



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

RURAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

**Estimates**

(Public)

TUESDAY, 18 OCTOBER 2011

CANBERRA

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**SENATE**  
**RURAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**  
**Tuesday, 18 October 2011**

**Senators in attendance:** Senators Abetz, Adams, Back, Colbeck, Edwards, Eggleston, Fawcett, Fisher, Gallacher, Heffernan, Humphries, Ludlam, Macdonald, Madigan, McKenzie, Milne, Nash, Sterle, Urquhart, Williams and Xenophon.



## INFRASTRUCTURE AND TRANSPORT PORTFOLIO

### In Attendance

Senator Carr, Minister for Innovation, Industry, Science and Research  
Senator Collins, Parliamentary Secretary for School Education and Workplace Relations

#### **Department of Infrastructure and Transport**

##### **Executive**

Mr Mike Mrdak, Secretary  
Mr Andrew Wilson, Deputy Secretary  
Ms Lyn O'Connell, Deputy Secretary  
Corporate Services  
Mr David Banham, Chief Operating Officer  
Ms Marilyn Prothero, Chief Financial Officer

##### **Infrastructure Australia**

Mr Michael Deegan, Infrastructure Coordinator  
Nation Building—Infrastructure Investment  
Mr Andrew Jagers, Executive Director  
Mr Richard Wood, General Manager, Rail and Intermodal  
Mr Neil Williams, General Manager, Infrastructure Policy  
Mr Roland Pittar, General Manager, North West Roads  
Mr Alex Foulds, General Manager, South East Roads  
Mr Troy Sloan, General Manager, Major Infrastructure Projects Office

##### **Surface Transport Policy**

Ms Karen Gosling, Executive Director  
Mr Robert Hogan, General Manager, Vehicle Safety Standards  
Ms Philippa Power, General Manager, Maritime Policy Reform  
Mr Michael Sutton, General Manager, Land Transport Reform  
Mr Joe Motha, General Manager, Road Safety and Programs  
Ms Donna Wieland, General Manager, Surface Transport Regulation Taskforce  
Ms Pauline Sullivan, General Manager, Shipping Policy Reform  
Mr Jon Real, Special Adviser—Vehicle Emissions, Land Transport Reform

##### **Australian Maritime Safety Authority**

Mr Graham Peachey, Chief Executive Officer  
Mr Mick Kinley, Deputy Chief Executive Officer  
Mr Allan Schwartz, General Manager, Maritime Operations Division  
Mr Yew Weng Ho, General Manager, Corporate Services Division  
Mr John Young, General Manager, Emergency Response Division  
Mr Brad Groves, General Manager, Maritime Standards Division  
Mr Paul Nelson, Manager, Marine Environment Standards  
Mr John Fladun, General Manager, Regulatory Affairs and Reform

##### **Policy and Research, incorporating the Bureau of Infrastructure, Transport and Regional Economics**

Mr David Williamson, Executive Director  
Mr Brendan McRandle, General Manager, Policy Development Unit  
Dr Gary Dolman, Head of Bureau, BITRE  
Mr Stuart Sargent, General Manager, Policy and Research Division  
Mr Richard Farmer, General Manager, High Speed Rail

##### **Major Cities Unit**

Ms Dorte Ekelund, Executive Director

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

Mr John Fullerton, Chief Executive Officer

##### **Office of the Inspector of Transport Security**

Mr Mick Palmer, Inspector of Transport Security  
Mr Peter Pearsall, Director

##### **Office of Transport Security**

Mr Paul Retter, Executive Director  
Mr David Nockels, General Manager, Analysis and Operational Support  
Mr George Brenan, General Manager, Transport Security Operations

Mr Steve Dreezer, General Manager, Maritime, Identity and Surface Security

Ms Karly Pidgeon, Acting General Manager, Supply Chain and Technology

Mr George Thomas, Director, Supply Chain and Technology

Mr Peter Robertson, General Manager, Aviation Security

Mr Toby Stone, General Manager, Marine Environment Division

#### **Aviation and Airports**

Mr John Doherty, Executive Director

Mr Scott Stone, General Manager, Aviation Environment

Ms Leonie Horrocks, General Manager, Airports

Mr Michael Rush, Director, Aviation Industry Policy

Mr Jim Wolfe, General Manager, Air Traffic Policy

Mr James Collett, General Manager, Sydney Aviation Capacity

Mr Marcus James, General Manager, Airport Economic Regulation

#### **Airservices Australia**

Mr Greg Russell, Chief Executive Officer

Mr Jason Harfield, General Manager, Air Traffic Control

Mr Peter Curran, Acting General Manager, Corporate and International Affairs

#### **Civil Aviation Safety Authority**

Mr John McCormick, Director of Aviation Safety

Dr Jonathan Aleck, Associate Director of Aviation Safety

Mr Terry Farquharson, Deputy Director of Aviation Safety

Mr Peter Cromarty, Executive Manager, Airspace and Aerodrome Regulation

Mr Peter Boyd, Executive Manager, Standards Development and Future Technology

Mr Greg Hood, Executive Manager, Operations

Mr Mark Sinclair, Executive Manager, Safety Education and Promotion

Mr Peter Fereday, Executive Manager, Industry Permissions

Mr Adam Anastasi, Executive Manager, Legal Services

Ms Elizabeth Hampton, Industry Complaints Commissioner

Mr Craig Jordan, Chief Finance Officer

Mr Brian Keech, Head, People and Performance

#### **Australian Transport Safety Bureau**

Mr Martin Dolan, Chief Commissioner

Mr Ian Sangston, General Manager, Aviation Safety Investigations

Mr Julian Walsh, General Manager, Strategic Capability

Mr Peter Foley, General Manager, Surface Safety Investigations

#### **Committee met at 09:02**

**CHAIR (Senator Sterle):** I declare open this public hearing of the Senate Rural Affairs and Transport Legislation Committee. Today the committee will commence its examination of supplementary budget estimates with the Department of Infrastructure and Transport. The committee has fixed Tuesday 29 November 2011 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 the committee secretariat by close of business Friday 21 October 2011. Under standing order 26, the committee must take all evidence in public session. This include answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate in *Hansard*:

*The extract read as follows—*

#### **Public interest immunity claims**

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

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

Officers called upon the first time to answer a question should state their full name and position for the *Hansard* record and witnesses should speak clearly into the microphone. I remind everyone present to switch off their mobile phones or render them inaudible. 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 10:30 am sharp. Other breaks are listed in the program.

I now welcome Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research, who is representing the Minister for Infrastructure and Transport. I welcome Mr Mike Mrdak, Secretary of the Department of Infrastructure and Transport and officers of the department. Minister, do you or Mr Mrdak wish to make an opening statement?

**Senator Carr:** No, we do not.

**CHAIR:** Before I go to questions, Mr Mrdak, I congratulate you and your department on coming back to the committee with all answers to questions taken on notice at the last round of estimates. That is a wonderful achievement.

**Mr Mrdak:** Thank you very much.

**Senator IAN MACDONALD:** May I add, though, that I got answers back on 12 October.

**CHAIR:** Senator Macdonald, you may add that. I sat here for years and years in opposition when they never came back. Mr Mrdak, well done. I restate that it was a good effort; a fantastic effort.

**Senator NASH:** I would like to start off with staffing levels. How many employees does the department currently have?

**Mr Mrdak:** We currently have, as at 1 October, 982.7 full-time equivalent employees.

**Senator NASH:** Has that increased or decreased at all over the last 12 months?

**Mr Mrdak:** It has increased over the last 12 months by a total of 42 employees.

**Senator NASH:** Where has the increase been? In a particular division or area?

**Mr Mrdak:** The bulk of the recruitment—36 of that 42—has been in our Office of Transport Security, which is under the program of strengthening aviation security—a number of measures put in place by the government in January last year to strengthen both passenger screening and cargo security measures.

**Senator NASH:** What do they actually do?

**Mr Mrdak:** They are largely filling positions that had been vacant for some time, but they are principally engaged in rolling out two programs—firstly, our cargo security program. The government announced a range of measures last year to upgrade security arrangements around aviation cargo and that focus intensified following the attempted attack arising in Yemen late last year. Secondly, they are rolling out the new screening measures at international airports.

**Mr Wilson:** In addition we have also placed four staff into overseas postings to build and strengthen our capacity in the neighbouring region in terms of aviation and maritime security.

**Senator NASH:** Was there a decrease of staff in any of the divisions, or was everything else maintained and there has just been an increase in this area? Have we seen a decrease anywhere?

**Mr Mrdak:** Overall there has been a small decrease in our Surface Transport Policy Division and a small decrease in our Aviation Division.

**Senator NASH:** In OTS, you said a number of those positions that the 36 new staff went into had been vacant for a while. What was the reason for that?

**Mr Mrdak:** Just the time involved in filling vacancies as they have arisen.

**Senator NASH:** What is the average time to fill a vacancy? I imagine it varies considerably, but is there an average time?

**Mr Mrdak:** We do have a requirement to try and fill all vacancies within a certain period. We try to fill a position within 20 business days of advertising, to complete the recruitment process within 20 business days.

**Senator NASH:** Do you have a percentage target achieved out of that?

**Mr Mrdak:** I can take it on notice. I will just look to my colleagues, but most of our divisions do meet that target requirement if at all possible.

**Senator NASH:** I am happy for you to take this on notice as well: do you have a breakdown of how many departmental officers there are across the states and territories?

**Mr Mrdak:** We can get that for you. We have a small number of departmental officers, predominantly our Office of Transport Security officers, located in each of our capital cities. I can get that breakdown for you.

**Senator NASH:** Finally, do you have staff on secondment to other departments at the moment?

**Mr Mrdak:** We do and I think the number is currently six.

**Senator NASH:** Where are they placed at the moment?

**Mr Mrdak:** We have them in a range of departments.

**Mr Wilson:** When we answered the question on notice—and I am not certain if the number has changed, but I would be fairly certain that it has not—we had one officer in the Department of Finance and Deregulation, one in Prime Minister and Cabinet, one in the Attorney-General's Department, two in the National Threat Assessment Centre and one in the Australian Transport Safety Bureau.

**Senator EDWARDS:** I understand all the department's office space is leased. Is that correct?

**Mr Mrdak:** All of our accommodation is leased; that is correct. We do not own any buildings.

**Senator EDWARDS:** I understand the department owns some limited residential and commercial properties. Is that correct?

**Mr Mrdak:** I will ask our Chief Operating Officer, Mr Banham.

**Mr Banham:** No residential.

**Senator EDWARDS:** No residential. Any commercial property?

**Mr Banham:** I would have to take it on notice because of the description of the airport at Badgerys Creek.

**Mr Mrdak:** I will take it on notice. I do not think we own commercial properties per se. We do manage on behalf of the government the landholding at Badgerys Creek in Western Sydney. From memory that contains some 249 buildings, which are a mix of residential and some commercial buildings, which were acquired by the federal government between 1989 and 1991 for the purposes of a site for a second airport for Sydney. Apart from those, I am not aware of any commercial or residential buildings we would hold.

**Senator EDWARDS:** So that is a mix of commercial and residential?

**Mr Mrdak:** It is predominantly rural residential in the Badgerys Creek site in Western Sydney. From memory it is around 249, which are predominantly rural residential homes and acreage. That would be the only property. We manage that for the government as a site, but from memory the department itself—and we will take that on notice—does not hold any other residential or commercial property.

**Senator EDWARDS:** What is the mix of commercial and residential in that holding?

**Mr Wilson:** The details I have with me at the moment are that there are 250 properties on the site. There are 14 commercial leases. The bulk of the properties are residential, with areas around two hectares or greater.

**Senator EDWARDS:** Do you have a total present value of these properties.

**Mr Mrdak:** I do not believe we do. The properties were acquired for the purposes of a second Sydney airport site. I do not know if we have a recent valuation on the properties. I will take that on notice.

**Senator EDWARDS:** That would be good. How many of them are leased?

**Mr Mrdak:** They are all leased. Some would be under current tenancies and some may currently be vacant. I can get that detail for you. But the intention is wherever possible to lease them out. That is done through a commercial real estate agent whom we contract to manage that on our behalf.

**Senator EDWARDS:** You will take that on notice?

**Mr Mrdak:** Yes, certainly.

**Senator EDWARDS:** For each premises leased by the department or one of its agencies, would you please indicate—and this will be a question on notice—the physical address of it, the divisions of the department within it, the number of staff working within it, its size in square metres and the rent per square metre. Is that information available to this committee?

**Mr Mrdak:** Yes, we can take that on notice.

**Senator COLBECK:** Can you tell us when your annual report will be out?

**Mr Mrdak:** We will be tabling the annual report prior to 29 October. It is currently with the minister for consideration, and then we will go to the printer.

**Senator COLBECK:** Is 29 October your statutory deadline?

**Mr Mrdak:** That is correct. We will try to do it as quickly as possible, before that date.

**Senator COLBECK:** How long has it been with the minister?

**Mr Mrdak:** I think it has been there for about two weeks.

**Senator IAN MACDONALD:** Can you tell us when it was sent to him, on notice if need be?

**Mr Mrdak:** I will take that on notice and come back to you with the exact date.

**Senator COLBECK:** There are other departments that have them out there. As you might understand they are a handy tool for this forum. Agriculture came out about two weeks ago. I understand that there is a statutory deadline by which time you have to get it out, but it is helpful to have it available to the committee.

In answer to a question a minute ago from Senator Nash, you were talking about staffing in transport security. Where would I ask questions about a maritime security incident?

**Mr Wilson:** That would be in the Office of Transport Security, which I believe is on at six o'clock this evening.

**Senator COLBECK:** Do they have jurisdiction over incidents where a vessel might be illegally boarded? And who do they interact with as far as that process is concerned?

**Mr Wilson:** In terms of piracy?

**Senator COLBECK:** Yes.

**Mr Wilson:** We do not have responsibility for piracy. That is an issue that has been dealt with in a whole-of-government arrangement, but the lead agency—

**Senator COLBECK:** What happens if a vessel is illegally boarded within Australian waters?

**Mr Wilson:** I believe it would be an issue that would be dealt with by the police in the jurisdiction that the port would be in.

**Senator COLBECK:** But don't security requirements call for security patrols and security vessels to protect vessels and stand off the ports? They will have a security plan?

**Mr Wilson:** Yes, each of the ports would have a maritime security plan and there would be arrangements in place to ensure that the security of the port is maintained, but were there to be an incident the department is not a police force as such; it is a regulator. The response to the incident would be undertaken by the police. Depending on the severity of the incident, it may escalate upwards, but we would examine the incident from a regulatory point of view to examine what the regulatory failures of the system were afterwards.

**Senator COLBECK:** So you might say to the port: 'You have had an incident in your port. You are now required to review your security plan. There has been a breach. You need to take corrective action.'

**Mr Wilson:** That is correct in the short, and on top of that we would endeavour to use the lessons learnt from any breach of a particular port and facilitate that information out to the other ports that we regulate so that the industry is fully aware of the vulnerabilities that exist.

**Senator COLBECK:** And potential threats?

**Mr Wilson:** And potential threats.

**Senator COLBECK:** The reason I raise it is that there was an incident in Hobart that actually ended up in Australia being listed on an international piracy alert through Maritime Security Solutions. MSS are based in the Netherlands. If you read through this document, it talks about Central America, the Caribbean, South America and West Africa. There is a fair list of piracy concerns around the Gulf of Guinea, the Red Sea, the Indian Ocean, East Africa and South East Asia, and when we get to the bottom it says 'Australia'. What corrective action might we be looking to deal with where you have got Australia ending up on an international maritime security site?

**Mr Wilson:** I do not have the details of the incident with me. The officers from the Office of the Inspector of Transport Security will be able to provide more detail on it. We can take the question then.

**Senator COLBECK:** It seems a bit absurd that, with all the efforts we go to, Australia would end up being listed on a global maritime security site as having piracy concerns.

**Mr Wilson:** I would agree with you there.

**Senator COLBECK:** I will come back later in the afternoon and perhaps we can go through that in a bit more detail.

**CHAIR:** Senator Macdonald.

**Senator IAN MACDONALD:** Mr Mrdak, when we were discussing corporate matters last time, I was having some conversations with you and Mr Jagers about certain road works in Queensland. You provided me with answers to general questions indicating that, principally, the Commonwealth was putting in 80 per cent of the cost of these road works and the Queensland government was putting in 20 per cent. On 25 May I asked whether they paid it. Mr Jagers said:

As I mentioned before, we will be meeting with Queensland in the next few weeks. One of the first things that we need to talk to them about is a project proposal report which details those costs.

Can you just tell me what happened at that meeting with Queensland and what the results were?

**Mr Mrdak:** What project is that in relation to?

**Senator IAN MACDONALD:** We were talking about some specifics, but it was a general comment on the contribution state governments make to infrastructure projects that are substantially funded by the Commonwealth. I was indicating that every time someone complains about the roads the state minister blames the Commonwealth for not funding it. My understanding has always been that the Queensland government are very slow to put in their money, and their management of the road system is just atrocious. These things, I understand, were to be discussed at this meeting. That is what it was about, as I recall.

**Mr Mrdak:** I will ask Mr Jagers to give you an update on the discussions with Queensland.

**Mr Jagers:** If I recall, the conversation was in relation to the Vantassel street project. I think I said that we would be talking to Queensland about the timing of a project proposal report, which was the next step in taking that project forward. We have not yet received the project proposal report from Queensland. That is probably some way off still.

**Senator IAN MACDONALD:** I will ask about Vantassel in the appropriate place. What I am interested in now is these arrangements with states for contributions of money. Correct me if I am wrong, but the process is that the Commonwealth pays its agreed share into state government coffers. I want to know what the process is from there to ensure the state has actually put in its share. Part of my question the previous time as well related to the states taking some of the total project costs and classing it as their payment for project management, design and all that sort of stuff, with the suggestion—and I have no evidence of this; I am trying to get it from you—that in fact the state 20

per cent becomes illusory. The Commonwealth pays 80 per cent and the states say, 'Our 20 per cent is all these other things and we will take a little bit of the Commonwealth's money to help prop up our public service as well.'

**Ms O'Connell:** Just before Mr Jagers answers, I will say that on the broad set of arrangements about how payments are made usually there is an agreement struck with the state government around a cash flow for a particular project. So it is not a matter of the Commonwealth funding upfront; it is a matter of agreeing a cash flow for when the Commonwealth's contribution will be met and when that particular state's contribution will be met and an understanding of what the particular milestones are for those payments to then flow. On the basis of an agreed cash flow which is signed off on how the project is going to be delivered and the full project proposal, that then dictates when those particular payments will be made.

