures. I think they are needing upwards of \$20 million. That does not frighten anyone because it is a big project?

**Senator Conroy**—Townsville is welcome to put in.

**Senator IAN MACDONALD**—Yes. But big amounts do not frighten you? You are looking for big amounts?

**Ms Foster**—They would not be excluded on that basis.

**Senator IAN MACDONALD**—From what you were saying earlier, it would almost be encouraged. You have personally contacted every council, have you, to tell them about the new arrangements?

**Ms Foster**—The extension?

**Senator IAN MACDONALD**—Yes.

**Ms Foster**—The \$550 million?

**Senator IAN MACDONALD**—Yes.

**Ms Foster**—Yes, we have.

**Senator IAN MACDONALD**—And that is in a personal contact to every single council?

**Ms Foster**—I signed a letter, which was emailed out to all councils except those who had been affected by floods and fire, advising them. The minister has written separately to those councils.

**Senator IAN MACDONALD**—Where a project covers council boundaries, like the Hann Highway, which I mentioned this morning—I am not sure if you were around—which runs through the Etheridge and Hughenden shires, will councils be able to join together in making approaches for dual application funding?

**Ms Foster**—Yes, they will.

**Senator IAN MACDONALD**—Will this funding or any other part of your department's grants programs be available for—as you may, again, have heard me talk about—the Karumba airstrip up in the Gulf of Carpentaria? Sorry—I should have said the Conroy airstrip!

**Senator Conroy**—The Conroy Karumba airstrip will be fine.

**Senator IAN MACDONALD**—The Conroy Karumba airstrip.

**Senator HEFFERNAN**—The airport too?

**Senator Conroy**—Senator Macdonald kindly offered to call it after me if I could assist!

**Senator IAN MACDONALD**—Someone else suggested it first at yesterday's estimates. I readily agreed. I would do anything to get the money.

**Senator Conroy**—And that is anything, yes!

**Senator IAN MACDONALD**—Yes. It is less painful than the other suggestion, I must say. But carry on.

**Ms Foster**—Yes, they would be eligible to apply for the \$550 million strategic program.

**Senator IAN MACDONALD**—As to something like the Karumba airstrip—again, I am not sure if you heard me, and I do not want to repeat myself if you did.

**Ms Foster**—I did, Senator.

**Senator IAN MACDONALD**—It is out of contact for eight weeks with floods. A significant seaport; a significant tourist destination—it has got everything going for it except that nobody can get there. So that is the type of project you are looking at?

**Ms Foster**—Certainly it fits the guidelines for eligibility and we would welcome an application.

**Senator IAN MACDONALD**—I get confused. Is this part of the \$42 billion program or is this something that predated that?

**Ms Foster**—The initial \$300 million was announced in November, and \$50 million of that was for strategic projects.

**Senator IAN MACDONALD**—Yes.

**Ms Foster**—\$500 million came out of the \$42 billion stimulus package.

**Senator IAN MACDONALD**—It is out of that? Okay. People since time immemorial have approached local members of parliament to say, 'Look, we want the government to put in a cool \$10 million for this, that and the other,' as if money grows on trees, which it never used to, but does now. Whilst I opposed it, it is there, so let's pluck the trees. Is there any other program that your department administers that I could direct people to, apart from this local government program, for major infrastructure works or even minor infrastructure works?

**Ms Foster**—Within the local government area we have the two programs that we have just been talking about.

**Senator Conroy**—There is a government website called GrantsLINK that I recommend you and other people have a look at.

**Senator IAN MACDONALD**—Yes. That has been there for a long time, Minister. Although I was around when it was established, I have never found it terribly helpful. I have not looked at it for a while. Perhaps while Senator Heffernan is asking some questions later, I might have a look at it.

**Senator Conroy**—You could encourage the Carpentaria council to put in an application for the Conroy Karumba airport.

**Senator IAN MACDONALD**—I shall indicate to them that I have the name for it so they should not get excited about favouring some local identity!

**Senator Conroy**—It could be a very helpful name.

**Senator IAN MACDONALD**—Yes, indeed. I will think about that. So, in your department, Ms Foster?

**Ms Foster**—Nothing else within the local government sphere.

**Senator IAN MACDONALD**—Mr Tongue, within the—

**Mr Tongue**—I think we ran through this morning, in that infrastructure investment area, the range of additional funding that is flowing to local government through the Black Spot Program and various other initiatives. Within our portfolio there are the local government initiatives and then there are the additional initiatives associated with roads infrastructure particularly.

**Senator IAN MACDONALD**—Any others?

**Mr Tongue**—That is it for us, but there are also initiatives in other government departments associated with the stimulus package that councils can apply for.

**Senator IAN MACDONALD**—Thanks for that. I think that is all I have for regional areas, apart from Northern Australia, which both Senator Heffernan and I have an interest in. Who deals with Northern Australia?

**Ms Foster**—It is within this same area. As the secretary said in his opening statement this morning, we have recently created a separate division, headed by John Angley, to deal specifically with the issues of Northern Australia.