**Senator IAN MACDONALD:** So it is a case-by-case written agreement?

**Ms O'Connell:** That is correct. It is a case-by-case written agreement which is reflected then in standard Commonwealth budgets and obviously state budgets. That is no different for any state. That is how it is done across the board in running the Nation Building Program.

**Senator IAN MACDONALD:** Is the contribution by all states usually 20 per cent?

**Ms O'Connell:** The contribution varies based on the project. It is dependent on the particular project.

**Senator IAN MACDONALD:** How do we work out which state pays what on which project? Is it that you have a bit of a sit-down and a chat and at the end of the day you shake hands and walk out?

**Mr Mrdak:** Some of the projects on the nation building program were determined by the government on coming to office in terms of funding splits on certain projects. As Ms O'Connell has indicated, the projects vary from in some situations 50-50 funding, in some situations 80-20 funding or in some situations fully Commonwealth funded projects. They vary from commitments that the government has given through to negotiations in which the Commonwealth negotiates a funding split with the state government in relation to a project based on our view of what the national interest is vis-a-vis state involvement. So it varies across that spectrum. As she has also outlined, following on from that we negotiate cash flow milestones in the project proposal. We also scrutinise the state estimates in relation to what are allowable costs that can be attributed to a project. Under the nation building guidelines, states can use the funding for a project for direct project costs but not for what we would call the general overheads or administrative costs for an organisation.

**Mr Jagers:** Adding to that, at the time of a state providing a project proposal report they have to do a detailed cost estimation for the project. That has to be done in accordance with a standard that we have developed. There are eligible costs and ineligible costs. We have a best practice cost estimation standard that we have trained jurisdictions and local governments in. Their cost estimation has to comply with that standard so that we can scrutinise the cost to ensure that the cost is an appropriate cost for the overall project. Then we monitor to ensure that the state government contributes what was agreed at the start of the project that it would contribute to the project.

**Senator IAN MACDONALD:** So the criteria are either an election commitment that is then pursued or alternatively it is an assessment of what is in the national interest as opposed to the state or local interest. Are they the broad criteria that you use?

**Mr Mrdak:** We certainly try and approach it from that perspective in terms of what we believe is a reasonable split of funding between the Commonwealth and a state in relation to a particular project, particularly where a project has been brought forward by a state seeking Commonwealth funding. We seek to negotiate a funding split that is appropriate to our interest in the project.

**Senator IAN MACDONALD:** It obviously then requires two parties to agree.

**Mr Mrdak:** That is right.

**Senator IAN MACDONALD:** What if your view of the national worth of the project is different to the view of Queensland? Do you just sit in the room until one of you concedes? Is that how it works?

**Mr Mrdak:** We often have robust discussions with jurisdictions. Often, the Commonwealth puts funding proposals out on the basis that funding has to be matched. That is the basis on which we proceed with a number of programs. For instance, recently in the budget announced a commitment to a management motorways program on the basis of the funding being matched by jurisdictions. That is the basis on which the Commonwealth has decided to proceed on that program. But in many cases it comes down to negotiations and at the end of the day reaching some agreement.

**Senator IAN MACDONALD:** Are all states treated in exactly the same way?

**Mr Mrdak:** Yes.

**Senator IAN MACDONALD:** Is there anywhere that you would have figures that would demonstrate to me in each state what Commonwealth contribution has been made over a particular period of time—the last two financial years, say—and what state contribution has been made? I do not want your staff to spend the rest of the time between now and the next estimates sorting this out, but do you have that sort of data easily available?

**Ms O'Connell:** The nation building memorandums of understanding with each state are fully available and list each of the projects and both the Commonwealth contribution and the state contribution by project.

**Senator IAN MACDONALD:** But is the nation building program the only program under which money is given to states for road works?

**Ms O'Connell:** The nation building programs and the memoranda of understanding cover the major component of the road works and new construction. But I will ask Mr Jagers to list the programs under it and which ones are in the MOU and which ones are not and run by a different mechanism.

**Mr Jagers:** All of these programs are in the MOU: the investment program, the off network program, the Roads to Recovery program, the heavy vehicles program and black spots program. We also have a managed motorways program that will also be part of the MOU once agreements with different jurisdictions.

**Senator IAN MACDONALD:** Roads to Recovery is a 100 per cent Commonwealth program, isn't it? It goes straight to local government.

**Mr Jagers:** There are some small elements of Roads to Recovery that go to state jurisdictions—for instance, in the ACT. Where there is no local government there is a small amount of money that goes to state jurisdictions as well.

**Senator IAN MACDONALD:** What you are saying is that the memorandum of understanding with each state cannot indicate what contribution the states make because, as you were telling me earlier, some are 50 per cent, some are election promises and some are 20 per cent.

**Mr Mrdak:** No. Where new projects are added we update the MOU with the jurisdiction. The MOU that is available publicly is updated to reflect all the projects that are currently in the program and the funding between ourselves and the states. Once we have reached a negotiated outcome or the government has reached a position, then the MOU reflects that funding split.

**Senator IAN MACDONALD:** I am trying to get the figures that each state contributes to roadworks, and I am just trying to get your assistance in telling me the easiest way to get that. As I say, I do not want you spending an enormous amount of time getting this. I am wondering if there is some set of data that would give me that.

**Mr Mrdak:** The Nation Building material on our website would certainly give you that. Also, the Bureau of Infrastructure, Transport and Regional Economics does publish papers on funding by each level of government on roads, and we can make that available to you.

**Ms O'Connell:** As Mr Mrdak outlined, the Nation Building website with the MOUs covers investment programs where the Commonwealth makes a contribution. The states would obviously make payments for their own state roads that are not reflected in the agreement with the Commonwealth because they are wholly funded by the state. Are you looking for the information where there is a Commonwealth investment for both state and Commonwealth or are you looking for total investment, including in all states where there is no Commonwealth investment?

**Senator IAN MACDONALD:** No. I am mainly looking at what used to be called the national highway and which, years ago, it used to be said was a total Commonwealth expenditure. Somewhere along the line—it does not matter when—that changed. As I understand it, the national highway—if it is still called that—is now a joint funding arrangement.

**Mr Mrdak:** That is correct. With the change to the AusLink program in 2004, the funding split was changed.

**Senator IAN MACDONALD:** Because I am a conspiracy theorist and I have a suspicious mind, I have a feeling that certain states that have governments of a certain persuasion might be dealt with a bit better than, say, Western Australia. I am not making the allegation, but I am wanting to get from you where I can see the figures. Do not refer me to websites, please. I have four staff; you have, I think, 982. What I am really after is, say in two financial years where there has been joint Commonwealth-state funding for areas that have been agreed—I would not say completed, because Queensland is an example of where it takes years as the announcements are made with great gusto by politicians but the actual work is not done for years—what in each state has been contributed by the Commonwealth and what has been contributed by the state. If you give me the raw figures I, with my four staff, will be able to work out the percentages.

**Ms O'Connell:** We can do that, and we can do that state by state over a couple of financial years. I stress that that is publicly available under the MOUs that we have been talking about on the website, but we will make it available in printed form for you. Obviously, it depends on which particular roadworks are taking place. It is not uniform to say that one particular financial year represents the entire sort of standard percentages across all financial years. It will depend on which roads—

**Senator IAN MACDONALD:** One year the Commonwealth might make 100 per cent but the next year it might only make 40 per cent.

**Ms O'Connell:** And it might be reflective more of the cash flow. A road might be developed and paid for over several years, and it may well be that the Commonwealth contribution is higher in one year and less in later years. I am just saying it is not standard. One year or two years is not necessary reflective of the overall contribution and therefore should not be assumed as a basis by which the division is done.

**Senator IAN MACDONALD:** So you will give me the figures but tell me they do not mean anything. That is what you are telling me.

**Ms O'Connell:** I am giving you the figures and explaining that they are not necessarily reflective—

**Senator IAN MACDONALD:** Putting a qualification on it.

**Ms O'Connell:** Yes, so that they can be appropriately interpreted.

**Senator IAN MACDONALD:** I know how efficient and how good your department is. I know how generous the Commonwealth is with the states, but it irks me when roads are in an appalling state. As a Queensland senator, I think my colleagues will excuse me if I refer to Queensland and the Bruce Highway. Every time the Bruce Highway is mentioned it is always the Commonwealth's fault. The state minister always blames the Commonwealth. I know that is not right, but I am simply seeking some information from you that would allow me to protect your department and to protect the minister's government against these outrageous allegations from the Queensland minister, who has a penchant for this.

As an exercise, the road between Ayr and Townsville last year was subject to five different sets of roadworks at one time, which makes it hell, I might say, for the travelling public, stopping five times in an hour and waiting for five to 10 minutes for lights to change. Anyhow, that is beside the point. Last year those roadworks were done and this financial year there are another three, and again with the Queensland government's road management arrangements travelling that hour from Ayr to Townsville you stop at three different sets of roadsides. That is nothing you have any control over, unfortunately. As a sort of snapshot example, could you just explain to me the funding arrangements in those instances? It is a fairly confined piece of work. It does not include Vantassel road, which I do not think has been started yet. What I really want to know is what the arrangements are—who is contributing how much, when your money went in, what the time lines were, when you first said that money would be available, when the work was done and when the final accounting was done?

**Mr Mrdak:** We can do that. I will see if we can answer it at the table. Otherwise we are happy to take that on notice and come back to you as soon as we can.

**Mr Jagers:** We might take that on notice. Some of those works could be funded by the Queensland government by themselves. We do not have details of all—

**Senator IAN MACDONALD:** On the national highway? Is there still such a thing as a national highway?

**Mr Jagers:** Or NDRRA funding.

**Mr Mrdak:** We talk nowadays about the national network—since 2004. Obviously people still refer to the national highways, but the national network is the more correct term. The national network includes the major highways and the national rail lines and the like as well.

**Ms O'Connell:** And we now use the phrase, within the nation building program, 'on network', meaning it is part of that network, and 'off network'. So the legislative underpinnings of the network are still there.

**Senator IAN MACDONALD:** Do you have a concern if money given by the Commonwealth to shire councils for Roads to Recovery programs is used on what are classified as either the national network or state networks? What do we call state networks—roads that the state is solely responsible for?

**Mr Mrdak:** Generally, state roads is the way we refer to them. It is open to the council. If it is a road within the council's jurisdiction—and in some situations it may be the case that the council has responsibility for particular segments of road—then Roads to Recovery money can be applied to roads within that council's remit or jurisdiction. We do look closely at the annual returns from councils in relation to where the Roads to Recovery money has been spent to ensure it complies with the requirements of the Roads to Recovery program.

**Senator IAN MACDONALD:** But these are clearly state roads. They are not within the jurisdiction of the council. They are essential to the councils because they are the only way in and out of their bailiwicks. They use the money there, and I am delighted they do. I do not object to it, except that the Commonwealth is giving that money to councils who are then using it to spend on state roads, saving the states from discharging their responsibilities to maintain and construct state roads. They are being done by councils using Commonwealth money, so it is the greatest rort in cost-shifting you would ever see.

**Mr Mrdak:** We would be concerned, because one of the key criterion of Roads to Recovery has been maintenance of effort: councils have to demonstrate a maintenance of road-spending effort. The Roads to Recovery is not to see a diminution of either their or state expenditure that would otherwise have taken place. If there are particular circumstances where that has occurred, we would certainly look at that closely.

**Senator IAN MACDONALD:** I am not sure whether to give you the names or not. If the councils do not spend their Roads to Recovery funds on it, there are goat tracks into these communities. But the councils decided to spend it because the state government will not do it. I will have to think about whether I should name names.

**Mr Jaggars:** I just want to add to an answer I provided earlier about programs that are included within the MOUs. The Building Australia Fund is also one of the programs that is outlined in the MOUs for these jurisdictions. I just wanted to clarify that.

**Senator IAN MACDONALD:** Okay, thank you.

**CHAIR:** Thank you, Senator Macdonald. Senator Nash, you had one quick question then we will go to Senator Heffernan.

**Senator NASH:** I did, on the expenditure on the ATSB. There was a figure given at the last estimates that in the 2012-13 budget there is new capital of \$3 million. And in an answer to a question on notice Mr Dolan said:

Of this, \$2.367m is earmarked for the fit-out and equipping of new and expanded office accommodation so that additional ATSB staff can be accommodated to undertake additional investigation work in rail and maritime.

How many additional ATSB staff?

**Mr Mrdak:** I will check that with Mr Dolan. That figure of \$3 million refers to the capital component of the additional funding. There was additional funding over and above that for resourcing of the ATSB for staffing.

**Senator NASH:** Yes, but in the answer it says particularly that the reason for the extra fit-out is so that 'additional ATSB staff can be accommodated'. I am just trying to get a sense: is it 200, 300?

**Mr Mrdak:** No, it is a relatively smaller number. But I will come back to you through the day and ensure Mr Dolan, when the ATSB appears later in the day, as an independent agency—

**Senator NASH:** If for some reason I miss him later, could you take on notice for me a breakdown? It is a significant figure for a fit-out to accommodate some new staff, so if you would not mind sending us a breakdown of that figure.

**Mr Mrdak:** Certainly. If Mr Dolan cannot deal with that this evening, I will take that on notice on his behalf.

**Senator NASH:** Thank you.

**CHAIR:** Thank you, Senator Nash. Could I just add that, if you are not here, at least Mr Mrdak, if he has the information, could still come back to the committee rather than have to take it on notice.

**Mr Mrdak:** That is fine.

**Senator NASH:** That is very kind; thank you very much.

**CHAIR:** He did make that point.

**Senator NASH:** You are in a very accommodating mood this morning!

**CHAIR:** I am—but it is only 9.40! Senator Heffernan?

**Senator HEFFERNAN:** I want to go back to Senator Edwards' questions about property leaseings and add a couple of issues to that. Mr Mrdak, in your extensive portfolio, including the management of Badgerys Creek, could you also provide, besides the requests on notice of Senator Edwards, the ABN and ACN numbers of the people that you lease to or from? In other words, we want to know the corporate entities, where their registered offices are et cetera.

**Mr Mrdak:** I will take on notice what information we have—

**Senator HEFFERNAN:** But surely, Mr Mrdak, if you lease from someone, you know who you are leasing from, and they have an ABN number and a registered office.

**Mr Mrdak:** Yes, we will do that.

**Senator HEFFERNAN:** To complete the exercise—it is one thing to know how much you are paying, but who you are paying it to is another matter.

**Mr Mrdak:** Yes. In relation to some of that, a number of the properties that we lease, such as the Badgerys Creek site, are individuals rather than—

**Senator HEFFERNAN:** I would like to know the entity. Also, what are the arrangements for the legal fees? Do you have a set fee in arranging all these leases?

**Mr Mrdak:** I don't know that we have a set fee; we obviously incur some legal costs, which are met within the department's legal budget.

**Senator HEFFERNAN:** So, with a click, can you identify the legal costs associated with leasing?

**Mr Mrdak:** I will take that on notice. I am not sure about that.

**Senator HEFFERNAN:** Okay. So at Badgerys Creek you manage the properties for the Commonwealth?

**Mr Mrdak:** That is correct.

**Senator HEFFERNAN:** So you lease those properties out?

**Mr Mrdak:** Yes.

**Senator HEFFERNAN:** Are you conscious of the subleasing arrangements from the people you lease them to?

**Mr Mrdak:** We use a commercial real estate agent who does that. I would need to take on notice whether there are some—

**Senator HEFFERNAN:** Could you also provide to me on notice, in relation to the properties that you lease at Badgerys Creek, if there are subsequent sublettings of those properties and who those sublettings to?

**Mr Mrdak:** Certainly. I am not aware of any sublettings, but I will certainly take that on notice.

**Senator HEFFERNAN:** Thanks very much. Could I also ask you to include the corporate entity address and property owners you lease from?

**Mr Mrdak:** Yes.

**Senator HEFFERNAN:** Yesterday your department got doxxed in by DAFF over fraud.

**CHAIR:** That was a little bit cute the way you put that.

**Senator HEFFERNAN:** They did.

**CHAIR:** You may want to just say it as it was.

**Senator HEFFERNAN:** DAFF said, 'It wasn't us; it was them.' There was some ventilation of a survey in DAFF where 63 per cent of the respondents in some way were misappropriating their credit cards et cetera. But one of the issues raised which was mixed in with that and misinterpreted in the press was that there was a person who misappropriated, misused, pinched, stole or did something with \$7,000 and a department said in the paper, 'Yes, we think he did, but he no longer works for us.' Was that your department?

**Mr Mrdak:** There was a recent release of an internal audit report. We do regular internal audits of our credit card usage in the department. The 2008 internal audit report was released under freedom of information to a particular media organisation. That audit report did identify instances whereby there had not been proper acquittal of credit cards for travel purposes. It also identified one instance where there had been a cash advance made on one of the departmental travel cards which did not meet the guidelines in relation to use of cash advances. In that situation that audit identified that problem, that individual's card was effectively stopped and that person was asked to repay, and they did repay, the amount of money which was advanced incorrectly to that person.

**Senator HEFFERNAN:** For what purpose was the advance allegedly incorrectly made?

**Mr Mrdak:** It was identified that the advance was made to assist with the relocation of the officer. The officer was relocating from one of our regional offices to one of our other offices. There was a cash advance made on the card to meet relocation expenses. A follow-up to the audit identified that that cash advance did not meet the requirements that were available to the officer. In that instance corrective action was taken. The amount was repaid and the officer's access to such a card was stopped. Subsequently the officer has ceased employment with the department.

**Senator HEFFERNAN:** With no penalty imposed?

**Mr Mrdak:** All funds were repaid.

**Senator HEFFERNAN:** But there was no penalty?

**Mr Mrdak:** Penalties were put in place in terms of the future access of that officer to the use of a credit card.

**Senator HEFFERNAN:** No. What I am saying is that if Billy Bloggs next door could try the same trick and if he does not get audited and gets away with it that is okay but if he gets caught he knows there will not be a penalty.

**Mr Mrdak:** No. In this circumstance the decision was reached that the reimbursement of the money was adequate at that point because there was a misunderstanding, in our view, by the officer of what was claimable under the guidelines. That was corrected. Subsequently the officer has left employment with the department. I will just ask our chief operating officer if I have captured that correctly.

**Mr Banham:** That is correct, Mr Mrdak. The officer had gained prior approval to have relocation expenses met. The officer decided to use the credit card to withdraw cash to reimburse—

**Senator HEFFERNAN:** It is a very generous credit card where someone can just go to the ATM and draw out \$7,000. That is pretty open ended. What is the limit on how much you can draw out on a card in one hit?

**Mr Banham:** We have actually removed the cash facility for most people except for when travelling overseas.

**Senator HEFFERNAN:** But what was it?

**Mr Banham:** The limit was \$1,000.

**Senator HEFFERNAN:** How come he could do \$7,000?

**Mr Banham:** He went to the bank itself.

**Senator HEFFERNAN:** How much can you draw out from the bank itself? If I had one of these cards and took it to the bank would it give me \$10,000?

**Mr Banham:** No. The normal restriction is \$2,000 per transaction. This person—

**Senator HEFFERNAN:** Did he have someone sign off a ticket that said, 'Give me \$7,000'?

**Mr Banham:** Her previous role gave her the ability to take out more money.

**Senator HEFFERNAN:** She had the authority to be able to draw on her own credit card—

**Mr Banham:** She had the authority with the bank but not the approval from the department.

**Senator HEFFERNAN:** What did she have the authority to draw? How much cash?

**Mr Banham:** I do not know. I will have to take it on notice.

**Senator HEFFERNAN:** What do you mean you do not know?

**Mr Banham:** What she had at that particular time I do not know.

**Senator HEFFERNAN:** That is a corny answer. It could be 10 grand or it could be 20. For God's sake: you are the chief operating officer. What is the top limit on what you can draw out if you are authorised out of the bank with a credit card?

**Mr Mrdak:** Following changes we have made in response to this audit report there is no longer cash—

**Senator HEFFERNAN:** But I am asking you what it was then.

**Mr Mrdak:** I think it was \$2,000.

**Senator HEFFERNAN:** You say she had the authority to draw more and she went to the bank and drew more. **Mr Banham:** Yes.

**Senator HEFFERNAN:** Then what was the limit on what she could draw?

**Mr Banham:** I do not know what her limit was at that time.

**Senator HEFFERNAN:** I beg your pardon. You are the chief operating officer. Could it have been \$10,000? Could it have been \$20,000? For God's sake. What sort of set-up are you running?

**Mr Mrdak:** I think what Mr Banham was indicating is that there was a credit card limit. It seems as though the bank permitted additional withdrawals over and above what we had set at the limit. That is an issue we took up with the bank when this was discovered. Subsequently we have removed all access to cash withdrawals on credit cards by all of our officers. This was a situation in which the bank did not apply the limit which we expected. In our view, this was not a situation of fraud. It was an interpretation of guidelines.

**Senator HEFFERNAN:** But it left itself open to fraud.

**Mr Mrdak:** Yes, it did.

**Senator HEFFERNAN:** So how do you know there has not been fraud? Have you audited all credit cards?

**Mr Mrdak:** We audit all credit card transactions.

**Senator HEFFERNAN:** Monthly?

**Mr Mrdak:** It is undertaken regularly. We generally do an annual audit.

**Senator HEFFERNAN:** Is it mandatorily imposed? In other words, is it for all credit cards, or do you just randomly select one?

**Mr Mrdak:** It is a combination of two things. Firstly, we have our normal processing requirements, whereby credit cards have to be acquitted. Under our financial system, if there is not proper acquittal there are checks by supervisors and our finance team. They identify immediately where there are issues. Secondly, we do random targeted audits through our internal audit program—such as this report, which was released under FOI.

**Senator HEFFERNAN:** But if it had not been released, would it have changed the attitude of the department?

**Mr Mrdak:** Absolutely. We took immediate action, as we do with all internal audit reports. This audit report identified a particular instance, and that was actioned immediately with action taken against this particular officer.

**Senator HEFFERNAN:** We—that is, mug politicians—put in a monthly report on Cabcharge, for instance. They want to know where you went in that cab. Do you do the same?

**Mr Mrdak:** Yes. Officers are required to acquit their credit card transactions monthly.

**Senator HEFFERNAN:** No, I am talking about Cabcharge—for travel. Say I went to Melbourne for the department and went to a function but then went out to a disco or the footy that night and used the Cabcharge. Can you do that?

**Mr Mrdak:** We use a travel card, which is similar.

**Senator HEFFERNAN:** But if I am an officer of your department am I allowed to go on official business and then use the Cabcharge to go for unofficial pleasure?

**Mr Mrdak:** No. The card is available only for official business.

**Senator HEFFERNAN:** So how do you acquit that?

**Mr Mrdak:** As the cards come in they have to be signed off by the officer and then the supervisor to certify that the travel has met all the guidelines for official use. It is at that point and through subsequent checks that happen through the payment system that any areas would be identified—

**Senator HEFFERNAN:** Is your system good enough to be able to demonstrate to us the largest cash withdrawal in the last three years?

**Mr Mrdak:** We have not permitted cash withdrawals.

**Senator HEFFERNAN:** But you permitted that \$7,000.

**Mr Mrdak:** But not for some time. I think we had cancelled access to cash withdrawals.

**Senator HEFFERNAN:** When did that happen.

**Mr Banham:** The end of 2007.

**Senator HEFFERNAN:** So, since 2007 you have not been able to raid the bank?

**Mr Mrdak:** No. The incident took place in 2007 and we cancelled access to cash withdrawals in 2010.

**Senator HEFFERNAN:** So how do people do it now—by receipted invoice?

**Mr Mrdak:** We do it by where they use the card. That is acquitted through the process.

**Senator HEFFERNAN:** With a receipt?

**Mr Mrdak:** Yes.

**Senator HEFFERNAN:** Do they have to present a receipt with the credit card transaction?

**Mr Mrdak:** Generally, yes.

**Senator HEFFERNAN:** Are there still cash withdrawals?

**Mr Mrdak:** No.

**Senator HEFFERNAN:** Obviously there would be no receipt for that. So every transaction on every credit card in your department has a receipt?

**Mr Mrdak:** They are recorded like any other transaction through the credit card statement and also receipts.

**Mr Wilson:** The one exclusion to that is overseas travel. The department still, at this stage, provides for officers to access cash when travelling overseas.

**Senator HEFFERNAN:** Okay, so say I am off overseas. I am going to Hong Kong, and I could slip down to the casino for a couple of hours with cash. How do you know I did not do that?

**Mr Mrdak:** We are currently in the process of reviewing that. We will be removing that access to cash withdrawals.

**Senator HEFFERNAN:** But you could actually do it under the present system?

**Mr Mrdak:** Not without being required to acquit.

**Senator HEFFERNAN:** But you could physically do it.

**Mr Mrdak:** If officers are travelling to locations where the use of a card would not be available, we do allow cash advances.—

**Senator HEFFERNAN:** And do what they like with them.

**Mr Mrdak:** but they have to be acquitted on return—

**Senator HEFFERNAN:** They would be smart enough to do that—

**Mr Mrdak:** and all use of the funds have to meet the guidelines of requirements. As Mr Wilson has indicated, that is still available in a very limited number of circumstances, but we are about to withdraw that facility.

**Senator HEFFERNAN:** Do you think it would be too outrageous for a senator to suggest to the parliament that perhaps, like most other states, it is time we had a federal corruption body.

**CHAIR:** You are asking for an opinion there, Senator Heffernan, of one of the officers and I think that is out of order.

**Senator HEFFERNAN:** Don't answer that.

**CHAIR:** I think it is out of order.

**Mr Mrdak:** All I can say is that I have confidence in the system.

**Senator HEFFERNAN:** Anyhow, the amber light flashed and you have—

**Mr Mrdak:** We took action immediately and we have removed all of those facilities.

**Senator EDWARDS:** It would be very efficient if you had these figures at your fingertips, but I will put this question on notice for you. It goes back to budgets and accounts. In the 2010-11 financial year, how much did you spend on advertising and travel—domestic and international, and then economy, business and first-class? Perhaps you could also detail hospitality, entertainment, information and communications technology, external consultants, education and training of staff, any external accounting, external auditing, external legal services, and memberships or grants paid to affiliate organisations. Do you foresee any of those items attracting a significant increase in 2011-12?

**Mr Mrdak:** Some of those are already publicly available, such as our contracts, which are published on our website.

**Senator EDWARDS:** I am only new here. The shadow minister is not.

**Mr Mrdak:** In my answer I might point you to where those materials are publicly available. In relation to a number of those matters we have recently provided answers to questions on notice for the year just gone and expenditure to this point this year. I am happy to update that for you on notice for each of those items that are not publicly available.

**Mr Wilson:** I can answer two questions that we took on notice. The average time to fill positions, Senator Nash, is 32 days. Full-time equivalent staff are located as follows: ACT, 803.6; New South Wales, 50.9; Queensland, 28.7; Victoria, 29.8; South Australia, 22.9; Northern Territory, 4.2; Western Australia, 25.6; and overseas, 17.0.

**CHAIR:** I thank the officers from Corporate Services and I now call Mr Deegan from Infrastructure Australia.

#### **Infrastructure Australia**

[10:00]

**Senator MILNE:** I want to go to a report you put out recently—which, as you have acknowledge yourself, is probably in stronger terms than you have previously put out—on identifying the infrastructure needs for the country. In particular I want to go to the remarks you have made about the need to invest in energy infrastructure. Could you summarise for the committee why we are in such a desperate need to invest in infrastructure and what are the problems at the moment for the expansion of renewables and demand-side management with the existing infrastructure constraints.

**Mr Deegan:** The report issued in June 2011 is part of a process the Infrastructure Australia Council has agreed to with government to publish a major report each 12 months on their assessment of the infrastructure challenges and the potential solutions in a range of areas. As you know, under legislation we are required to report on infrastructure issues associated with transport, water, energy and telecommunications.

In our June 2011 report the council decided that they perhaps would be more direct than they had been previously in a range of these areas and with real challenges, particularly in the transport infrastructure area, and some of the issues associated with our energy requirements. You would be aware that in previous work we have done we have commented favourably about the work of the Australian Energy Regulator and the National Transmission Planner, and most of our work has been focused on transmission rather than generation. But, increasingly, there is more and more interest in the generation issues.

A major feature of our report has been the need across the sectors to have a sharp focus on the demand side through pricing mechanisms. The council is of the view that that market mechanism will do more to resolve some of the infrastructure challenges than perhaps some other mechanisms that have been used in the past. That work also covers some work we have been doing in the Indigenous infrastructure area—the host of, as you know, quite large challenges.

In the renewables space we work closely with other government agencies—and energy more generally and the sorts of opportunities that will be available in the future. We have looked at some overseas examples of renewable projects that are well underway and how they have been priced and are working. And, indeed, some of the challenges both in solar, wind and some other forms of energy.

**Senator MILNE:** You have said in your report that investors need certainty before they will commit to significant capital investments, and that we are reaching a point where the infrastructure for energy must be renewed. Given the uncertainty that is being generated at the moment about market mechanisms, how urgent is it that we get commitment so that there can be an investment in infrastructure in energy?

**Mr Deegan:** There is a range of issues there, as you know. There are investors making decisions to proceed with major investment decisions in this space. Those people, generally, that we are dealing with are reasonably comfortable with the environment in which they make that decision. There is increasing demand, particularly from the mining sector, parts of the agricultural sector, and services and others in our cities for more and more energy, and that is certainly part of the challenge.

**Senator MILNE:** So, if we do not get certainty, we will not get investment? Is that your—

**Mr Deegan:** The investors want to see a clear picture of the way forward. The more certainty, the quicker those decisions will be made about new investment.

**Senator MILNE:** If there is no certainty, what will happen in terms of our energy infrastructure.

**Mr Deegan:** We have recommended that the more the pricing mechanisms can be in place and the environment set for the sorts of decisions investors take the more that certainty will come as part of that.

**Senator MILNE:** But if it doesn't happen?

**Mr Deegan:** We are confident that there will be a positive response to our report.

**Senator MILNE:** I want to go onto some of the particulars. You have said that:

The electricity transmission network may not be capable of facilitating significant increases in renewable energy generation.

That is my observation as well. There are recommendations that there be changes to the national electricity market rules in order to change the bias, if you like, from gold plating to taking on more demand management. What is your view about that?

**Mr Deegan:** Our overview is that the energy market is regulated appropriately. The more that there is proper price setting and there is not interference in those decisions, the cleaner that investment environment will be.

**Senator MILNE:** On the national electricity market rules and your negotiations around them, when do you expect the changes? I notice that, in your report, you say that the proposed changes to the rules to implement scale-efficient network extensions and interregional transmission charging are expected to be finalised in June 2011 and very 2012. Can you tell me what was finalised in June and what is expected to be finalised in February?

**Mr Deegan:** I will get you the details, perhaps on notice. The Minister for Resources and Energy, Mr Ferguson, is responsible for this area, by and large, and the changes that have been underway are well advanced. I will get you an update on the detail on where they are at.

**Senator MILNE:** Can you explain what the problem is at the moment because of the connection cost burden on first movers?

**Mr Deegan:** There is an issue for first movers and who pays the cost. That is part of the work that the people at the energy regulator have been trying to deal with. I will get you details of that on notice.

**Senator MILNE:** In relation to the engagement of Infrastructure Australia and the states, I notice that there has been a reluctance from some of the states to bring forward ambitious projects in relation to transmission and smart grid. That has been the case in the past; has that changed?

**Mr Deegan:** We have some ambitious projects before us from a number of jurisdictions, and we are in discussion about some further projects in Western Australia and some of the other jurisdictions, including Queensland and North Queensland. We are having discussions in both the ACT and Tasmania, and have had a number of submissions from the South Australian government in the same space. We expect to see more of that.

**Senator MILNE:** What about the Queensland example where Xstrata recently decided to build its own gas fired station and has therefore compromised the whole grid upgrade and extension that were being discussed. How are we going to get decisions about the grid that are not determined by the corporate sector, as is the case in this instance.

**Mr Deegan:** You would be aware that the current chair of the Australian Competition and Consumer Commission, Mr Sims, was involved, in a previous role, in providing advice to both the Queensland and Commonwealth governments about future energy needs in the north-west of Queensland. In that report he made it clear that market operations and indeed the major customer would have a key say in the decision that might take place. We have been involved closely with the various agencies involved, as indeed have a number of ministers, looking at both the proposals from the gas providers and the potential for the project, known as CopperString. In the end, based on the advice from Mr Sims in particular, the major customer would clearly have a big say in that decision.

**Senator MILNE:** Given what you've said, how are we going to pay for the kinds of expansion to the grid, both the extension of the grid and the adding of intelligence to the grid?

**Mr Deegan:** I think the issues for a number of renewable suppliers and people looking in that space, particularly in wind and some solar, are their location and access to the grid. Clearly, transmission is expensive and in any proper cost benefit analysis you would ensure that the decision made economic sense as well as having some of the social outcomes.

**Senator MILNE:** Wouldn't you agree that, at the moment, renewable energy and the opportunity for demand-side management is being constrained by the failure to have adequate capacity in both the transmission system and the addition of intelligence to the grid?

**Mr Deegan:** This is an evolutionary process. I think there has been significant change. There are a number of commercial projects underway. There are a number of projects that are currently being considered in this space.

**Senator MILNE:** Is Infrastructure Australia talking to the Australian Energy Market Operator, AEMO, and also the commission about how best to facilitate the rollout of the grid and to finance that infrastructure?

**Mr Deegan:** We are in discussion with a range of the players involved, including private sector proponents in renewable energy.

**Senator MILNE:** What is the one thing that you would say needs to happen quickly to facilitate that outcome?

**Mr Deegan:** I think it will come back in every case to ensuring that there is a proper economic assessment of the proposals before us and there is proper consideration of the pricing mechanisms that are associated with these sorts of developments.

**Senator MILNE:** And that will come from this assessment through the national electricity market rules?

**Mr Deegan:** That will be a very large part of it, yes.

**Senator MILNE:** And I will get on notice as to where that is up to.

**Mr Deegan:** Yes.

**Senator MILNE:** We have \$100 million at the moment for smart grid trials. Can you give us any indication of where that is taking Infrastructure Australia in terms of the learning experience?

**Mr Deegan:** We are at arm's length from the detail of the trials, but again it might be better if I take that on notice, as there is another portfolio dealing with the trials themselves.

**Senator MILNE:** Okay. I return to the certainty issue. If investors do not have certainty about electricity generation options around climate policy, what is likely to be the outcome in terms of consumers in Australia?

**Mr Deegan:** I would be better not to be led on that question. I think that is a matter for the parliament to consider.

**Senator MILNE:** Yes, I understand that, but you have said in your report that investors need certainty before they can commit to significant capital investments. Let me put it another way. Without significant capital investment, what is the likely outcome for infrastructure and nation building in energy?

**Mr Deegan:** Certainly I think you have hit the nail on the head about the need for certainty. Investors want to be clear about what the operating environment is in which they are seeking to invest in that energy space. Without that investment there will be strains in a number of regional parts of Australia on the grid, the network and the generation capacity that we will need into the future.

**Senator MILNE:** Whereabouts in Australia is that likely to be most acute?

**Mr Deegan:** Again, depending on the demand and management issues that are being considered in a number of jurisdictions—there is big demand for power in Western Australia and Northern Queensland and of course in our cities.

**Senator MILNE:** So, in Western Australia, Queensland and our cities, without certainty and investment we are likely to see strains. When you talk about 'strains', what do you mean?

**Mr Deegan:** There is always a challenge in getting the investment timing appropriate for the demand that is coming. I do not want to paint too bleak a picture; I think these things will be resolved. But that is part of the challenge that the National Transmission Planner and the Australian Energy Regulator are dealing with day to day.

**Senator MILNE:** But what do you mean by the word 'strain'?

**Mr Deegan:** There is always the issue of bringing capacity on and the timing that that goes against demand issues. They are things that we deal with all the time.

**Senator MILNE:** But, if we do not get investment and demand grows, what is the outcome—and in terms of infrastructure?

**Mr Deegan:** Our intention is to make sure that those things are married together.

**Senator Carr:** I think that what we have here is a very clear case of a job-destroying policy position being taken within this parliament. It is quite clearly an example of economic sabotage, and it is clearly a case in which the living standards of Australian people are being put at risk by people who want to take a short-term political response to what are really major social and economic changes needed for this country. I think the officer has done a great job trying to answer your questions, but it is difficult for these political questions to be addressed when clearly it is a responsibility of people in this parliament, elected members of this parliament, to face up to their responsibilities.