**Senator Conroy**—I think Senator McGauran is indicating he has a question.

**CHAIR**—Sorry, Ms Foster and Senator Macdonald, but Senator McGauran does have a question for local government before we go to the Office of Northern Australia.

**Senator Conroy**—Can the specific local government people then go?

**Senator McGAURAN**—I will ask the question, and we will see if it is more on regional development. It is the same thing, right?

**Senator Conroy**—Not necessarily the same program.

**Senator McGAURAN**—In relation to the former area consultative committees, which are now called Regional Development Australia committees, can you give me a brief on where they are at? Have they all been established and appointed and are they in place?

**Ms Foster**—We have been working this year with state governments to set up the Regional Development Australia organisations in conjunction with the relevant state counterpart agencies and, in that process, aligning Regional Development Australia with state boundaries and with local council boundaries where we can.

**Senator McGAURAN**—So really they are not complete. These area consultative committees, which were actually first appointed, I think, in the Hawke-Keating government and we continued them on—enhanced them, of course—have been a great success: local leadership, local projects. They have been hung out to dry now. They still do not know their direction. They still are not working bodies at this point. As I understand what you have said,

regional development committees, which is the new name that has been given to them, are not functioning, or are they? How am I to understand it?

**Mr Angley**—ACCs officially became the RDA network on 1 January and they were given a new role by the minister, which was announced last year, in calendar 2008. Also, what has occurred since August last year is that the regional development ministers from the states and the territories, and the Commonwealth ministers, agreed that it would be a far better service for the community if we could align a Commonwealth RDA network with similar organisations in each state and territory. Each state and territory is presently negotiating with the Commonwealth to establish those networks inside their state boundaries.

**Senator McGAURAN**—That is very disappointing, because they are all volunteers and they are leaders of their communities and they would have walked away by now. I wonder how many committees have just crumbled. We will have trouble getting them back, but keep working at it, because that sort of local committee—

**Senator Conroy**—You might be able to help start one up when you're No. 4 on the Senate ticket. If you'd stayed in the National Party, you'd have been No. 2!

**Senator IAN MACDONALD**—He may well be No. 1.

**Senator Conroy**—No. He is being challenged for the third position.

**CHAIR**—I hope you are, Senator McGauran. I've got my fingers crossed for you.

**Senator Conroy**—Senator McGauran, you've got his vote!

**Senator McGAURAN**—I might get a reference off him later.

**CHAIR**—You could do worse, Senator McGauran!

**Senator Conroy**—I'd take Senator Sterle's reference any day of the week!

**Senator McGAURAN**—Anyway we had better not get bogged down. Due to time constraints, I will not pursue that.

As Senators Macdonald and Heffernan know, the ACCs have just been hung out to dry. There is still no action on that front. One more point—and I have the *Hansard* here in case you think it is farcical, because I want to be able to quote you, Senator Conroy—you said in the last committee meeting that the Labor Party's stump of knowledge was on holidays in Brisbane. It went to Brisbane for some resuscitation and, no doubt, some varnishing and polishing up. Where is the stump? Is the stump back in its rightful place?

**Senator Conroy**—We are willing to plant you there in the interim.

**CHAIR**—Sorry, Senator McGauran, but, as much as this committee does everything it can to work together, we do have an arrangement—

**Senator Conroy**—We have serious questions to pursue, Senator McGauran.

**CHAIR**—Senators Macdonald and Heffernan do have some pertinent questions for the Office of Northern Australia.

**Senator McGAURAN**—This is a \$6 million project. I know it is farcical. Indeed, it is farcical. It is a farcical \$6 million waste of money, and I will not pursue it more than another minute.

**Senator Conroy**—I am afraid the officers at the table do not have that information readily to hand. We will happily take that on notice and let you know if it has returned from its holiday.

**Senator McGAURAN**—Could you also take on notice whether any work has started on the project and has any consideration been given to combining the two projects of the Dinosaur Museum and the Tree of Knowledge because they are within close range of each other.

Yes, I admit, Mr Chairman, this is a farcical issue which I raise, but it is farcical to the degree that \$6 million is going to be spent on this dead stump.

**Senator Conroy**—Thank you, Senator McGauran. We will come back to you on that.

**Senator IAN MACDONALD**—If I could ask some quick questions following on from Senator McGauran's comments. I refer to the Dysart Sports Centre, which I asked about at a previous estimates. I was told it was a Better Regions election commitment, which I already knew. What I actually asked, and have not yet received an answer to, is: isn't this a project which was submitted under the Regional Solutions Program but was rejected by the department at the time and was subsequently processed because it was an election commitment? Could I put that on notice?

**Ms Foster**—Certainly.

**Senator McGAURAN**—You were talking about the GrantsLINK. I have had a few troubles with GrantsLINK too—and I am a modern man.

**Senator Conroy**—You are reading from a post-it note.

**Senator McGAURAN**—There used to be a great publication, when we were in government, from your department: it was just a bound book of not just the grants but all the projects. It was a regional publication.