**Senator MILNE:** Thank you for that, Minister.

**CHAIR:** Senator Milne, with your agreement, Senator Adams just has a question while we are on this. Is that all right with you, if it is a quick question?

**Senator MILNE:** Yes, that is fine.

**Senator ADAMS:** Senator Milne of course has been talking about the national grid. I am from Western Australia, so could you just give us an indication of the proposals that have come forward from Western Australia for the renewables? You did mention that at the start.

**Mr Deegan:** There are a number of energy proposals from the midwest, including connection to the grid, that we are currently considering.

**Senator ADAMS:** To the national grid or to the Western Australian grid?

**Mr Deegan:** Within the Western Australian grid, even though it is not connected across to South Australia.

**Senator ADAMS:** I was just thinking this was another big infrastructure thing that I did not know about.

**Mr Deegan:** No, Senator; we would keep you informed. That is before us at the moment.

**Senator ADAMS:** You are talking about the north and the midwest needing more power. What do we have on the planning side?

**Mr Deegan:** It is part of the work the Western Australian government is doing through Horizon Power, and we are in some discussions with Horizon Power about some of those demand and supply issues.

**Senator ADAMS:** In relation to renewables, the guidelines from different states are changing dramatically as wind turbines are increasing in height and in number. Are you working with the planning bodies from each state on those and also with the transmission lines?

**Mr Deegan:** In a broad sense we are looking at projects that come before us for assessment as part of our work. The Energy Regulator and the National Transmission Planner processes are separate from us; they are engaged in the detail of the question that you have sought to have answered. It is through Minister Ferguson primarily, and his state colleagues.

**CHAIR:** Sorry to interrupt, but we will now go back to Senator Milne.

**Senator MILNE:** Mr Deegan, I wanted to know about Infrastructure Australia and the state government or major proposals for changes to transmission. Who is doing the work on direct current in Australia because of the transmission losses? Are you aware of any proposals coming forward to Infrastructure Australia in that regard?

**Mr Deegan:** I am aware of some of the work that the National Transmission Planner is doing in that regard. Those questions would be better directed through Minister Ferguson's portfolio.

**Senator MILNE:** There were newspaper reports recently and I have spoken to some of the renewable energy generators concerned, who are saying that both the companies and the grid operators are refusing to take renewable energy that they could produce because it will unbalance the system. For example, I am aware that Hepburn wind farm cannot operate at full capacity even though it is able to technically because they will not take the power. How often is this happening around Australia—where suburbs cannot go renewable, where new renewable infrastructure cannot operate at full capacity? In other words, we are being constrained in a renewable energy future because of a lack of capacity.

**Mr Deegan:** I am not aware of those issues, and they would be handled generally within the state government or alternatively through the national transmission planning process.

**Senator MILNE:** Thank you.

**CHAIR:** Senator Macdonald.

**Senator IAN MACDONALD:** One of my questions relates to an issue that Senator Milne has already raised: the CopperString project up my way. Mr Deegan, under a communist-socialist government that regulated everything, the government would go in, build whatever and then tell the end user, like Xstrata, that they have to pay for it. We are in a market economy. Xstrata are very concerned at the moment because they have got the carbon tax and the mining tax and all these other government imposts. So they are looking to get a cost-effective return. Mr Deegan, can you clarify whether your instruction is to do cost-benefit analysis, more or less, and to make sure that the benefit justifies the cost.

**Mr Deegan:** Yes, Senator.

**Senator IAN MACDONALD:** What involvement has Infrastructure Australia had on CopperString?

**Mr Deegan:** CopperString sought our advice on the proposal they were preparing as part of a commercial discussion they are having with Xstrata and a range of other miners in the north-west of Queensland. Prior to us completing the work Xstrata made their decision.

**Senator IAN MACDONALD:** Have you stopped work on it?

**Mr Deegan:** Yes.

**Senator IAN MACDONALD:** It was a good project, it did involve solar and wind and it would connect the north-west minerals province of Queensland to the national grid, but obviously Xstrata, looking at gas, which is perhaps also an environmentally friendlier thing—

**Senator MILNE:** No.

**Senator IAN MACDONALD:** Oh, it is not. Okay, gas is bad, like coal.

**Senator MILNE:** It is still a fossil fuel.

**CHAIR:** You have the call, Senator Macdonald.

**Senator IAN MACDONALD:** It is less bad. But, I take it, that obviously those decisions are to be made on a cost-benefit basis by those involved?

**Mr Deegan:** Yes.

**Senator IAN MACDONALD:** Have you been asked to look into the alternative proposal which, as I understand it, is gas coming from—I am not sure whether it is from New Guinea or from the Central Queensland area. Have you been involved in that?

**Mr Deegan:** I think Xstrata have made their decision based on gas from Central Queensland. I am aware of a proposal of gas from Papua New Guinea. I think it is still in its formative stages.

**Senator IAN MACDONALD:** For the north-west minerals area?

**Mr Deegan:** I think they are still working through the details.

**Senator IAN MACDONALD:** My question really was: have you been involved in the new Xstrata proposal?

**Mr Deegan:** To the extent that, with any cost-benefit analysis, you look at the range of options. So we looked at the Copper String proposal and we also looked at the gas proposal that Xstrata eventually took up.

**Senator IAN MACDONALD:** Can you comment on that or is it top-secret?

**Mr Deegan:** Other than Xstrata made their decision before we completed our work.

**Senator IAN MACDONALD:** But, in the context that there are others besides Xstrata who would benefit from a more reliable mains power system to north-west Queensland, that does not encourage you to continue your work?

**Mr Deegan:** Those are two different questions. One was the particular proposal that Copper String sought, as against the proposal that Xstrata took up. We are engaged with the Queensland government, the Townsville Port Corporation, the 14 local councils, from Townsville to Mount Isa, and a host of local government community interests in a long-term 50-year plan for that north-west corridor and the opportunities that that will create for the nation. That work is well advanced. A young woman from the Townsville Port Corporation is chairing that work and we are providing support work as part of that. We think that, with a 50-year planning environment similar to what has occurred, for example, in the Port of Gladstone, we will see a lot of these issues dealt with in a more constructive fashion.

**Senator IAN MACDONALD:** You have told me previously that you are also looking at the Abbot Point project. Is that involved in that same assessment or is it—

**Mr Deegan:** It has the potential, but it will depend. A number of the miners in the corridor between Townsville and Mount Isa are looking at options both around the Port of Townsville and potentially at Abbot Point. That work is underway.

**Senator IAN MACDONALD:** Could you give me any indication of when you might be in a position to release any work on that?

**Mr Deegan:** The ownership is through the Mount Isa to Townsville Economic Development Zone, MITEZ. Glen Graham, from Mount Isa, is leading that work. We are providing support to that project. I think they are keen to get, at least, a draft together hopefully sometime this calendar year, if not this financial year, for the community to be engaged in broader discussion. They will look at a range of issues associated with transport, energy, water and the like. And I should say that they are doing a very good job of it. They are a very professional group of people. Each of the 14 mayors on that corridor is involved. It is a Commonwealth, state, local government and industry approach, with the community involved. I think as a working model, it will provide an opportunity for us to do things differently.

**Senator IAN MACDONALD:** You are quite right; they are a very good group. They will be excited by your praise. I thank you for that.

**Mr Deegan:** We have mentioned them in our report as 'a terrific, collaborative model that is being undertaken'.

**Senator IAN MACDONALD:** Excellent. Last time we spoke you were telling me about the National Ports Strategy and there was also a National Freight Strategy. But just in relation to the Ports Strategy, has the final document been released on that?

**Mr Deegan:** We are hoping that will be released shortly. Transport ministers were asked by the Council of Australian Governments to finalise their negotiations on the National Ports Strategy and, as I understand it, it is a matter for discussion at the Standing Council on Transport And Infrastructure in a couple of weeks. So it is nearly there.

**Senator IAN MACDONALD:** I want to ask another question about ports, but before I do I want to ask a question about the board of Infrastructure Australia. Are you based in Sydney?

**Mr Deegan:** Yes.

**Senator IAN MACDONALD:** Do you have a Canberra mail address?

**Mr Deegan:** For security reasons, the mail goes through the department's address here in Canberra.

**Senator IAN MACDONALD:** On what basis is your board of well-known Australians selected? Is there any geography associated with the selection of the board?

**Mr Mrdak:** They are appointments recommended to the cabinet by the minister and they are appointments made under the legislation. In looking at potential appointments to the board, the government certainly looks to have a range of skills and expertise. You will see in the composition of the council as it has been constituted recently for the next term that the government has sought to get a balance of skills from the private sector that includes planning, construction and financing. There is also a mix of urban and regional skills. Hence you have some appointments from regional Australia and some people who work on urban issues.

**Senator IAN MACDONALD:** Apart from Councillor Lockwood, who I understand, thanks to my colleague, comes from Karratha, are any of the other directors from anywhere besides Sydney, Melbourne and Canberra?

**Mr Mrdak:** Yes.

**Senator IAN MACDONALD:** Which ones are not from Sydney, Melbourne or Canberra?

**Mr Deegan:** Phil Hennessy is from Brisbane and previously we had Ross Rolfe who, although based in Sydney, had been the coordinator-general in Queensland. He is currently the deputy chair of the infrastructure finance working group that is working on behalf of Infrastructure Australia to provide advice on financing issues. You have mentioned Nicole Lockwood from Karratha from Roebourne Shire Council. The other members are predominantly from cities.

**Mr Mrdak:** We have two additional Western Australians, Mr Cannis and Professor Newman. We have Mr Hallion from South Australia. So there is a geographic spread of the appointments to the council as well as a spread of expertise.

**Senator IAN MACDONALD:** Thanks. Finally, Mr Deegan, I was going to ask about Oakajee, but my colleague Senator Eggleston is more au fait with that, so perhaps he can follow up on the ports issue.

**Senator EGGLESTON:** I want to ask a couple of other questions later. But Oakajee, since we are dealing with ports, is a proposal for a very large iron ore port north of Geraldton. Its development is vital to the magnetite developments in the area. However, we are told that the Oakajee project is in doubt. I wondered what the federal government's interest in seeing that go ahead is. Are you monitoring the situation? Are you concerned enough to contribute to its ongoing development?

**Mr Deegan:** In the previous budget, the Commonwealth allocated—and I will check the figure—\$239 million towards that project subject to the advice of Infrastructure Australia. We are still considering material from the Western Australian government. Indeed, we are in regular contact with them about this important project. As you know, they are dealing with some issues internally with the developers. We maintain close linkages to the people involved. We have a very close interest in this development.

**Senator EGGLESTON:** So is the federal government interested in a partnership in the port; joint development?

**Mr Deegan:** The agreement was for joint funding from the Commonwealth government and the state government. The Commonwealth funding allocated that subject to the advice of Infrastructure Australia.

**Ms O'Connell:** To clarify, in terms of that Australian government commitment, there was a commitment made in the 2009 budget for an equity injection of \$339 million. As Mr Deegan said, as the Australian government contribution is an equity injection that depends on the final form of the proposal and the assessment that is to be done by Infrastructure Australia. That commitment stands.

**CHAIR:** To clarify something, you said that it was joint funding. Was there a state government put on the Oakajee project at the time?

**Ms O'Connell:** Not at that time. That was a matter for the Western Australian government and the Oakajee proponents to develop a proposal. The Australian government commitment was made subject to the full development of that proposal by the other parties and the assessment, as Mr Deegan said, by the Infrastructure Australia council.

**Mr Mrdak:** Certainly the intention is that the Commonwealth investment will be matched by the state government.

**Senator EGGLESTON:** So the state will match the Commonwealth investment?

**Mr Mrdak:** In relation to the common user port facility. That is correct.

**Senator EGGLESTON:** And there are other proponents—Japanese, I believe—who have been involved in negotiations.

**Ms O'Connell:** Correct.

**Senator EGGLESTON:** It is very important, because there are three very big magnetite mines whose future depends on having a port. The Port of Geraldton is just totally crammed now.

**CHAIR:** Senator Eggleston, I apologise for coming in over the top, but we will go for a break and come back to you in 15 minutes time.

**Proceedings suspended from 10:30 to 10:45**

**Mr Mrdak:** Before the break I took a question on notice in relation to departmental leases. I have that information about the properties the department leases, including average rent per metre and the like.

**CHAIR:** That was the question from Senator Edwards?

**Mr Mrdak:** Yes, Senator Edwards and Senator Nash. I am happy to table that information for the benefit of the committee.

**CHAIR:** That would be good. Thank you very much.

**Senator EGGLESTON:** I have some questions about the Great Northern Highway in Western Australia, which is a major road, one of the busiest roads in Australia with all those trucks going up to the projects in the Pilbara and the Kimberley. I wonder if this is the right time.

**Mr Mrdak:** It is in the next item.

**Senator EGGLESTON:** I just looked over the page to nation building. But it is not actually a north-west road as much as a highway up the coast which goes from the south to the north.

**CHAIR:** I believe quite a few questions are going to come particularly from my Western Australian colleagues about nation building, so let's do questions on nation building now.

**Senator EGGLESTON:** I have an infrastructure question which happens to be about a road. In terms of national infrastructure, I would like to ask about east-west road linkages. At the present time the only east-west linkages are the Eyre Highway from Kalgoorlie to Adelaide and the Great Northern Highway from Kununurra to Darwin. In between are the 2,000 kilometres of the NT-WA border. There are three road issues. There is the Tanami Road from Katherine to Halls Creek, which is an important road which I will come back to. There are links between Alice Springs and the Pilbara. At the present time there are just dirt tracks from the Northern Territory border to Marble Bar and Nullagine, which go on to Port Hedland on highways. Then there is the Outback Highway from Kalgoorlie to Laverton and on to the East-West Highway, or Alice Springs to Kalgoorlie. Is there a plan to improve the east-west road links? There is this enormous gap in the middle of Australia. There are these enormous industries on the north-west coast, but to get to them you have to travel the long way around, either north or south. It seems to me there is a certain logic in improving those east-west road links.

**Mr Deegan:** I will answer part of the question and then Mr Mrdak might consider the rest. There are two parts to our work. Senator Macdonald mentioned previously our national ports strategy—the view of how we link our nation across its 42 more significant ports. That is the first piece of work in preparing our national land freight strategy. That document is available on our website as a draft document and we are undergoing a range of consultation with industry, governments, community groups and others. We have certainly had the Outback Highway raised with us, and indeed a submission has been put to us by the proponents of the Outback Highway, which we have been considering as part of this broader National Land Freight Strategy discussion. They have some views about tourism and some other benefits that we will consider as part of that process.

On the other roads you mentioned, while I have travelled on them, we have not had any particular submissions to date that I am aware of in that space. I am not sure that the department has. Mr Mrdak might be better able to answer you.

**Mr Mrdak:** Certainly the Australian government has in the past invested in the Outback Highway and some of those roads you mentioned, but there is no additional funding provided in the current program for those links you mentioned.

**Senator EGGLESTON:** Considering that you are talking about road links to ports, obviously the greatest ports in Australia are on the Pilbara coast. Port Hedland is the second biggest commodity port in the world and will soon become the biggest. Dampier is just behind it. If we are talking about east-west links to ports, then obviously road links into the Pilbara become very important. That raises the issue of road links from Alice Springs, I would have thought, through to Newman and the existing road structure in the Pilbara. Nobody talks about that very much. I know that Aborigines from the border area come into Newman and Marble Bar on dirt tracks, but the Northern Territory has roads to the border which sort of stop at the border. That, I would have thought, was a priority.

**Mr Deegan:** I should add that we have received a submission from the states of Western Australia and Queensland and the Northern Territory about road access for Indigenous communities, some of which would cross over the roads that you are referring to.

**Senator EGGLESTON:** They do.

**Mr Deegan:** The major focus of the port strategy—and potentially, into the future, roads in that area—is mainly the discussion of getting bulk product from the mine to the port. That is the chief focus of the port strategies in the Pilbara, Dampier and the like. We have spent a lot of time working with the office of the Pilbara Cities, the Western Australian government and the ports themselves in that discussion. There have been similar discussions with the Port of Broome and then further down the coast as we go down. So it is a key feature. As to the extent to which those roads cross back to the east, for us there is an issue about the freight demand. That is our primary focus and, because of the expense of these road projects, how in the future we would fund those as a nation. Those are part of the things that we are giving considerable thought to.

**Senator EGGLESTON:** A lot of road freight goes up the Great Northern Highway from the east. It would be quicker to go up to Alice Springs and into the Pilbara directly.

**Mr Deegan:** We are looking at some options. I do not know if that is the quickest way that we would consider. But in the National Land Freight Strategy we have raised the issue of shipping—and there is a subsidised shipping operation at the moment from Fremantle or Kwinana up into the Pilbara—and in the longer term whether we need to consider rail as part of that long-term thinking of the national infrastructure development.

**Senator EGGLESTON:** The other one I would like to raise is the Tanami Road, which runs from Halls Creek to Alice Springs and has been raised here before. I know that the Shire of Halls Creek has put in a submission about that which has gone to the federal government. The sealing of that road has been an issue for a long time, because it is used by the defence forces, tourists, the mining industry, the cattle industry and for Indigenous access to the coastal areas of the Kimberley. It is a very important road link. The road from Alice Springs to the border is quite good. From the border to Halls Creek, it is—

**Senator ADAMS:** It is a goat track.

**Senator EGGLESTON:** Senator Adams says it is a goat track. It is certainly in a very poor state. But there is, I would have thought, a very, very strong case for upgrading the Tanami Road. Recently at some hearings in Broome with the cattle industry, where the live cattle export ban was an issue, the pastoralists said that, if only that road had been upgraded, they would have been able to sell their cattle down into the south-eastern markets by getting them through Alice Springs down to the south-east. Is there a plan to seriously look at upgrading the Tanami Road?

**Mr Mrdak:** As Mr Deegan has indicated, various submissions have been made by the shire and in the past there have been certain discussions with the shire and the state government. The Australian government, as you know, has proposed the establishment of the Regional Infrastructure Fund. That is designed to provide for economic infrastructure to support regions such as the Pilbara and the north-west. Details of that infrastructure fund will be released by the government shortly. Obviously expenditure on that fund is contingent on the passing of the minerals resource rent tax legislation and the funding from that. They will be matters which government will consider in the light of that program. That is the program that is clearly looking to target economic infrastructure in the regions you have mentioned.