**Senator Conroy**—We still produce it.

**Senator McGAURAN**—You still produce that?

**Ms Foster**—I am afraid I cannot identify it from that.

**Senator McGAURAN**—Every department came into it. It was regional projects and—

**Senator Conroy**—We will take that on notice, Senator McGauran, and seek that information for you.

**Senator McGAURAN**—A great publication! I recommend you read—

**Senator HEFFERNAN**—It has been a privilege to sit here and listen to parliament's most eligible bachelor put questions on notice. It has been a great privilege.

**Senator IAN MACDONALD**—If I could again just follow up another one of Senator McGauran's very good questions, where is Regional Development Australia going? Are they still being funded?

**Mr Tongue**—Still being funded, yes.

**Senator IAN MACDONALD**—They still have work to do?

**Mr Tongue**—Yes.

**Senator IAN MACDONALD**—Do they know what their work is?

**Ms Foster**—Very much so.

**Senator IAN MACDONALD**—You expect a decision on their final fate when?

**Ms Foster**—We have asked the chairs of the area consultative committees to remain in place until the middle of this year so that there is continuity in the transition to the RDAs, so we expect that transition to take place mid-year.

**Senator IAN MACDONALD**—The RDAs will be a combined state-federal grouping?

**Ms Foster**—That is correct.

**Senator IAN MACDONALD**—In every state?

**Ms Foster**—Yes.

**Senator IAN MACDONALD**—In Western Australia they will combine with those regional development corporations that they have there.

**Ms Foster**—That is right.

**Mr Angley**—Yes. Parliamentary Secretary Gray has made the point publicly that each state will be slightly different from the others, reflecting the local arrangements.

**Senator IAN MACDONALD**—But every state has agreed?

**Mr Angley**—Yes. Every state is in negotiations to finalise MOUs.

**Senator IAN MACDONALD**—And they will then be funded jointly by federal and state governments?

**Mr Angley**—That is part of the negotiations. Each state will vary. It will be about what is already in the state and what they are joining up for.

**Senator IAN MACDONALD**—This is my final question before we get onto Northern Australia. You may have heard me talk about the Einasleigh River bridge, which is probably a natural disaster relief thing, but it is a bridge that needs to be rebuilt completely at a higher level so that this does not happen every couple of years. Is that sort of funding available under AusLink, or would it be under natural disaster relief, or would it be under infrastructure? It involves a state main road.

**Ms Foster**—Arrangements for support to disaster affected councils are still being finalised. Whether it can be funded under the AusLink program, I do not know.

**Ms O'Connell**—My understanding is that it is part of the national network, so it could be, but not if it was not. As Ms Foster has stated, there are some specific arrangements around disaster relief that are being finalised.

**Senator IAN MACDONALD**—That is fine. My point is that disaster relief would reinstate it to what it was, so in two years time you would be back doing the same thing. It really needs disaster relief, plus a bit of extra, to fix the problem once and for all.

**Ms O'Connell**—Understood.

**CHAIR**—I thank the officers from Local Government and call the officers from the Office of Northern Australia.

**Senator IAN MACDONALD**—It is the same people, isn't it?

**Senator HEFFERNAN**—It's the same mob.

**CHAIR**—So no-one else is to come. I should have listened. We will go to Senator Heffernan.

**Senator HEFFERNAN**—Mr Angley, what is your designation in the northern task?

**Mr Angley**—Last week the secretary asked me to take over the Office of Northern Australia to run it as a division of the department.

**Senator HEFFERNAN**—Who used to do that?

**Mr Angley**—It used to be part of my division, which was the Regional and Local Government division, but the secretary has changed the emphasis inside the department and made it a stand-alone division.

**Senator HEFFERNAN**—What is the budget for the Office of Northern Australia?

**Mr Tongue**—That restructure has only just happened and the budgets are being finalised.

**Senator HEFFERNAN**—So where did the money that was taken out of the previous government's task force disappear to?

**Senator IAN MACDONALD**—Senator, there are two different things there. The witnesses gave us evidence at previous hearings that there was \$1.5 million set aside for the office. And then there is the \$20 million.

**Senator HEFFERNAN**—Where did that go?

**Senator IAN MACDONALD**—It was to run the office in Townsville.

**Senator HEFFERNAN**—At a cost of \$20 million.

**Senator Conroy**—I would have thought you would have sought it, Senator!

**Senator IAN MACDONALD**—It is the same office as the departmental office that has been in Townsville for 10 years.

**Senator HEFFERNAN**—I know—revamped. Anyhow, forget all that. We will not complicate life with the money. Obviously, everyone is sick of hearing about it but we are going to have to reconfigure Australia if the science is right, including all the agricultural pursuits et cetera, and it is all going to rest on your shoulders, Mr Angley.

**Senator Conroy**—They are broad shoulders.

**Senator IAN MACDONALD**—You don't look fazed at all!

**Senator HEFFERNAN**—Do you pump steel?

**Mr Angley**—No.

**Senator HEFFERNAN**—Have you got a personal trainer?

**Mr Angley**—Haven't got time.

**Senator HEFFERNAN**—One of the great global cartels which will come under the spotlight in the select committee as to food—which is going to start next week and which we cannot talk about—is in rock phosphate. Eighty-five per cent of the world's rock phosphate is controlled by five entities.

**CHAIR**—Senator Heffernan, we also have an inquiry on fertiliser going at the moment, so I urge you not to go too close.

**Senator HEFFERNAN**—No. As part of the solution for competition in Australia, there is a 130 million-tonne deposit at Duchess near Mount Isa, and there is a 460 million-tonne deposit 200-odd kilometres west of Tennant Creek. I was wondering if your office had had any approaches from the proposed developers of that mine, Minemakers Ltd.

**Mr Anglely**—No.

**Senator HEFFERNAN**—I have spoken to the minister, Gary Gray, and this is good news for Australia. To enable this to happen—because it is the most western deposit in the Georgina Basin, where there are several phosphate deposits which will turn Australia from being at the mercy of the world into being a provider—there is a need for infrastructure. I wondered what the correct approach would be from the proponents of this deal to put their credentials and their case to the government. It is going to require about 240 kilometres of railway line, which would be about two-fifths of the line back, to join Mount Isa up from Townsville to the main line. Would that fall within your jurisdiction?

**Mr Anglely**—No. At the moment, the project and the proposal would certainly be of interest to us and something that we may do some work on for our minister, but we do not have our own infrastructure projects.

**Senator HEFFERNAN**—Yes, I appreciate that, but are you in a position to develop plans for infrastructure?

**Mr Anglely**—No.

**Senator HEFFERNAN**—Whose job is that?

**Mr Anglely**—The proponent's—the state government or the territory government or the individual company.

**Senator HEFFERNAN**—What they are after is a standard gauge railway link from Wonarah to Tennant Creek and, obviously, as with some of the iron ore people, these have to be decisions of whether you do it yourself and get exclusive rights or you share it, which it took poor old Gina Rinehart and one or two others 20 years to negotiate. This would be very good for Australia. If I were to advise Minemakers how we would progress their proposition, what would I tell them?

**Mr Anglely**—I would suggest that they write to the Prime Minister and some of the senior ministers, including our minister for infrastructure.

**Senator HEFFERNAN**—I will not burden you with the good news that is in this report, but certainly we will deal with it in our committee. I just wanted to flag it so that we have got it on the public record. The Australian farmers out there now have been smashed and savaged. You would be aware—or you may not be aware—that Morocco holds the world to ransom in

this regard and have put the price up from \$50 a tonne to nearly \$500 a tonne. It is now back to \$250 a tonne, just like that, because they control the world market.

**Mr Angley**—Yes.

**Senator HEFFERNAN**—And this is three times the size of the Duchess mine at Mount Isa. I obviously am interested, as is Senator Macdonald, in seeing the north developed. Is this the right place—I would have thought it was—to ask questions about where we are up to with the soil typing work for the north?

**Mr Angley**—We certainly have the role of providing a secretariat and advice to the Land and Water Taskforce, but your particular question is probably directly related to the assessment, which was the other part of the project that the department of the environment is doing.

**Senator HEFFERNAN**—Yes. I am going there at eight o'clock.

**Mr Angley**—Yes, they are on today as well.

**CHAIR**—Could I help, because I know that no-one has a greater commitment to the north than Senator Heffernan, although a lot of us have as great a commitment. Would it be easier, Senator Heffernan, to quickly put your questions to where you want to go so that we can get to Senator Macdonald's questions?

**Senator HEFFERNAN**—No, I will hand over to Senator Macdonald. Obviously, I am very interested in getting the soil typing done. In fact, Senator Macdonald, I have just got the Parliamentary Library to do me the soil typing for the Fitzroy catchment, which is in the lower basin, which has also got not the Margaret River wine river but the Margaret River northern river attached to it, where there are excellent soil types with an excellent dam site et cetera. I think to get governments to have the courage to put the money into it, you have to get the mob on side, you have to get electoral support, and I think the time has arrived for us to do that. So I will thank you for your patience and hand over to Senator Macdonald.

**Senator IAN MACDONALD**—Just following along with that, the preamble to the Northern Australia Land and Water Taskforce now says:

The taskforce will focus on the key surface and groundwater systems and basins within the Timor Sea and Gulf of Carpentaria drainage divisions, and that part of the North East Coast drainage division ...

But that has narrowed the scope of the task force to what it was when Senator Heffernan chaired it. When Senator Heffernan chaired it, it did have a broader approach to, amongst other things, the land system, which Senator Heffernan has just spoken about. Is that a mistake or is it really only focused on water now?

**Ms Foster**—Senator, the revised terms of reference actually direct the task force to consider opportunities for new sustainable economic development in the north that are based on water resource availability, including both consumptive and non-consumptive uses of water. It is also charged with examining the potential system-wide impact of developments on the natural environment, existing water users and the broader community.