As I said, I am not sure which projects may be funded in the future under that program. Obviously that will be a matter for government, but certainly those types of roads you mentioned would be the sorts of projects we would be considering as part of that process. In looking at significantly large economic infrastructure, the Infrastructure Australia council will obviously have a role in providing advice to government on areas of investment, particularly for large investments over \$100 million.

**Senator EGGLESTON:** As I said, I think the Tanami Road is of enormous economic importance, and I am glad to hear that you are aware of its importance.

**Senator ADAMS:** In Western Australia the road through Kalgoorlie is going up to Wiluna to try to stop traffic having to go right down the Great Eastern Highway into Perth and then north. That goes from Kalgoorlie north. Is there a proposal in about that?

**Mr Deegan:** I am aware of a proposal. We are currently giving some thought to that at the moment, again as part of the National Land Freight Strategy. As you know, there have been discussions around a host of issues for that road linkage back into Kalgoorlie.

**Senator ADAMS:** It will certainly take a terrific lot of traffic and tonnage off the Great Eastern Highway, as well as the problem going through the Swan Valley and going north.

**Mr Deegan:** Western Australia is well advanced in preparing a Western Australian freight strategy, including future demand forecasts. They have been dealing with the various industry players, and that will be an important piece of information in advising governments on future infrastructure requirements, in farming in particular.

**Senator NASH:** I would like to take you to the tabled documents on the rental space. We had some discussions before about the cost of the rental of the building—the Deutsche Bank Place suite. Is that the building you are in?

**Mr Mrdak:** That is correct. It is 126 Phillip Street Sydney.

**Senator NASH:** We have had some discussions about the reason for the cost, but looking at these figures here I see a rent per square metre for the building Infrastructure Australia is in in Sydney of \$1,483.51 per square metre, coming to a total of just over \$1.1 million. The closest I can see to that on this sheet is \$839 per square metre. You might be able to help me, Mr Mrdak: what is at that Perth address?

**Mr Mrdak:** That Perth address is our original office in Perth. It houses our Office of Transport Security staff. We also co-locate a number of other Commonwealth agencies there.

**Senator NASH:** How many staff would be in that one in Perth?

**Mr Mrdak:** From the information provided earlier by Mr Wilson I think it is of the order of 25 staff. That is one of our substantial offices. The Perth office handles all of our offshore oil and gas security regulation and the like.

**Senator NASH:** Understandably, that would be a very substantial office over there. How many Infrastructure Australia staff are in the Dogger Bank—

**Mr Deegan:** We have 12 staff and a number of contractors. We make our facilities available to a range of groups, including the newly formed Infrastructure New South Wales. They use our boardroom for their meetings as well. That boardroom is used for a range of high level discussions around finance with people from the finance industry. We have been using that boardroom for meetings with people from the energy sector, the water sector and the transport sector. It is highly utilised, with there being many meetings in that boardroom facility as a consequence. When you are doing your calculations you need to recall that it is a substantial boardroom that is used as part of that process.

**Senator NASH:** I understand that. It is a significant difference when you look at it, though: \$800 to \$1,400 per square meter. I know that we have had these discussions before. I take your point about the boardroom meetings. In terms of taxpayer value for money, this is \$1.1 million a year in rent that we are talking about here. I know that you have indicated the boardroom is used a lot. Earlier in the year, you indicated that you were making the premises available. You have international guests on a regular basis. Last year you said: 'We have a range of players from the CBD of Sydney and people who fly in to our offices and find them a very convenient location for the types of meeting that we have had, such as with Canadian pension funds and deputy prime ministers from other countries.' I understand that all of those things are happening; I take that point. But how do you determine that that is value for the \$1.1 million that the taxpayers are spending for the building?

**Mr Deegan:** We have canvassed this a few times. The department entered the lease. It is in my view value for money for the taxpayers.

**Senator NASH:** I am not interested in your view; I am asking for the measure. What is the measure of the value for money of the \$1.1 million?

**Mr Deegan:** These are high level meetings with a host of players from not just across Australia but indeed globally.

**Senator NASH:** Okay. So what is the benefit to Infrastructure Australia of that?

**Mr Deegan:** The facilities that have been provided are an ideal location for those discussions.

**Senator NASH:** Okay. But what I am trying to understand is, from the perspective of the taxpayer—

**Senator Carr:** Do you want them to have a meeting in the park? What is the point of this, Senator?

**Senator NASH:** You have woken up, Minister; welcome; good morning.

**Senator Carr:** The officers have explained at some length the value for money of this.

**Senator NASH:** No, the officer has not explained at any length at all. I understand that these meetings take place—

**Mr Deegan:** Sorry, Senator: I think that we have had this discussion at least four times.

**Senator NASH:** I am glad that you remember them so clearly, Mr Deegan.

**Mr Deegan:** Over two or three years we have gone through this at extraordinary length.

**Senator NASH:** And we will probably have them again. That goes to show how important this is. What I am trying to get an understanding of, now that some time has elapsed and we can get a measure, is the measure of the value for money. I understand that these meetings are taking place. But what you have not been clear on for the committee is in an explanation of what the benefit of those meetings is. We understand that meetings take place and that you entertain high level delegations. That is all fine. But in terms of Infrastructure Australia, what is the benefit to the taxpayer of those meetings.

**Mr Deegan:** I will try a couple of other ways of answering your question. My senior staff are on performance agreements that are unlike other senior Commonwealth public servants. I expect them to contribute at least \$1 billion per annum to gross domestic product. They do that in a very different operating fashion to the traditional public servant. They bring people in from around the country to look at major public and private sector infrastructure investment opportunities. We are in the process of unlocking billions of dollars of new investment. The expenditure in the accommodation is in my view a very important part of that—

**Senator NASH:** I am sorry, you are not allowed to give a view. We are always told that departmental officers cannot give views.

**Mr Deegan:** I am just trying to give you an answer. If you do not want it, that is all good.

**Senator NASH:** Settle, Mr Deegan.

**Mr Deegan:** I am very settled; you would be surprised.

**Senator NASH:** I do not think so.

**Mr Deegan:** This is a question that you are entitled to ask. But we are entitled to give you an answer.

**Senator NASH:** Absolutely. I am entitled to keep speaking as well. Do go on.

**Mr Deegan:** All yours.

**Senator NASH:** So that is it? Okay. How many staff do you have that you expect to contribute \$1 billion to GDP?

**Mr Deegan:** My four Senior Executive Service level staff and my two executive level band 2 staff. And I try to do a little bit, too.

**Senator NASH:** Goodo. To date, what information can you supply to the committee about whether your staff have achieved or whether they have reached some milestones towards those individual \$1 billion contributions to GDP?

**Mr Deegan:** Each of those staff are well along the way to that milestone for this financial year.

**Senator NASH:** How do you measure that?

**Mr Deegan:** We go back and check exactly what sort of capital investment has been unlocked.

**Senator NASH:** That is exactly what I am trying to get to.

**Mr Deegan:** We're looking at a project in north-west—

**Senator NASH:** Hang on, this is very helpful. Of the funding that is unlocked, could you provide to the committee, and I am happy for you to take this on notice if it is not something you've got with you at the moment, what projects are being worked on where capital is being unlocked and contributing to the \$1 billion target for your staff.

**Mr Deegan:** Let me put it like this: the parliament and the Commonwealth government have not previously looked at our 42 major ports. As a nation we have not had a view of how our ports work and the issues associated with that. If you go to the port of Gladstone you will see a 50-year master plan document that would be, I imagine, in its 20th or 25th year. There is now some \$20 billion worth of new investment on top of the capital already expended in the port of Gladstone. If we, as a nation, can bring each of our ports to even a fraction of that level, by having a serious strategic view and discussion about how we bring our ports back to contribute more to the economy, that is an important part of the work that Infrastructure Australia and indeed Minister Albanese will contribute to our great nation.

Our National Land Freight Strategy is looking at a very different model of funding and investing in our road system and our rail system. The reliance on simply hoping that government will have the funds to contribute to the various roads that Senator Eggleston raised is one that will leave the country short. We do put our effort into

thinking about these things and into bringing more private investment and a different way of thinking about how some of these future investments might take place. Yes, we are in an office where we feel comfortable bringing private investors in, bringing some of these major companies in, and looking at the ways that the nation may build.

We have also had the privilege of working with a range of Indigenous communities about Indigenous infrastructure issues. I think they're as entitled to come to a forum where their views are treated seriously and taken appropriately. So, Senator, I think we do provide value for money and I'm comfortable putting our processes up against any others.

**Senator EDWARDS:** I feel quite patriotic. We all want Australia to grow and we all want those things you talk about. A lot of the investment is driven by the market, not necessarily by your department—you're a facilitator. I think Senator Nash's question goes to value for money from the people who are in your office and to whether they are meeting their KPIs and those types of things. I don't think you can question whether we are in any way—

**CHAIR:** Senator Edwards, do you have a question or is this a statement?

**Senator EDWARDS:** I guess I would like to know if there is a system where you address those KPIs with those seriously credentialled people in your office.

**Mr Deegan:** Yes, it is part of our performance arrangements that we have those discussions. They need to provide evidence that they have met those targets.

**Senator NASH:** Great. Thank you, very much. That was very helpful, Senator Edwards. Those targets and those KPIs: can you provide to the committee the benchmarks that your staff have to meet?

**Mr Deegan:** Let me take that on notice.

**Senator NASH:** I would think that taxpayers would like to know what process is in place. I take the point that you have made a number of times now, that it is important to send, I think these were your words, 'a clear message about their engagement with the cities and thought it appropriate to have the Major Cities Unit both collocated with Infrastructure Australia and in the nation's largest city.' I accept that; that's absolutely fine. What I and my good colleague Senator Edwards are trying to understand here is the process by which you determine value for money. I think we are getting somewhere today. If you could provide for the committee the key performance indicators that Senator Edwards was talking about, those benchmarks that you use to determine whether or not that \$1.1 million of taxpayers money is value for money, it would be extremely useful.

**Senator EDWARDS:** To be fair, it is over \$100,000 a desk.

**Mr Deegan:** I will take the question on notice. Senator Edwards, you were not present before, when I indicated that a large part of that premises is devoted to a boardroom. That boardroom is used by a host of players, not only by the Infrastructure Australia council, but also the council of Infrastructure New South Wales, which uses it for its council meetings.

**Senator EDWARDS:** So that is a cost recovery?

**Mr Deegan:** No, we provide that as part of—

**Senator EDWARDS:** Free of charge?

**Mr Deegan:** Yes.

**Senator EDWARDS:** I agree with that; you just have to put it all in context.

**Mr Mrdak:** Can I just clarify again that these property leases were put in place before Mr Deegan arrived and reflect departmental decisions.

**Senator NASH:** I understand.

**Mr Mrdak:** We are on the record in relation to the process that was undertaken in securing of this lease, including independent advice on the tenancy rates and the like which went into that. We review our leases regularly to ensure that we are getting value for money in the locations we have.

**Senator NASH:** That is good. I do not have a problem with the premise, as you know, Mr Mrdak. We are just trying to get an understanding of how you measure this on an ongoing basis. Finally, the other cost associated here is per annum rental for the car parks, which is nearly \$30,000 a year—\$28,320—for two car parks. Is that value for money—\$15,000 a year a car?

**Mr Mrdak:** That similarly reflects CBD parking rates in Sydney. That was commercially tested at the time we took out the lease, and we continue to keep that under review to make sure we are getting value for money.

**Senator NASH:** Are both those car parks utilised?

**Mr Deegan:** They are, yes.

**Senator NASH:** Do you draw straws or have a roster?

**Mr Deegan:** I do not know; I do not use them.

**Senator NASH:** But they are used. In terms of the use of the boardroom—and I understand this is obviously a large part of the floor space of the building—what are your guidelines for people who approach you who want to use the boardroom?

**Mr Deegan:** At this stage it has simply been other government agencies—either Commonwealth or state—who have sought to use that. There has been some discussion as to making the space commercially available. We have not taken that route as yet.

**Senator NASH:** What about international guests?

**Mr Deegan:** Yes, I have raised that before.

**Senator NASH:** But what are the guidelines for international guests?

**Mr Deegan:** Government officials and large private sector investment groups have sought to meet with us or to use those facilities as a base. Our colleagues from the equivalent body in New Zealand and the private sector have used that boardroom as a base for a series of meetings they have been having. We try to use that as part of a facilitating role with colleagues from not just other parts of the country but other parts of the globe.

**Senator NASH:** You say also 'a range of players' from the CBD of Sydney. What sort of people would come under 'a range of players'?

**Mr Deegan:** People like Mr Greiner, Mr Max Moore-Wilton who are part of the Infrastructure New South Wales board have used that. A number of business people have come and met with us and used those facilities as part of, again, having a place to deal with other players. Also members of parliament have used it.

**Senator NASH:** In terms of the people who come through and use the boardroom, do you on a regular basis—obviously you would keep track of who uses the boardroom; that goes without saying—extrapolate the benefit that has gone to Infrastructure Australia from those people being there? I guess there would have been a number of occasions when you have had people through there which has led to investment into projects. Do you document that or do you try to look at the linkage between the use of the boardroom and the investment?

**Mr Deegan:** They are decisions that I make at the time.

**Senator NASH:** Do you have any process or is it just your perspective of it?

**Mr Deegan:** I make judgments. My judgment is that there is considerable value for money in having groups like Infrastructure New South Wales sharing a common facility in a boardroom. I do not think there would be many people in New South Wales who would see that as a problem but rather would consider that a very useful and productive way of working together.

**Senator NASH:** I am sure they would, but I am sure the taxpayers want a little more than just your judgment.

**CHAIR:** Senator Nash, with great respect, Mr Deegan was halfway through his answer.

**Senator NASH:** Sorry, Mr Deegan.

**Mr Deegan:** Given the issues that have arisen in the last number of years in the state of New South Wales and for its capital city of Sydney, the opportunity for Infrastructure Australia and Infrastructure New South Wales to work very closely together and collaboratively would be, in my view—and you can test this with the taxpayer—value for money. I would be surprised if many taxpayers thought it was a bad thing that, finally, we have the two peak groups, one from the Commonwealth and one from New South Wales, working so closely together that we share the boardroom. I think I have put that to the test anywhere.

**CHAIR:** Would I be right in assuming that the work of Infrastructure Australia is recognised both nationally and internationally.

**Mr Deegan:** Thank you. It is an excellent question!

**CHAIR:** I thought so myself!

**Mr Deegan:** The model created by the current government of having the public and private sectors working together in a collaborative fashion on some of the nation's biggest challenges has proved to be replicated in New South Wales and in Tasmania. There are discussions in other jurisdictions about the same process. There is a similar body in New Zealand. You would be aware of Infrastructure UK. And there is a like body in Canada, but with not quite the same structure. There is international interest almost weekly in the sorts of things we are doing

as a consequence of the model we have developed. Minister Albanese is taking it further because he has seen the benefit of having industry closely involved in the decision-making process. I think that is a positive sign for the nation.

**CHAIR:** I have to agree with you!

**Senator WILLIAMS:** Looking at the construction infrastructure building going on in Australia—and a lot has to be done in the future—do you have a problem getting enough machinery and workers, given that so much is happening in the mining industry where the rollers, dump trucks, graders et cetera are? Do you have a problem with machinery being available to do a lot of infrastructure, like road building et cetera?

**Mr Deegan:** It is a sensible question. The issues of capital machines and labour are ones that are considered. The government is working in the skills area and the development of skills. Generally, particularly with road building, the machinery moves from one job to the next. The mining industry tends to have it reasonably static, depending on the work activity. Indeed, as the price of minerals goes up and down they try to move to other areas. I think that is generally handled pretty well by the private sector. Occasionally there will be timing issues—'we need it today,' and it will not be here until tomorrow—but by and large I think that is going okay.

**Senator WILLIAMS:** Would there be a problem where the workers in the mines get paid big money? I see there are mechanics walking out of a Ford dealer on \$40,000 a year and going to the mines on \$150,000 a year. Are you seeing a drain of labour out of the grader and roller driver jobs where they are probably not getting paid anywhere near what the miners get? Are the miners taking a lot of those operators?

**Mr Deegan:** Sure. The market mechanism will draw that labour to those areas. That is causing some opportunities for parts of Australia that may not have had as much work as previously. But, also, there are some challenges for those towns. I was in Emerald and Dalby last week and there is an issue about providing sufficient housing to attract those workers. So there is a host of those issues that I think part of our work, and a number of other agencies, is focusing on.

**Senator COLBECK:** I have a question in regard to the discussion you were just having in response to a question from the chair in relation to the model, and I think we have had a discussion about this at previous estimates. I agree that the model has some real potential. In light of the decision of the private sector to effectively move out of the port of Bell Bay, and that being the prime spot for investment in Tasmania of funding through this process—it had been identified through some discussions between the Commonwealth and Tasmania—the engagement of the private sector obviously becomes a really important part of that process when, for whatever reason, that port now unfortunately does not seem to be providing the potential that it could. Could you expand on your previous comments in relation to that particular issue? Also, what is happening in discussions with the Tasmanian government about the priorities for that project?

**Mr Deegan:** Bell Bay remains a key focus of our work, in two parts. Part of the National Ports Strategy is to ensure that as a nation we are thinking about how the ports link together and then link internally back, in this case, to other parts of Tasmania—the road network and the rail network and the issues that sit with both Bell Bay and Burnie and what will happen into the future. We have a submission from the Tasmanian government about Bell Bay. We have met with the now Premier about Bell Bay and indeed we recently met with the new chair of the equivalent body, Tasmanian Infrastructure, and we are having further discussions about the future of that port and what funding might be required as a consequence. So it is still a live issue for us and we take that very seriously.

**Senator COLBECK:** As it should be, but how does it fit with where the market is actually going in respect of the freight task? I understand that there are a whole heap of intricacies in the Tasmanian context—regional, political and all that sort of stuff. You have effectively got three competing sites across the north of the state with their own demands and local issues. It appears that what is happening in the two north-western ports is significantly impacting on what might be a structural desire, and the market is moving to those two ports rather than to Bell Bay.

**Mr Deegan:** I think you are right. There are a series of intricacies, including within the market; they will take the opportunities as they arise. We are involved in some of those discussions. We are aware of those changing circumstances, particularly with the providers to and from Melbourne, and indeed some of the issues that are affected in that discussion within Melbourne.