**Senator IAN MACDONALD**—Yes. The previous task force that Senator Heffernan chaired had a broader approach. I know the revised terms were supposed to take into account

things that were not, but in fact the contrary is the case: they have now become narrower. In fact the last paragraph of the foreword says:

The Taskforce first operated from June to November 2007. During this period the Taskforce was chaired by Senator the Hon. Bill Heffernan. This report—

and this is their mid-term report, and ‘mid-term’, I assume, means mid-term through this cycle of government—

draws heavily on the consultations undertaken and the issues identified by the Taskforce in 2007—

which is Senator Heffernan’s:

The report also outlines the main issues and priorities the Taskforce will focus on in 2009.

That suggests to me that the task force really has not done anything for a year. Is that correct?

**Mr Angley**—Some of last year was spent revising the terms of reference.

**Senator IAN MACDONALD**—That would take you half an hour, not 365 days.

**Mr Angley**—And the other part was appointing a different group of members and inviting back some of the existing members.

**Senator IAN MACDONALD**—That would have taken two hours maximum, too. That is a comment for the minister rather than you, Mr Angley. You do what you are instructed to do, obviously. But it is a disappointment to those of us who have an interest that what is labelled the ‘mid-term’ report is a rehash of work that was done before the term started. I am also a bit disappointed—and perhaps you could point to me where I am wrong in this mid-term report—that I struggled to find any comment on the economic development of Northern Australia. There is a lot about water, about conservation, about parks, about Indigenous people, but there does not seem to be any focus on economic development of the north. Have I read this wrongly?

**Mr Angley**—The best thing I could say is that the mid-term report is publishing a lot of the material that was gathered under Senator Heffernan’s chairmanship—the parliamentary secretary said that publicly a couple of times—and pointing the task force towards what it has got to do this year to publish its final report.

**Senator IAN MACDONALD**—I know what Senator Heffernan’s task force did, because I was on it: it looked at economic matters. This mid-term report seems to deal with ecological, Indigenous and heritage matters, but there is precious little about economic development. Do I detect, therefore, an approach by the government to making this an ecological, Indigenous and heritage task force rather than an economic task force?

**Mr Tongue**—In part, through the creation of the Office of Northern Australia, the government is signalling its intent with regard to long-term economic development and, in a sense, you might be conflating the role of the task force with some of the other government initiatives to do with Northern Australia, such as the funding commitment to the north-west, for example.

**Senator IAN MACDONALD**—I want to get onto that. Does that confirm my suspicion, then, that the task force is going to be an ecological, Indigenous and heritage task force?

**Mr Tongue**—No. What it says is that we are active in Northern Australia at the moment in a wide range of processes of engagement and consultation that cover a range of issues—economic development, through to those you have enunciated. The role of the task force, the remit of the task force, has been changed from when it was chaired by Senator Heffernan and it has now got a—

**Senator HEFFERNAN**—Obviously there was a 2011 assessment date under the old arrangement, with the task force reporting—was it the end of this year?

**Mr Angley**—Yes.

**Senator HEFFERNAN**—Then 2011 was the assessment.

**Mr Angley**—Yes, that is right.

**Senator HEFFERNAN**—I appreciate democracy is a great thing and the government has changed and the terms of reference have changed. But, as Senator Macdonald pointed out—and you obviously have to differentiate yourself from previous governments—the terms of reference we set were so broad and included downstream value adding to the mineral and mining resources, tourism, Indigenous economic benefit, agriculture and all the rest of it. I do not know where that disappeared to. That is fair enough, because there was a change of government. But is the task force being informed by the assessment? Is the task force informing the assessors? What is the role of the task force?

**Mr Angley**—Taking your examples there, the task force is being informed by the assessment. We have already had a fair bit of contact at official level but, with the assessment, the task force will discuss the assessment's findings.

**Senator HEFFERNAN**—I was privileged to go to a northern bizzo the other day—and the CSIRO are busy.

**Mr Angley**—Yes.

**Senator HEFFERNAN**—But what Senator Macdonald alludes to there is that sometimes these organisations can lose their way, in that you fill them up with people who work out why you cannot do things rather than how you can. I am not going to be a critic of what is happening necessarily, but I see some signs of people saying why we should not do certain things. That is all right, if you can afford the luxury as a nation of not having to develop the region. But the difficulty that I have is that it is going to be the hangman's noose at the end of the day if the science is even 50 per cent right on the changing climate prospects for Australia and the need to take advantage of where the advantages are as against where the disadvantages are coming to.

That will absolutely mean we are going to have to reconfigure the way we not only settle rural and regional Australia but the way we do business in rural and regional Australia, which is why the phosphate mine, for instance, gives an opportunity for infrastructure and a reason to get that railway line. When the previous Prime Minister said to me, 'Bill, what does all this mean?' some years ago, I said, 'It means that we've got to figure out where we're going to be in 80 years time.' With all human endeavour there is failure, with all science there is a bit of vagary, so you have got to have a plan that is a bit flexible. I said, 'It might well mean that

we're going to have a railway line that runs that way as well as north-south to a new deep-sea port somewhere in'—

**Senator IAN MACDONALD**—I have got a couple of questions.

**Senator HEFFERNAN**—I do not think we should lose sight of that and I think that is what Senator Macdonald is alluding to. Thanks, Macca.

**Senator IAN MACDONALD**—I am not sure what the question was.

**CHAIR**—Well, Senator Macdonald is a bad typist at the best of times!

**Senator IAN MACDONALD**—I only feel that I can make a suggestion to my esteemed and loved colleague because we have all heard him before and we know his passion. But none of us need to be lectured because most of us are in the same boat. Mr Rudd announced—I think it was—\$150 million for the Ord stage 2 just before Christmas.

**Ms Foster**—\$195 million.

**Senator IAN MACDONALD**—Where is that coming from?

**Ms Foster**—That is new money. That was part of the nation-building No. 1 statement.

**Senator IAN MACDONALD**—This is the December \$10 billion spending package?

**Ms Foster**—That is right.

**Senator IAN MACDONALD**—And \$190 million came out of that?

**Ms Foster**—\$195 million.

**Senator IAN MACDONALD**—That will be budgeted for in this upcoming budget, will it? Has it been appropriated already or has it been handed to anyone?

**Ms O'Connell**—We will have to check that regarding appropriation—for the appropriation.

**Senator IAN MACDONALD**—Okay.

**Ms O'Connell**—As the officer said, it was committed in the nation-building package.

**Senator IAN MACDONALD**—Yes.

**Ms O'Connell**—The \$4.7 billion in December of last year.

**Senator IAN MACDONALD**—Yes.

**Ms O'Connell**—As part of that.

**Senator IAN MACDONALD**—Is it going to be administered through your department?

**Mr Angley**—That is still to be finalised. We are supporting our parliamentary secretary, who is leading a joint assessment with Western Australia on what the Commonwealth's \$195 million might be spent on to support expansion of the Ord scheme.

**Senator IAN MACDONALD**—So Mr Rudd's announcement was simply, 'Hey, we're going to spend \$195 million, but we don't really know what it's on or how it's going to go or what it's all about'?

**Ms O'Connell**—I can refer you to the page in the booklet.

**Senator IAN MACDONALD**—Yes.

**Ms O'Connell**—It was \$195 million matched by the Western Australian government.

**Senator IAN MACDONALD**—Yes.

**Ms O'Connell**—And conditional on a joint assessment by the Commonwealth and WA governments of the most effective infrastructure investments.

**Senator IAN MACDONALD**—So we do not know what it is going to be spent on, we do not know who is going to administer it, we do not know anything about it except that, providing one does it, the other will do it?

**Ms O'Connell**—No.

**Mr Tongue**—I would not characterise it that way. I think the government has announced a process of joint assessment with the Western Australian government.

**Senator IAN MACDONALD**—Where do I find out about that from?

**Mr Tongue**—We are happy to talk to you about that process. It is being led by Parliamentary Secretary Gray and it involves looking at joint federal and state government priorities in the area towards providing that assessment to the two governments. Then, from that, within the broad funding envelope that is announced, projects will flow. The reason for how the money will be administered is that projects may not be in this portfolio, they may be in other portfolios. They may be to do with anything from social housing, to water, to ports, to roads. It depends on the joint assessment process that is under way at the moment.

**Senator IAN MACDONALD**—So it was not just to do the extension of the road and the extension of the main channel?

**Mr Tongue**—No, it is a more thorough process than that. It is looking at priorities in the region.

**Senator IAN MACDONALD**—Is anything else said about it in that document, apart from what you have read out, Ms O'Connell?

**Ms O'Connell**—There is a page here. I am happy to provide it to you.

**Senator IAN MACDONALD**—There is more than what you just read out, is there?

**Ms O'Connell**—Yes, there is.

**Senator IAN MACDONALD**—Give me the page number?

**Ms O'Connell**—Page 84.

**Senator IAN MACDONALD**—Of the document entitled—

**Ms O'Connell**—Of the nation-building document released in December.

**Senator IAN MACDONALD**—From what you have said, Mr Tongue, it is not necessarily hard infrastructure. It could be schools, did you say, or hospitals?

**Mr Tongue**—Subject to the outcome of the assessment, it will depend on the joint priorities of the two governments.

**Senator IAN MACDONALD**—I know the Northern Territory government has been disinterested and uninterested—both—in the extension of the Ord scheme across the border, although someone told me when I was in the Territory last week that there has been a slight change of heart. Are you aware of the Northern Territory government's approach to the extension of the Ord scheme across the border, which is where it is supposed to go?

**Mr Tongue**—I would have to take that on notice.

**Senator IAN MACDONALD**—Nobody here is aware of their involvement?

**Mr Tongue**—I am certainly aware that, as part of our consultations, there will be discussions with the Northern Territory government, but I cannot go further than that. I am happy to take it on notice.