**Senator COLBECK:** Does the provision of international services come up as part of this overall equation, which is a particular issue in Tasmania at the moment, given that there is not currently a direct export service to any of the Tasmanian ports?

**Mr Deegan:** To the extent that we are involved, we are interested in the future development of the port and then what services they will be seeking into the future, so again that long-term thinking. In terms of the detail of current decisions, not directly are we involved but clearly we keep an eye on those developments.

**Senator COLBECK:** But surely where the market is looking to see a service provided, that has to be a part of the overall thinking of this process, does it not?

**Mr Deegan:** That is right, and we are encouraging the ports to undertake that thinking.

**Senator COLBECK:** In Tasmania, how does that work, given that you have got effectively one authority driving it?

**Mr Deegan:** There are different models in each of the states. That seems to work effectively for Tasmania. It is a model that others have considered, have operated on. There are changes in those models as time goes on.

**Senator COLBECK:** Thank you.

**Senator EDWARDS:** Could you give me a couple of project updates, firstly, on the National Land Freight Strategy and, secondly, on the National Ports Strategy.

**Mr Deegan:** I have given this answer twice, so let us see if I get it right the third time. The Council of Australian Governments asked the transport ministers to further consider the National Ports Strategy. It was conceded by transport ministers at the last meeting in Alice Springs and there has been further consultation undertaken. It is on the agenda for transport ministers in the next few weeks, hopefully to finalise the document. In any event a number of the ports are taking forward the 50-year planning work that is recommended as part of that strategic thinking.

In relation to the National Land Freight Strategy, a discussion document was circulated earlier this year. There has been considerable consultation about the National Land Freight Strategy, and indeed a number of members of parliament have raised issues with us as part of that process. The Infrastructure Australia council will consider a further draft of that piece of work later this year and we are hopeful that that will go to the Council of Australian governments early in the new year as a recommendation.

**Senator EDWARDS:** Can you provide an update with how your Infrastructure Finance Working Group is going. How many submissions have you had?

**Mr Deegan:** The Infrastructure Financing Working Group was created as a committee under Infrastructure Australia and is chaired by Mr Jim Murphy, Deputy Secretary of the Commonwealth Treasury. There are a number of private sector members of that group and other senior public servants, including Mr Mrdak. That working group put out an issues paper a couple of months ago and we have received a number of very sensible and quite solid submissions—I think 28 was the last count I had. There are detailed pieces of work from the private sector on opportunities for infrastructure financing. At the request of our minister we are organising a public conference on these issues early in November and we hope to canvass the recommendations of the working group at that stage for further consideration by the Infrastructure Australia council later this year. We will subsequently provide advice back to the Commonwealth.

**Senator EDWARDS:** Is the interest coming from domestic or international groups? Where are the submissions coming from?

**Mr Deegan:** A combination of both. The Canadian pension funds are keeping a close eye on opportunities in Australia. There is also interest from our superannuation fund here, our merchant bankers and the major banks. There are a host of players involved in this space.

**Senator EDWARDS:** Sovereign wealth funds?

**Mr Deegan:** We have not received a direct submission from a sovereign wealth fund, but there is certainly interest from overseas players. It is a different model to what is happening in other countries, so there is a lot of interest in how we are managing this process.

**Senator EDWARDS:** When will you be handing this down? You have your conference in November, and when do you think you will be starting to table your recommendations to the minister?

**Mr Deegan:** The Infrastructure Australia council will consider a document later this year, so hopefully either later this year or very early in the new year there will be a series of recommendations to the Commonwealth.

**Senator EDWARDS:** Can you give me some idea of the kind of money that you and the business group that we talked about earlier are looking to raise, in general terms?

**Mr Deegan:** The requirements for infrastructure investment in the country range from \$300 billion. That is a figure we use. Some of the private sector groups have much larger numbers. Into the future, again as part of this

long-term planning, there will certainly be at least tens of billions of dollars and potentially more required for our infrastructure arrangements. That is not money that in the current scope of things would be provided by government, so in my view there will need to be some changes to the funding arrangements to bring the private sector into play more.

**Senator EDWARDS:** So we will see a movement to PPPs.

**Mr Deegan:** As you may be aware, Infrastructure Australia has put together with the jurisdictions for the first time a set of national guidelines for public-private partnerships. Again, there is considerable interest in that both here and overseas. So we expect a lot more public-private partnerships, perhaps in a different form to some of the arrangements that have happened to date.

**Senator EDWARDS:** For example, in toll roads?

**Mr Deegan:** I think there will be a much sharper focus on the forecasting models, and indeed the department is doing work on forecasting models at the moment to ensure there is value for money for all the players involved.

**Senator COLBECK:** I have some questions around public-private partnerships. One of the issues of concern to the private sector has been effective bid costs. Unless you have a \$100 million project, minimum, you are not really in the game. What work is being done around those sorts of things? We need something broadly consistent. Each state has its own models and we are talking about a real lack of consistency across the model of engagement for public infrastructure. Is any work being done to try and pull all that together and get some consistency?

**Mr Deegan:** That is a very important issue across the nation. We have undertaken two pieces of work. The first was an assessment of bid costs against international experience. By and large—that is an important qualification—Australia was not too bad. But there remain significant issues and we are currently undertaking some further work comparing the cost and time lines for a host of procurement issues across government and across the nation. This is both for design and construction contracts. We are dealing with major infrastructure rather than the smaller jobs—PPPs, alliances and other contracting models that people are using. How long, for example, and what is the nature of an expression of interest for a major road if you are already prequalified? The infrastructure working group, which involves the states and the Commonwealth, under the chair of Minister Albanese, has done a lot of work on harmonising the prequalifications. So that if you are prequalified in New South Wales, you are prequalified in South Australia and the like. That is an important first step.

The next step is to go into the detail of the contract assessments so that we understand that if you are a major contractor, do you need to do a detailed expression of interest to get to the short-listing and indeed then should the short-list be two or three rather than four or five? If it is two or three, then how do you handle best and final offers in that process, which is currently through government trying to drive better value. But there is a significant cost for the private sector if those processes are not exercised efficiently.

We are undertaking a lot of work in that space. Again, as you would expect, there is a lot of interest from industry. There is an enormous amount of interest from government in how to get these processes refined and, preferably, harmonised. What we are trying to do is see what is best in class and give that as a guideline for other jurisdictions and, indeed, for the Commonwealth itself in this procurement work.

**Senator COLBECK:** You mentioned New South Wales and South Australia—

**Mr Deegan:** Just as examples, so you are looking right across the nation.

**Senator COLBECK:** So you are looking to make that work more broadly across the country.

**Ms O'Connell:** Mr Deegan referred to the national prequalification. That came into place on 1 January this year and has been a standard since 1 January. It is a national standard, so if you prequalify on a project, then you have prequalified across all jurisdictions. I think Mr Deegan was just giving an example.

**Senator COLBECK:** That is fine.

**Mr Deegan:** It is a very important reform, one of the unnoticed reforms that the current minister has taken through. For industry, it is a very important part of this work.

**Senator COLBECK:** What about some basic principles around bid conditions. I have heard in the past a lot of criticism about things like upfront payments and that some projects had the capacity to considerably skew, even down as far as the tolls that were charged as part of, say, a piece of road infrastructure. Is any work being done to preferably remove those sorts of practices?

**Mr Deegan:** Certainly, as part of the work on PPPs, the national guidelines do, to some extent, deal with that issue. This current review of the contracting arrangements will also seek to ensure that the financial terms for engagement with a bidding process are clear from the start. In some cases, upfront payments are not necessarily a bad thing but, in some other cases, it has not been best practice.

**Senator COLBECK:** We are trying to put some parameters around a description of where they might be best practice and allow that process to occur in that circumstance but discourage it in areas where it might not be.

**Mr Deegan:** For example, if you want to build a road in a difficult piece of geography, do you want each of the contractors to bid, based on their geotechnical work or do you agree an upfront payment for one geotechnical report? It is that more common sense approach. Some contractors will say, 'Thanks, but we'd prefer to pay for our own geotech,' because they may have a different approach to how it is built. Or there might be a design standard that people work to—for example, on bridges. You are prequalified to do that but, given that you might want to get best practice in bridge building—for example, from the Italians who are very good at building bridges—do you do that as an upfront payment for a standard design or do you want to do your own design consideration as part of your tender? It is those sorts of issues that we will try to grapple with as part of this process, as well as the efficiency and timing of knowing exactly how that might work and the proper role of probity orders.

**Senator COLBECK:** But with those principles in place, and allowing for those individual decisions to be made, you can then deal with that as part of the assessment process. If a contractor says, 'We would like to do this this way', there is a capacity within the process to make a reasonable assessment of that individual circumstance within the broader offer process.

**Mr Deegan:** You have summed it up quite well, Senator. That is what we are trying to do and the bottom line is how do we drive value for money and get more projects up and get more things moving. That is part of that work.

**Ms O'Connell:** In terms of being highly project dependent, one of the things that the infrastructure working group—which is all jurisdictions and the Commonwealth together—has released over the last 18 months are two compendiums of best practice examples of construction, which includes the methodology behind the bid approach et cetera. There are two available resources going through the details of some of the projects that are considered to be best practice examples of both the contract negotiations and the actual constructions of those infrastructure projects. Part of that is to say that there is not one single 'vanilla best' way of doing it; it is going to be very project dependent and quite market dependent. It is also fair to say that knowledge of methods of contracting and ways of doing things do evolve, so you do not want to stifle that evolution. The infrastructure working group thought being able to document some best practice examples was a good way to improve awareness of some of the tools and techniques available that can be applied, depending on the type and nature of the project.

**Senator COLBECK:** The national guidelines for PPPs are being or have been finalised?

**Mr Deegan:** They have been finalised; they are available on our website. If you want the hard copy version I am happy to get it to you, but it is about three feet thick.

**Senator COLBECK:** No, they are easier stored on these things.

**Senator EDWARDS:** Given that you have this PPP facility that gives you access to capital—under our current government there is unlikely to be capital available for infrastructure projects—and going back to an earlier question from Senator Nash: as part of your KPIs, do you have a sense of the number of billions of dollars you are trying to bring forward for projects over the next 12 months for things that are desperately needed in the country and that you would like to get over the line during through access to capital through this method?

**Mr Deegan:** We are doing a lot of work in this space with the private sector, particularly through our finance working group. Clearly, there is a need for \$200 billion to \$300 billion worth of work over the next 10 years. If you break that down, it is \$20 billion or \$30 billion a year. I think the Commonwealth land transport budget, right across the nation, is in the order of, let us say, \$10 billion—it might not be quite that much. It is an improvement on previous years, but it still leaves quite a challenge. We have a number of projects that we are considering as part of our normal course of work and we are looking at other opportunities for private capital to invest in a range of brownfield and greenfield assets across the country.

**Senator EDWARDS:** Are there any particular projects which you have prioritised as a desperate requirement?

**Mr Deegan:** There are two parts to that again. We produce a report each year where we identify projects in one of four categories: those that are at early stages of development right through to those that we consider economically viable and worthy of investment. The private sector is considerably interested in those. Through the infrastructure financing working group we are working up the detail of how the private sector might fund those, again in broad parameters without taking away the intellectual property of those investors who might be interested. Those projects are again in the tens of billions of dollars collectively.

**CHAIR:** One thing I have learnt in the last hour and a half, Mr Deegan, is I do not think there is an argument that we as a government are getting value for money from Infrastructure Australia. I thank you, Mr Deegan, and we will see you next May.

**Mr Deegan:** Thank you, Senator, both the council and my staff greatly appreciate that final comment from you as chair.

[11:39]

**CHAIR:** We now call the Nation Building—Infrastructure Investment officers.

**Senator ADAMS:** I would like to ask some questions on the Roads to Recovery program. May I firstly say what a successful program it is. The shires in Western Australia certainly would like it to continue, but unfortunately, according to budget papers, the funding runs out in forward year No. 2, which is 2013-14. Is there any plan to extend this successful program?

**Mr Jagers:** The Roads to Recovery program is part of the broader sweep of nation-building programs. The government has funded those programs over a five-year period. We are about in the middle of that period at the moment. The government has not announced how the next phase of the Nation Building Program will be delivered. We know that the government has no plans to withdraw funding from the Roads to Recovery program, but decisions will need to be made in the context of the next allocation of funding towards nation-building programs.

**Senator ADAMS:** With the current COAG requirements for asset and financial management planning to be based on a 10-year cycle, it is necessary for certainty to be applied to road funding, and a decision on an extension to the Roads to Recovery program would be part of this cycle. Do you adhere to the COAG 10-year planning cycle?

**Ms O'Connell:** That is a question for government—whether it invests and continues to invest in Roads to Recovery on an ongoing basis. As Mr Jagers said, there is a commitment there over the six-year period of nation building from 2008-09 through to 2013-14 for Roads to Recovery as a standard component of the Nation Building Program. It will be a decision for government in looking at the next phase of nation building.

**Senator ADAMS:** It is just the concern of the shires that they are trying to adhere to the COAG requirement of that 10-year cycle. We are getting close to the end, so they do need certainty. Plus it is estimated that there are \$1.2 billion worth of road repairs that need to be done throughout the nation. These are the issues that are concerning them.

**Mr Jagers:** There is \$1.75 billion that has been allocated under the program over the current period of the Nation Building Program. Seven thousand one hundred projects have been identified that are being delivered under the program under that funding phase, so we agree it has been a very successful program.

**Senator EGGLESTON:** I would like to ask a couple of questions about the Great Northern Highway, which is one of the two roads running up into the north-west, into the Pilbara, where the North West Coastal Highway and the Great Northern Highway join. It is a very busy road and carries a lot of traffic. Firstly, there are still some very narrow bridges in the Kimberley north of Broome—for example, over the Fitzroy coming into Derby and north of Halls Creek. They are very narrow bridges—one vehicle wide—which just are not appropriate, I do not think, on a highway as busy as that carrying the kind of heavy traffic and trucks that it does. What plans are there to widen the bridges on the Great Northern Highway?

**Mr Jagers:** I do not believe we have received anything specifically from the Western Australian government about those particular bridges—or certainly no request for funding at this stage. That is my understanding.

**Senator EGGLESTON:** I am very surprised and, I must say, even shocked to hear that, because they are very dangerous and they are an impediment to the flow of traffic. The next issue is similar and is about the 10-kilometre stretch of the Great Northern Highway between Bindi Bindi and Miling. This is a very, very narrow stretch of road. It is very dangerous to have big trucks going up there with personal vehicles coming either way. The member for that area is Mr Barry Haase, who asks why emergency funding cannot be found for the 10-kilometre stretch of road between Bindi Bindi and Miling, which is definitely a fatality waiting to happen. It is certainly an issue in Western Australia. What kind of funding is available to widen that road to make it at least as wide as the rest of the highway and prevent probable fatalities, which will inevitably occur there?

**Mr Jagers:** I will ask Mr Pittar if he could outline some of the work that we are doing on the Great Northern Highway and then we can answer some further questions about where you consider there may be gaps.

**Mr Pittar:** As Mr Jagers said, there has been a range of work that either has been undertaken on the Great Northern Highway or is currently being undertaken on the road. As you well know, it stretches from just north of Perth Airport right through to the northern areas, so I will focus my comments on the more northern areas.

**Senator EGGLESTON:** All the way to Kununurra.

**CHAIR:** All the way to the border.

**Mr Pittar:** As I said, I will focus my comments on the more northern parts of the Great Northern Highway in Western Australia. In particular, those works have focused on roadworks near major ports to facilitate the flow of materials through those ports. For example, there have been projects around Port Hedland that have upgraded the Great Northern Highway at the Pinga Street, Wallwork Road and Port Hedland Road intersections. These new intersections are complemented by a fourth lane on the Great Northern Highway between Wallwork Road and Port Hedland Road intersections. The total project cost there was \$12 million and that work was completed in 2009. Current works that are underway also in the vicinity of Port Hedland include the realignment of the Great Northern Highway from south of Wedgefield around the west and north of the Wedgefield industrial area and back to the existing Great Northern Highway and Port Hedland Road intersection. That is a total project cost of around \$188 million, with Australian government funding toward that of \$154 million. That work is currently in planning and we expect construction to start next year. That highlights a couple of the main sorts of work that are occurring around Port Hedland.

There has also been work done on the traveller information system through the Kimberley region. That work has also been completed and was of the order of \$700,000. That was to research best practice in flood monitoring for remote roads in Northern Australia. That is a flavour of some of the work that has been completed or is in prospect for the Great Northern Highway in the northern area of WA.

**Senator EGGLESTON:** Thank you. I am very familiar with those road upgrades around Port Hedland. Port Hedland already has a very good road system. You said nothing about the bridges north of Broome—that is a major area that needs addressing—nor anything about the specific issue which the member for Durack has raised on this Bindi Bindi stretch, which is an area of real concern because there will be a fatality there. I would be very interested to hear about that and, in general, what your role is as the Manager of North West Roads, because I did not know we had such a position. Please tell us what your brief is.

**Mr Mrdak:** Perhaps I might start. In relation to the position on those roads you mentioned to the north-west, we are happy to take on notice any such matters. We are currently in the process of working with Western Australia, as Mr Jagers outlined, on the future investments in the national investment program. We are not familiar with and do not have any proposals in relation to those bridges or that road you mentioned on behalf of Mr Haase, but I am happy to take that on notice and come back to you with any information that we may glean from the state of Western Australia in relation to their plans. I will ask Mr Pittar to outline—

**CHAIR:** Before you do, may I just add something while we are talking about the north-west stuff. It is a passion that I have had for a very long time. Am I right in assuming that if there are major requests for road upgrades or bridges to be built it must come from a state government?

**Mr Mrdak:** Yes, that is right. We generally rely on advice from the state. Obviously we do not have offices in that area, so we rely on advice from the WA authorities in relation to those matters. We look at project proposals from the state and then the Commonwealth reaches a decision as to whether it can or should fund such upgrades.

**CHAIR:** Before my colleagues pounce on me for being political, I am not. There have been a number of government changes there since the days I was out there trucking in the blue singlet in the late seventies. That is very clear: the state governments have to take responsibility. The state governments have to extract a digit and start looking at what is going on up the road and what is not going on and start making applications. We as Western Australian senators should be putting the pressure on our state government.