**Senator IAN MACDONALD**—All right. Are you in contact with the Northern Territory government about the Douglas Daly? I understand they recently removed what I understood to be a removal of their tree clearing moratorium. When I publicly congratulated them on it I was told by landowners that that was premature, in that all they had done was put in a process that was even more complicated. It was more difficult to remove the moratorium or action the removal than when it was in place. Is your department in any way engaged in that?

**Ms Foster**—I do not believe so.

**Senator IAN MACDONALD**—I guess I could ask Mr Gray myself, but is it something that Mr Gray might be engaged upon, do you think?

**Ms Foster**—I do not know.

**Senator IAN MACDONALD**—Perhaps on notice to Mr Gray you could raise what approaches, if any, he is taking to the Northern Territory government about not only the extension of the Ord, naturally, across the border to NT but what might be happening in the Douglas Daly-Katherine area.

Is there anywhere in the \$42 billion package in any of the programs you administer, or that you are aware of through the task force and your connection with environment that the environment department administers, that would provide any sort of complementary funding with the Queensland government for water harvesting or water storage along the Flinders River?

**Ms O'Connell**—I think that would be a question for the department of environment and water.

**Senator IAN MACDONALD**—My question was: do you have no involvement in that?

**Ms O'Connell**—No.

**Mr Tongue**—We would have to go chasing—

**Senator IAN MACDONALD**—The timetable of this mid-term report suggests that the final public consultation phase will be undertaken in the second half of 2009, with a final report at the end of 2009.

**Ms Foster**—That is correct.

**Senator IAN MACDONALD**—Is there a timetable in place for the final public consultation?

**Ms Foster**—Not to my knowledge.

**Senator IAN MACDONALD**—Will you be doing that, as the task force secretariat?

**Mr Angley**—We will certainly be supporting the task force, but they will lead that consultation.

**Senator IAN MACDONALD**—Mr Angley, are you the secretariat as well as the branch head?

**Mr Angley**—Yes.

**Ms Foster**—John's area provides secretariat support for the task force.

**Senator IAN MACDONALD**—Is Andrew Dixon still the direct task force secretary, so to speak?

**Ms Foster**—He is still associated with this. Yes.

**Senator IAN MACDONALD**—He continues in that role?

**Ms Foster**—Yes.

**Senator IAN MACDONALD**—But he answers now to Mr Angley? Okay. Can you quickly update me on the—

**Senator Conroy**—I have some information for you, Senator Macdonald. Mr Gray met with the Northern Territory minister on Friday, 13 February to discuss the Ord development that you were asking about, and he was with the Western Australian minister for agriculture also.

**Senator IAN MACDONALD**—The three of them met?

**Senator Conroy**—Yes.

**Senator IAN MACDONALD**—That is good to hear. I assume someone from Mr Gray's office is watching intently, since you have got such a response so quickly.

**Senator Conroy**—We are always happy to be as helpful as we can, Senator Macdonald.

**Senator IAN MACDONALD**—That's beaut! Perhaps I can ask then what the outcome of that meeting was.

**Senator Conroy**—I think that is—

**Senator IAN MACDONALD**—No, I am not asking for the details, but have they agreed to meet again or do they have some understanding? Are we likely to hear something shortly?

**Senator Conroy**—I am not sure I can go into that sort of detail with you, Senator Macdonald. I appreciate it is a genuine question, but I think that the parliamentary secretary will let us know. 'Ongoing matters under discussion' is probably the best way to describe it.

**Senator IAN MACDONALD**—Sure. Mr Angley, can you or Ms Foster tell me about the Townsville office.

**Ms Foster**—What would you like to know?

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**Senator IAN MACDONALD**—It is now the Office of Northern Australia.

**Ms Foster**—It supports the Office of Northern Australia but it continues as the Townsville regional office.

**Senator IAN MACDONALD**—Is there another office now in Darwin?

**Ms Foster**—There always has been an office in Darwin.

**Senator IAN MACDONALD**—There has always been an office in Townsville, too.

**Ms Foster**—That is right.

**Senator IAN MACDONALD**—Are there others?

**Ms Foster**—We have a number of regional offices around Australia but those are the only two in Northern Australia.

**Senator IAN MACDONALD**—Perhaps we should make this a permanent question. At every estimates I will ask the question: what is the configuration of both the Darwin and the Townsville offices in numbers of people and that sort of thing? Has it changed since last estimates?

**Ms Foster**—Not significantly. We have six in Townsville and two in Darwin.

**Senator IAN MACDONALD**—Are the six in Townsville the total departmental office or are they just the Northern Australia element of it?

**Ms Foster**—That is the departmental office.

**Senator IAN MACDONALD**—Are any dedicated, or do they support both areas of the department?

**Ms Foster**—They support both.

**Senator IAN MACDONALD**—Perchance the secretary makes the decision on the internal budget within the next three weeks, could you on notice let us know what the budget is, if it happens to have been assessed by then.