**Senator EGGLESTON:** There is a manager of north-west roads though. I would have thought that that meant the federal government was taking an interest in that road. Mr Pittar, I would appreciate hearing what your role is and whether you have actually driven up the Great Northern Highway.

**Ms O'Connell:** Just in terms of the relationship between the Commonwealth and states, roads in a state are assets of the state and so any decision by the Commonwealth to invest has to be done in cooperation with the state. The way that we have termed our internal structures, which Mr Pittar is about to describe, is a mechanism we have used in looking at the Australian government funding contribution and how we best manage that. Within the nation-building investment area that Mr Jagers manages, we have effectively divided Australia into two parts in order to manage and oversight the investments and the relationships with those specific states. I will ask Mr Pittar to outline his areas of responsibility within that description.

**Mr Pittar:** The description of north-west roads essentially covers the nation-building investment program for four states—Queensland, the Northern Territory, Western Australia and South Australia. Essentially my branch covers responsibility for program funding for roads in those four states. It is complemented by another branch which performs much the same function for south-east Australia.

**Senator EGGLESTON:** We do not consider South Australia part of the north-west, I have to inform you.

**Mr Mrdak:** It is an administrative arrangement for how we have allocated responsibilities within our department.

**Senator EGGLESTON:** It is good to know that there is that administrative arrangement and that there is an officer responsible for those roads. I take on board the point made by the chair that the state government has to initiate, it seems, requests for assistance to improve the road. But just as a matter for your interest I do call attention to the problems of the very narrow bridges in the Kimberley and the issue of the very narrow road over the 10 kilometres in Bindi Bindi because that is a very serious hazard. It is waiting to be an accident.

**Mr Mrdak:** As I said, we will take that up with the state government.

**Senator EGGLESTON:** There is one other issue that I will call your attention to again. The Great Northern Highway runs up to Newman and then goes left, if you like, over towards the Hamersley Ranges and up along the Turner River to join the North West Coastal Highway west of Port Hedland. Then it continues from Port Hedland, up to Broome and so on to Darwin. But there is this sort of strange square: instead of going directly north it goes west then north then east. Many people in the trucking industry have suggested that there is a lot of common sense in taking the Great Northern Highway along what used to be this route to Nullagine and then to Marble Bar, where it would join a surfaced road to join the Great Northern Highway 180 kilometres north along the coast. I just want to flag that as being a very sensible proposition. I do understand from what has been said that, again, it would be a matter for the state to make a proposal to the federal government for that route change in the highway. But I do make the point that it would save the trucking industry a lot of money in petrol and certainly facilitate traffic into the Kimberley area, rather than going through the very busy roads around Port Hedland.

**Mr Mrdak:** As I said to Senator Macdonald earlier, the roads in that area follow the former national highway network. You are absolutely right: it would be a matter for the state government to make the case to the federal government for any changes to the national network which made alterations to the existing route structure and has historically tracked the national highway.

**Senator EGGLESTON:** I suspect the diversion was made to encourage tourists to visit the Hamersley Range National Park. Nevertheless, the trucking industry would prefer the old route, I think. Thank you, though.

**CHAIR:** We might be able to access some Royalties for Regions funds, Senator Eggleston, if we do it together!

**Senator BACK:** Perhaps I can just add to the comments of my colleagues. It was put to me the other day in a Roads to Recovery discussion that 400 million tonnes of freight are now moved on Western Australian roads, as opposed to rail. That figure is growing. The road that Senator Eggleston just drew attention to is not just an accident waiting to happen; we know it is already happening. So I join him in that request.

Speaking of state roads, the other day I was in the shire of Narembeen, a wheat belt state. All of their roads are local roads. There is not a single kilometre of bitumen that is state or federal. The concern they have all been putting to me in terms of Roads to Recovery is that these roads were designed and built in the 1950s, when grain trucks were six or seven tonnes. There are now B-doubles pulling 60 tonnes of grain. Going in the opposite direction I saw photographs of school buses trying to pass or being passed by B-doubles full of grain, as well as kids driving Mazda 121s without the knowledge of how to drive a car once it gets into that rough bit on the edge of the bitumen. I do not have a question, and the comments will be brief, but you need to understand how desperately concerned shires in Western Australia are about the ceasing of the Roads to Recovery program. They would say that the funding from the Commonwealth, in conjunction with what they themselves are then able to forward plan, has been a remarkable success. I am not going to ask the minister what the plans are, but whatever that time gap is between the ceasing of one and the announcing of something to replace it, I do urge that you understand how important it is to make that gap of time as short and as limited as it can be. This has been an incredibly important program and, as I said, that figure of 400 million tonnes of freight on roads is, I think, a statistic worth taking away.

**Mr Mrdak:** I can assure you that I think everyone in the government would share your view of the importance of Roads to Recovery. While the government is yet to announce the details of the next Nation Building Program, the government has certainly given no indication of not continuing Roads to Recovery, as Mr Jagers indicated earlier, and every indication that that has been a very successful program.

**Senator LUDLAM:** Regarding the road stretch that Senator Eggleston was referring to, I wonder whether you are aware that between Wiluna and Meekatharra a stretch of the key freight route between Kalgoorlie and the north-west coast is actually still dirt; it has not even yet been paved. To your knowledge has a proposal ever come forward from the Western Australian government for sealing that very dangerous stretch?

**Ms O'Connell:** I will have to take that on notice and get back to you.

**Senator LUDLAM:** If you could. I have raised this one before. Mr Jagers is nodding. I wonder whether you have any distant recollection of it. I have raised this one a couple of times.

**Mr Mrdak:** We are certainly aware of it. The last time we raised it I think the position at that stage was that we were not aware of any submission. I do not think the road is on the national network, from memory. I will check again, but I think the short answer is that I do not believe we have received any submission to this point.

**Senator LUDLAM:** That is remarkable. I will leave it there and come back with some other stuff.

**Senator IAN MACDONALD:** As the secretary will know, I am always a great fan of his, and the work he does in his department. Your congratulations earlier for the way questions are answered really disappoints me. For example, I will refer you to the answer you gave me in writing to question No. 39. At last estimates I asked for a list of works. I was referred, unfortunately, to a very, very complicated website. I just spent half an hour typing it in now—I have only received these questions a few days ago—and I have a redirection web page saying 'The page you are looking for cannot be found. You may be able to find information that you are after from the home page or by using the search engine.' That question was not particularly useful.

In question 43 I was told 'We will find that and get the details to you.' Again, I am given a website on [nationbuildingprogram.gov.au](http://nationbuildingprogram.gov.au). That is all fine if you have a staff of 982, which you have, Mr Mrdak. I have a staff of four. So, when we ask for details, if it is that easy to give us the web link that does not work, can you make sure your staff print it out and provide it to the committee in the future.

**Mr Mrdak:** My apologies. I will investigate what has happened with the web link. I will endeavour to provide that information for you as quickly as I can.

**CHAIR:** If it will help, Senator Macdonald, I have just been informed someone listening did just follow the web site you were just talking about and it clicked on.

**Senator IAN MACDONALD:** I have just done it. The web site is [http://www.nationbuildingprogram.gov.au/publications/administration/pdf/mou\\_list\\_qld\\_19\\_08\\_2009.pdf](http://www.nationbuildingprogram.gov.au/publications/administration/pdf/mou_list_qld_19_08_2009.pdf).

**CHAIR:** I certainly would not go out of my way to embarrass you! That is not my style! But I am being told very clearly that it is working at the moment. If you wish to ask further questions I may be able to assist in directing your staff—

**Senator IAN MACDONALD:** I took the effort to print it out and have my staff bring it around. I will table the response I got. Perhaps I did not put in a full stop somewhere there, but that reinforces my point that it is not a very helpful answer to a question. And—

**CHAIR:** Sorry, Senator Macdonald, I understand, and you do have the call, but it is up and running. I'm not going to get into a slanging match with you, but there may have been one mistake on a button, or something. Please carry on.

**Senator IAN MACDONALD:** I will try it again. My point is that giving that sort of written advice—if it came electronically and you could just press it, it might be appropriate. But I've read it out, and I challenge people with my average competence in computers to type that in and get an answer. Your staff may have done that, Senator Sterle—they're probably aged 18 or something, in which case it may explain why they can do it and I can't.

**CHAIR:** Actually, it wasn't my staff, but I will assist you after you've finished your line of questioning.

**Senator IAN MACDONALD:** Have there been any requests from the Queensland Department of Transport and Main Roads for funding for flood-proofing upgrades to the Bruce Highway at Goorganga Plains near Proserpine, at Sandy Gully near Bowen and at Yellow Gin Creek near Home Hill? Can anyone tell me that easily?

**Ms O'Connell:** We will have to take that on notice.

**Senator IAN MACDONALD:** Please don't give me a web site.

**Ms O'Connell:** No, we won't.

**Senator IAN MACDONALD:** Please say whether there is or isn't. I am also interested in any application for safety upgrades on the Haughton River bridge and whether there has been allocation of federal funding for those particular projects.

**Mr Jagers:** We'll come back to you. It's possible that there could be black spot projects on that road that we don't have listed in front of us. But also funding through the NDRRA flood reconstruction work could be in those locations as well, so we'll need to check with Regional Australia.

**Senator IAN MACDONALD:** It could well be. Are you aware, and are you part of, a proposal for a second crossing of the Burdekin River? Are you aware if any decision has been made on which of the five options have been looked at?

**Mr Jagers:** We are aware of the proposal for a second bridge crossing of the Burdekin River, but we don't have the details in front of us. We will need to get back to you on that. You are asking about the five options that have been proposed?

**Senator IAN MACDONALD:** I am conscious that this is principally under the control of the Queensland main roads people, but my question is really: are you aware of it, are you funding any of it, if so where is it at and which of the at least five options have been looked at.

**Ms O'Connell:** We'll provide that information to you.

**Senator IAN MACDONALD:** In answer to question No. 40 you indicated to me that 6,627 kilometres, or 72 per cent, of roads damaged in Queensland by flooding events and cyclone Yasi had been recovered. Can you give me an update on that? The 72 per cent recovered was as at 13 April. I'm not quite sure what the term 'recovered' means, either. Perhaps you could tell me that?

**Mr Pittar:** It is a description that the Queensland Reconstruction Authority uses. It has a series of descriptions relating to the attention given to infrastructure after a disaster has hit. The earliest stage is, essentially, response, which deals with the immediate aftermath of a disaster and the seeking to get links open. Those links might be subject to things like weight and speed restrictions. The next phase of the process relates to recovery and that is to essentially get works undertaken on those links, on those roads, that will survive for a temporary period. That might be for six or eight months until they can then move into a more long-term reconstruction phase. There is that hierarchy of attention given to the roads. Queensland advises us that it has now essentially completed the recovery works—which are, if you like, the temporary works so that roads can operate for a period of six months or so—and is now moving into the reconstruction phase. That reconstruction phase is likely to go through until the middle of 2013. As part of that reconstruction effort, Queensland will go through and prioritise where it will undertake works. It will look to try and package those works up in order to approach the market and put those works out to tender. Then that reconstruction work will be undertaken. I hesitate to refer to you a web site, but the Queensland Reconstruction Authority has a web site that details where construction is being undertaken and the nature of the contracts that have been let. It also produces a monthly report on the progress with recovery and reconstruction. The September report has, I believe, quite recently been released. That provides up-to-date metrics on the state of play with the recovery and now the move into the reconstruction of those roads in Queensland.

**Senator IAN MACDONALD:** Thank you for that. That was a very comprehensive answer. I would assume that 100 per cent would have been recovered by now but that the reconstruction will be at very stages.

**Mr Pittar:** Essentially, that is right. There was a handful of kilometres, from memory, that had not been recovered when they last reported. But they have very much moved into that reconstruction phase now.

**Senator IAN MACDONALD:** In answer to question 36, you advised me that the Burdekin road safety audit project, which we have just been talking about, is capped at \$25 million. And it is the same for the upgrade of the Caboolture to Caloundra road, which is capped at \$195 million. Are you able to tell me what percentage of the total cost of those projects the government has committed to? Are you able to tell me the state of work on those projects? Clearly, you will do that with the Burdekin road safety audit. Is the Burdekin road safety audit the same as the second crossing? If it is not, give me—

**Mr Jagers:** No, it is not.

**Senator IAN MACDONALD:** What is it about?

**Mr Jagers:** It is about work on the current bridge.

**Senator IAN MACDONALD:** On the current bridge?

**Mr Pittar:** Are you talking about the Burdekin road safety audit or the Burdekin bridge?

**Senator IAN MACDONALD:** It was question No. 36. You answered by giving me a table showing that the Australian government funding for the Burdekin road safety audit project is \$25 million, with the Caboolture to Caloundra upgrade having capped funding from the Australian government of \$195 million. I am interested in what percentage of the total cost those caps are and where they are at. When are they due to start or due to finish? Have they finished?

**Mr Jagers:** Both of those projects are fully Australian government funded.

**Senator IAN MACDONALD:** They are fully Australian government funded?

**Mr Jagers:** Yes. The Burdekin road safety audit program and the upgrade of the Caboolture to Caloundra route are fully funded.

**Senator IAN MACDONALD:** So the upgrade of the route from Caboolture to Caloundra is fully funded by that \$195 million of Australian government funding.

**Mr Jagers:** Yes.

**CHAIR:** Federal government funded.

**Mr Jagers:** Yes.

**Senator IAN MACDONALD:** So there is no contribution from Queensland?

**Mr Jagers:** That is my understanding, yes.

**Senator IAN MACDONALD:** So in relation to what Mr Mrdak and I were talking about previously, contributions, this is one of those cases that would have been an election commitment for full funding. Or was it negotiated?

**Mr Mrdak:** I believe so. I think it was a commitment by the government.

**Senator IAN MACDONALD:** To fully fund it?

**Mr Mrdak:** Yes.

**Senator IAN MACDONALD:** If that is not right, come back to me, please.

**Mr Mrdak:** Certainly.

**Senator IAN MACDONALD:** What is the state of progress on that?

**Mr Jagers:** I might need to come back to you with the details of where the audit is up to.

**Senator IAN MACDONALD:** Okay. I asked in question 60 about the flood proofing of the highway between Townsville and Cairns. Mr Pittar, you told me you could outline projects that will have flood mitigation effects in the area. Then I said I wanted to know when the commitment was made, where it is at now and when the work is likely to be done. You helpfully said that you could answer that in that format. Your answer slightly addresses the earlier part but does not tell me what stage it is at or when the work is likely to be done. If you do not have that information with you at the moment, can I refer you to question 60 from last time and ask for those additional details next time.

**Mr Mrdak:** Certainly.

**Senator IAN MACDONALD:** In question 69, which related to the Ipswich Motorway upgrade, I asked a series of questions, including:

- 1) How much money has been reallocated from the Ipswich Motorway project?
- 2) In which financial years was that money due to be paid?
- 3) How much in each financial year?
- 4) How much was the original estimated project cost?
- 5) When was this determined?

There was a series of 14 reasonably detailed questions and the answer I have is:

Payments are made on milestones to ensure best value for money. The project is being delivered on time and under budget.

That is an answer to some question but not the questions I asked. Could I again refer you to question 69 from last time and ask for that detail.

Question 70 asked for a similar amount of detail about the Cooroy to Curra project and the answer was, 'See answer to the previous question,' which tells me they are all being delivered on time and on budget, which is great to hear. Thank you for the answer to some question I did not ask, but can I get the details of the question I asked?

**Ms O'Connell:** Yes.

**Senator IAN MACDONALD:** In question 71 I asked a series of relatively detailed questions on the Cooroy to Curra section of the highway—in fact, 25 in all—and I was told in answer:

The Government will make announcements about future investment as part of future budgets.

What does that mean? For example, question 25 was:

25) Has any land acquisition taken place in the last 12 months? If so, how many properties and in which suburbs are these properties?

The answer is:

The Government will make announcements about future investment as part of future budgets.

We were praising you for getting these answers in, but that is not an answer to the question I asked. Is it possible to get answers to question 71?

**Mr Mrdak:** We will take that on notice, if you do not mind. I think the government's answer reflects that they are currently considering future investments in Cooroy to Curra as part of the consideration of the nation building program going forward. But I will certainly take on notice whether we can provide any more information on behalf of the government in relation to those questions you have asked.

**Senator IAN MACDONALD:** Thank you. I also asked:

I understand that further information was received from the Queensland Government in April 2011. On what date was this information received?

I do not think the government is going to get up and make an announcement about that. These are relevant—and they may be relevant in other states—to me as a representative of Queensland, because, again, I think the Commonwealth is being poorly done by for all the good work it is doing, and I am trying to just assess when you did things and when Queensland has not. Certainly that answer does not help me do that. If you are under instruction from the minister simply not to answer questions, please give that answer. Say, 'The minister has instructed us not to answer these,' and we will take that up elsewhere. But if that is the department's work, and I have a suspicion that it is not, it is not much of a response. To question 72, again, the answer is:

See question 71.

The answer to question 71 says:

The Government will make announcements about future investment ...

**Mr Mrdak:** Again, Senator, I will take that on notice to see what additional information we may be able to provide.

**Senator IAN MACDONALD:** Thank you. As I understand it, 14 road projects were announced and were to be funded by the 2009 stimulus package. I understand that 12 of those 14 projects are unfinished. I wonder if you could confirm that that is correct, or, for as many as that is correct for, could you just let me know where they are at? You would appreciate that the money was brought forward during the global financial crisis. That is a couple of years ago now. Only two of those projects have been completed, and I am just wondering when the other stimulus package projects that were brought forward for the global financial crisis are to be completed.

**Ms O'Connell:** In relation to those projects, the measures in the stimulus were to bring forward some of the works on those projects. Those bring-forwards have happened, and the works are being done. On the road completion, though: the stimulus was not about the full road completion. It was about bringing forward a component or a package of works on that particular road. I am happy to go through each of the projects and where they are up to, but it was never an intent of the stimulus money to bring forward the completion of the road project to during the period of the stimulus; it was simply to bring forward components on each of the roads that could be done and effected quickly, which has taken place. But we are happy to take you through each of those 14 projects if you wish.

**Senator IAN MACDONALD:** That is good; thank you for that. I hesitate to say that there were also 17 rail projects approved, again as part of the stimulus. Fifteen, I understand, and I think you have told me before, were underway. Is it possible to give me a sort of one-line response to where each of those is? Started, finished or halfway through would be a sufficient answer for me.