**Ms Foster**—Certainly.

**Senator IAN MACDONALD**—Would you expect that it might be—

**Senator Conroy**—I am sure that is in the hands of the minister.

**Senator IAN MACDONALD**—No, it is the department secretary, I think. Doesn't he look after the internal budget?

**Mr Tongue**—It is a question for the secretary, but we will endeavour to get you an answer.

**Senator IAN MACDONALD**—Yes. I am, again, not trying to be too smart about this, but would you expect it to be within the next couple of weeks or is it likely to be a couple of months?

**Mr Tongue**—I would not want to speculate.

**Senator IAN MACDONALD**—You would know where your internal budgeting process would be.

**Mr Tongue**—Certainly—

**Senator IAN MACDONALD**—I guess you are all anxiously waiting on it.

**Mr Tongue**—but I would need to talk to the secretary about that. Ultimately, it is his responsibility.

**Senator IAN MACDONALD**—Because of the quite substantial additional work you will be doing across the whole range of the department as a result of the \$42 billion package—and, I guess, other departments, but I will not ask you about them—will you be expecting that your departmental budget will increase?

**Mr Tongue**—Certainly we have received, for those elements associated with the package, additional resources, but, like all departments, we have ons and we have offs. We will wait and see the outcome of the May budget process as well. I think my answer would have to be that there will be some ons and offs and we will wait and see the outcome of the May budget.

**Senator IAN MACDONALD**—But to date you have not been allocated an additional amount for departmental expenses to cover you?

**Mr Tongue**—For those elements of the package, we have been given some—

**Senator IAN MACDONALD**—Can you tell me what that is—on notice, if you do not have it with you.

**Mr Tongue**—Can I take it on notice, because some of it is in the final stages of negotiation.

**Senator IAN MACDONALD**—Okay. It would be fairly substantial, wouldn't it?

**Mr Tongue**—Because we act through states and through local government, the allocations depend a bit on the design of the program, but we believe it is sufficient to manage the responsibilities we have been given.

**Senator IAN MACDONALD**—What is your current departmental budget, in round figures?

**Mr Tongue**—In the order of \$200 million.

**Senator IAN MACDONALD**—Would I be right in guessing that you would be expecting something like \$20 million or \$30 million additional administration expenses?

**Senator Conroy**—I think that is asking for an opinion.

**Mr Tongue**—I am happy to provide that on notice.

**Senator IAN MACDONALD**—All right. I think my time has just about expired. I did ask this question before, but could you remind me what Dr Stuart Blanch's background is. I am going through the new members.

**Mr Angley**—We did provide that as a question on notice.

**Senator IAN MACDONALD**—Okay.

**Mr Angley**—I do have that material here.

**Senator IAN MACDONALD**—You have got it? Just quickly tell me Mr Richard Ahmat's background.

**Mr Angley**—In the question on notice—and I am not sure of the number now, but we provided it after the October one—Richard Ahmat is currently Chair of the Northern Australian Indigenous Land and Sea Management Alliance and a non-executive director of the Balkanu Cape York Development Corporation.

**Senator IAN MACDONALD**—And Dr Stuart Blanch?

**Mr Angley**—Dr Stuart Blanch is Manager of Northern Landscapes at World Wildlife Fund Australia and a non-executive director of Land and Water Australia.

**Senator IAN MACDONALD**—And Elaine Gardiner?

**Mr Angley**—Ms Elaine Gardiner is Chair of the Ord Irrigation Cooperative.

**Senator IAN MACDONALD**—Dr Hill?

**Mr Angley**—Dr Rosemary Hill is Vice-President of the ACF and senior scientist at CSIRO Sustainable Ecosystems.

**Senator IAN MACDONALD**—Ms Shirley McPherson?

**Mr Angley**—Ms Shirley McPherson is Chair of the Indigenous Land Corporation.

**Senator IAN MACDONALD**—And Professor Wasson?

**Mr Angley**—Professor Bob Wasson is Deputy Vice-Chancellor Research at the Charles Darwin University.

**Senator IAN MACDONALD**—Is he related to anyone prominent?

**Mr Angley**—I do not know.

**Senator IAN MACDONALD**—Did I ask about Michael Roche?

**Mr Angley**—Michael Roche is the CEO of the Queensland Resources Council.

**Senator IAN MACDONALD**—That is right. I am familiar with the name. And Wali Wunungmurra?

**Mr Angley**—I apologise: I have not got his biography with me. I can take it on notice.

**Senator IAN MACDONALD**—Okay. So we have the ACF and the WWF both there. That should make for an interesting meeting. As I say, that is about my time. Thanks for that. We look forward to getting those answers.

**Mr Angley**—Thank you.

**CHAIR**—Thank you, Senator Macdonald. To the Office of Northern Australia, and to the department, Mr Tongue, and your staff, thank you very much. To the Hansard and Broadcasting crew, once again, a superb effort. And to Jeanette, Peter, Jenene and Trish, thank you very much. That concludes today's hearings.

**Committee adjourned at 7.32 pm**