**Ms O'Connell:** Yes, I am happy to do that.

**Mr Mrdak:** Why don't we start with the road projects and then we can go on through the rail?

**Ms O'Connell:** Or start with the rail now and then go to the road? We are happy to.

**Senator IAN MACDONALD:** Can you do that now?

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

**Senator IAN MACDONALD:** That is great. How are we going for time, Mr Chair?

**CHAIR:** We are fine.

**Senator IAN MACDONALD:** Yes, that would be good. That would save taking them on notice.

**Mr Wood:** Of the 17 stimulus rail projects through the \$1.2 billion equity investment into the ARTC, 13 of those projects are completed, two are under construction and one is in planning. Another project, the Advanced Train Management System, which is one of those 17 projects, is not a construction project; it is a technology related project. That is still continuing as well.

**Senator IAN MACDONALD:** But it was brought forward as part of the stimulus package?

**Mr Wood:** That is correct. As I say, 13 of the 17 are completed, three are underway and one is in the final stages of planning. I will go to the three that are still underway. In the Hunter Valley the Minimbah to Maitland third rail line is scheduled to be completed in March 2013. The Melbourne to Adelaide extended loops are scheduled for completion in October next year. I should say that the majority of the loops in that project have been completed. There is just one at Ambleside in the Adelaide Hills, which is the last of those, which we have talked about at previous sessions of this committee. I have mentioned the Advanced Train Management System. The project that is in planning is the Liverpool Range capacity enhancements project, which is due to commence construction, I believe, next year, but I do not have that to hand.

I can go through the 13 that are completed. The Adelaide to Kalgoorlie new and extended loops were completed in June 2010. The Cootamundra to Crystal Brook new and extended loops were completed in October 2010. The Cootamundra to Parkes track upgrade was completed in December 2009. In the Hunter Valley, the Maitland to Branxton bidirectional signalling was completed in May 2009; the Minimbah Bank third rail line was completed in June 2010; and the St Heliers to Muswellbrook duplication was completed in August 2009. The New South Wales border to Acacia Ridge track upgrade was completed in January 2010. The Seymour to Wodonga track upgrade was completed in August 2009. The Sydney to Brisbane new, extended and upgraded loops were completed in December 2009. The western Victoria track upgrade was completed in January 2010. The Wodonga bypass duplication was completed in June 2010. The Melbourne to Junee passing lanes were completed in July 2010. In the Hunter Valley, the Ulan line passing loops were completed in August 2011. That is the total of the projects.

**Senator IAN MACDONALD:** As you know, under the Jobs Fund, the Infrastructure Employment Projects Program was subject to a scathing ANAO audit report—report No. 7. There were a series of recommendations made, the principal one being:

... in administering grant programs that do not involve an open call for applications, the Department of Infrastructure and Transport develop, for consideration by the responsible Minister, an implementation strategy that clearly identifies the avenues through which candidate projects are able to be identified, and the department's role in this process.

I am interested in what action the department has taken to address that recommendation. I am also interested in a couple of the projects in my state, including the Queensland Symphony Orchestra colocation project in Brisbane. What was the department's role in that and what jobs were created? What did it actually involve? I am also interested in what role the Commonwealth played in the Gladstone airport terminal upgrade. There are also a series of others.

**Mr Pittar:** I can address those questions. The Queensland Symphony Orchestra colocation involves locating that orchestra within the Australian Broadcasting Corporation headquarters, to be constructed in the Southbank precinct of Brisbane. The Commonwealth contribution to that project was \$9 million. Of that \$9 million, \$6 million has been paid to date and we are looking at making final payments associated with that project according to some modified milestones, taking into account the fact that that location was impacted by the floods in January.

**Senator IAN MACDONALD:** What permanent employment was created in shifting the Queensland Symphony Orchestra, great unit and organisation that it is? As an infrastructure and employment project, I am wondering just what permanent jobs were created by relocating the orchestra from one place to another.

**Mr Pittar:** We require proponents in the final reporting to outline the level of employment that was generated by that project. As I mentioned a few moments ago, we have not yet received those final reports to be able to make those final payments. We would expect to have better information on that particular project once we have that final report and can make final payments.

**Senator IAN MACDONALD:** But surely when the application was made there must have been an indication of what jobs were going to be created? There may well be a simple explanation to it, but logic suggests that shifting the Queensland Symphony Orchestra from one place to another could hardly qualify as an employment project.

**Mr Mrdak:** This project and a number of others that were funded through the infrastructure employment program provided long-term community facilities. The background to this situation was, from memory—and we will check the exact details and what the estimates were that were provided of construction jobs immediately as

part of the project—the Queensland Symphony Orchestra was operating in some very substandard accommodation which was no longer able to facilitate them in anything like the environment they needed. An opportunity arose with the redevelopment of the Australian Broadcasting Corporation site at Southbank to provide a facility that would integrate the symphony orchestra. That was the background of this project. Overall it was providing a long-term home for the orchestra and a high-quality facility. While there were some short-term jobs created as part of the refit of the ABC, the primary benefit here was in long-term community facilities for the orchestra.

**Senator IAN MACDONALD:** So it was about creating a community facility rather than—

**Mr Mrdak:** It certainly created employment immediately with the construction as part of the fit-out, but the longer term objective here was a suitable facility for long-term housing of the orchestra which provided quality facilities.

**Senator IAN MACDONALD:** The Gladstone Airport terminal upgrade—was that another refit?

**Mr Mrdak:** That was an extension and an expansion of the terminal. There has been substantial growth in air traffic in the Gladstone region. The Australian government made the decision to provide funding of \$5.5 million to contribute to the expansion of the airport terminal to cater for what has been substantial growth in both schedules and charter traffic to Gladstone.

**Ms O'Connell:** That project has been completed and it was opened in April of this year.

**Senator IAN MACDONALD:** I know the Commonwealth refused to contribute to the extension of the airstrip, which was so desperately needed, but the council has gone ahead and done that itself—and all credit to it. But this \$5 million was for the extension of the terminal, you say?

**Mr Mrdak:** That is correct.

**Senator IAN MACDONALD:** I am interested in what the department has done in relation to the ANAO's recommendations. I have some sympathy for the department being the butt of the ANAO's report. I can hazard a guess as to how all this came into being, and I would not blame the department. Perhaps we can go into that later.

**CHAIR:** Thank you, Senator Macdonald. Before I give Senator Ludlam the call, we have got to the bottom of the confusion relating to the five pages of Queensland projects being funded under the Nation Building Program. There was a mix-up in the lettering. It was MOU and I believe you said MUO, so it is there if that assists you. I have a copy there for you anyway.

**Senator LUDLAM:** I understand the Nation Building guidelines are under review at the moment. Can you talk us through what that review looks like?

**Ms O'Connell:** No, the Nation Building guidelines that are in place at the moment are the Nation Building guidelines that are in place at the moment. There is not a specific review about the Nation Building guidelines, other than what we talked about earlier—that is, the second phase of the program, which will go from 2014-15 onwards—

**Senator LUDLAM:** 2014 to 2017?

**Ms O'Connell:** that is right, yes—and clearly the guidelines for those are a decision for government to make. So there is no review of the current guidelines; it is more for the next phase of nation building. It is a decision for government about what the guidelines will or will not contain.

**Senator LUDLAM:** That is what I am referring to.

**Ms O'Connell:** Okay.

**Mr Mrdak:** Sorry, Senator, for the confusion. When we talk about the guidelines for the program, we mean the administrative guidelines for how the program will operate in relation to our administrative arrangements with the jurisdictions. But I think you are referring there to the second program, as Ms O'Connell said.

**Senator LUDLAM:** Yes, sorry, I should have spelt that out.

**Mr Mrdak:** It is just the way we use the terminology. But as Ms O'Connell says, the government is currently considering it and work is underway to look at projects and programs for Nation Building 2, which will be the Commonwealth's investment program beyond 2014-15.

**Senator LUDLAM:** I do not know why I am having so much trouble hearing you, but I really am.

**Mr Mrdak:** It has been a problem all morning with the microphones, but I will speak up.

**Senator LUDLAM:** Good on you, and, yes, that is what I was referring to—Nation Building 2. When you say the government is reviewing it, you sound a little bit cagey. Are you not going to be able to tell us much about the

terms of reference of the review or what it is considering or what might be different falling out of the 2014-15 round?

**Mr Mrdak:** I am not being cagey in the sense that it is work underway. Essentially the program will look at, in accordance with the legislation, the next five- to six-year investment program by the Commonwealth in transport infrastructure. This is being guided by a number of things, not least of which are: the consultation now underway with the states and territories; consideration of the Infrastructure Australia prioritisation process and the analysis being undertaken by Infrastructure Australia; policy directions set by the government, which includes that the National Urban Policy that will guide future investment strategies; and the review of capital cities plans, which is also underway. So all of that work will culminate over the coming months with government consideration of what the future program's shape and priorities will be for that Nation Building Program.

**Senator LUDLAM:** Good. You have pre-empted a couple of my questions there. It is good to hear you are checking off some of those things as I was going to ask you about them. At what point, if at all, is the public going to be involved in some kind of process around those guidelines? The National Urban Policy certainly went out for draft; the COAG major cities work did not. It was very selective who they spoke to in producing that review, and that is still afoot. So at what point will the public get to see some draft guidelines for Nation Building 2, for example?

**Mr Mrdak:** It will be a matter for the government to consider in the context of its budget process. At this stage there is no intention for a public consultation process as broad as, say, the National Urban Policy. These are investment decisions of the government. As I said, at the moment we are undertaking a round of consultations with the states and territories as one step in that process. It will be a matter for government how they progress decisions in relation to individual programs and projects.

**Senator LUDLAM:** You made it sound like it is the government spending its money and then there is, therefore, no reason at all to include the public in that; it is just going to be between state and Commonwealth transport and infrastructure ministers.

**Mr Mrdak:** I would not want to leave you with that impression. What I am saying is: we are at the early stages of preparing advice, and the government is considering a range of issues, some of which have been discussed this morning with some of the other senators, such as in relation to some of the existing programs. These are decisions that obviously government will take in the context of its budgets and its forward commitments.

**Senator LUDLAM:** Is there anything in the nation building No. 1 act that would act to exclude funding for cycling infrastructure?

**Mr Mrdak:** No. In fact, as I think we have discussed previously, in a large number of projects we have provided for cycling infrastructure to be incorporated into those projects.

**Senator LUDLAM:** That is good. We did speak about this before. There is no specific cycling infrastructure fund or program. I will get to that in a second. What there is is a certain number of bike paths and so on that are being attached to major roads and freeways that are being funded as part of nation building. But last time we did not go into detail as to which projects they were. I am wondering whether you could table—if you do not have it in front of you right now—exactly what has been funded by way of cycling incidental to major roadworks.

**Mr Mrdak:** Certainly. In our response to a question on notice that has just recently been tabled by the minister, I think we did provide a breakdown against each of the nation building projects that included cycling infrastructure. I am happy to provide another copy of that if you do not have it with you.

**Senator LUDLAM:** I do not have it with me, but if you have already done that then I will—

**Mr Mrdak:** In the answer to the question on notice, we listed a number of programs. I am happy just to run through them quickly: Banora Point deviation, Pacific Highway, 5.5-kilometre cycleway; Great Western Highway, 4.3-kilometre cycleway; Great Western Highway, Wentworth Falls, 2.3-kilometre cycleway; Princes Highway East, Traralgon to Sale, three-kilometre cycleway; Geelong Ring Road stage 4A, 1.9-kilometre cycleway; Geelong Ring Road stage 4B, Anglesea to Princes Highway, 1.2-kilometre cycleway; Clyde Road upgrade, two-kilometre cycleway; Kwinana Freeway, widening and upgrade, 32 kilometres of cycleway; Great Eastern/Roe Highway Interchange, four-kilometre cycleway; Great Northern Highway realignment, upgrading of existing three-kilometre cycleway; Northern Expressway, South Australia, 23-kilometre cycleway; Kingston Bypass, Tasmania, 2.5-kilometre cycleway; Brighton Bypass, 2.4-kilometre cycleway; and Bridgewater Bridge/Lyell Junction project, 0.3 kilometre cycleway. That is an indication of the sorts of projects where those cycleways have been incorporated into the upgrades and new road projects. On top of that, as we have discussed previously, the Commonwealth government funded a significant cycleway infrastructure program.

**Senator LUDLAM:** I am well aware of that one, for reasons that we have discussed before. I think it is good that when we are putting in urban roads—and some of those may not be urban, as far as I know—we are including cycling infrastructure rather than going back and retrofitting it later. That is good. But I still find it bizarre in the extreme that the only way of getting cycling infrastructure paid for by the Commonwealth is to organise for a bit of freeway to go in. Why aren't we doing stand-alone cycling works? Why do they always have to be attached to freeways?

**Mr Mrdak:** I do not think they have to be attached. As I have said in the past, the Commonwealth has funded recently, in the last two years, a significant cycleway program.

**Senator LUDLAM:** Let us not rehearse this, because we do this every time. That was a one-off funding initiative that the Australian Greens negotiated into the stimulus package, and it has gone now and it has been gone for awhile.

**Mr Mrdak:** Well, it would be a matter for the government in the future if they chose to fund further cycleway programs. As I say, that may be one of the considerations the government wishes to look at in terms of designing future investment programs.

**Senator LUDLAM:** But do you need to seek permission or do you need a particular direction from government in order to fund cycling as a stand-alone thing? I guess I do not understand that. If somebody came through—and I am aware that a couple have—with perfectly good, costed proposals through Infrastructure Australia for cycling works that were not attached to freeways, you would not be able to fund them without a direction from government? Or am I misinterpreting that?

**Mr Mrdak:** The Nation Building Program projects that I have just discussed are what are called national network projects. There is a defined national network. Any cycle project would have to be associated with one of the projects on that network, but that does not preclude government at some point deciding to fund dedicated infrastructure, in the way they did with the program you and I have discussed at length.

**Senator LUDLAM:** But in the meantime you are not going to see a dollar spent from the Commonwealth budget on cycling unless it is next to a freeway?

**Mr Mrdak:** As you and I have discussed previously, the government has in the past funded dedicated cycleways. It may choose to do so in the future. That is a matter for the government.

**Senator LUDLAM:** You folk have got a lot of expertise in your department on these sorts of things. Will you be proposing that, as part of the Nation Building round 2 funding guidelines, that be fixed—that cycling need not always be attached to a freeway?

**Mr Mrdak:** I think you have seen with the minister's commitment to the national urban policy a strong focus on active transport. This would be one of the things the government would consider in future investment programs. But obviously I am not in a position to give you any position of the government at this point.

**Senator LUDLAM:** That sounds promising. I will put some further questions to the Major Cities Unit when we have them up a little bit later on. What about demand management—that is, people travelling less or travelling smarter? Would that be in the same category, as far as you are concerned?

**Mr Mrdak:** Certainly, the government has in this year's budget funded the managed motorways program. That is all about using intelligent transport systems to more—

**Senator LUDLAM:** I'm still a bit of a sceptic on that.

**Mr Mrdak:** to more effectively manage traffic flow. Certainly, these measures have proven to be highly effective in a number of domestic and international locations where ITS technology has facilitated traffic flow. The government has a strong commitment to continuing to invest in that area.

**Ms O'Connell:** There are also the investments in urban public transport.

**Senator LUDLAM:** Yes. Those are very uneven, but I recognise that this is an area that is in a bit of flux. Some of these projects have a very long lead time—the big freeway infrastructure takes a long time to design, scope and put together and a long time to build. What are you going to do about proposals that are clearly incompatible with where the government is heading? I congratulate the apparent heading on national urban policy. As I've said a number of times before, some really good work is being done there, but it is not a changing of direction, you would acknowledge that.

**Mr Mrdak:** No, I wouldn't, in the sense that we have the national urban policy and we have located the Major Cities Unit within the department. It is very much integrated with the work done by Mr Jaggars's Nation Building - Infrastructure Investment division. For instance, the infrastructure investment division will manage the liveable cities program which the government has now funded and which is underway. So we are very much looking to

integrate urban policy with our investment program. I think that is one of the major reform agendas of the minister and the government.

**Senator LUDLAM:** What are you going to do with projects that are not compatible?

**Mr Mrdak:** I think the government has made clear its intention in the national urban policy and the statements that the minister has given over the last year or so to look to projects that deliver substantial benefits in the way our cities operate in terms of the program. At the same time, obviously the government has commitments and major transport demands, both urban and non-urban, across the country. I am sure that the program that the government will seek to develop will try to balance all of those elements.

**Senator LUDLAM:** Have you got somebody, or anybody, or can you tell us how many FTEs you have got, working on an active transport strategy? Or should I put that to Major Cities?

**Mr Mrdak:** There is work going across the department. The Major Cities Unit's resourcing is nine staff. Of that, one officer has primary responsibility for active transport. As I say, that unit works quite closely with our infrastructure division and our surface transport division. This is an area that we are trying to do a lot more work in.

**Senator LUDLAM:** Minister, can I throw to you—it will have to be on behalf of the Minister for Infrastructure and Transport—the question of whether there is consideration by the government in the next budget cycle to include a stand-alone funding commitment for cycling and active transport?

**Senator Carr:** That is something I will have to take on notice. Clearly, I am not familiar with the detail of the budget bids that are being made at the moment, nor for that matter would I be able to comment, even if I were. I will ask the minister for a response.

**Senator LUDLAM:** In the detailed action plan on the national urban policy, one of the short-term initiatives is to monitor and report on progress towards achieving a national cycling target to double the number of cyclists by 2016.

**Mr Mrdak:** Yes.

**Senator LUDLAM:** It's a laudable ambition. I wonder what the proposal is to do that. Has the monitoring and reporting begun?

**Mr Mrdak:** Yes, it has. The minister will shortly be releasing the state of the cities report for 2011.

**Senator LUDLAM:** How long is shortly?

**Mr Mrdak:** Within a very short period of time, is probably the easiest way I can put it. I am advised that it is known that the minister will be delivering a major speech on Thursday where he will release the *State of Australian Cities 2011* report.

**Senator LUDLAM:** That is good; that is shortly.

**Mr Mrdak:** One has to always be careful, but I am told that it is publicly known that he will be releasing it on Thursday.

**Senator LUDLAM:** Heaven forbid that you should let something slip that we did not already know.

**Mr Mrdak:** Heaven forbid.

**Senator LUDLAM:** You mentioned that specifically in the context of the national cycling target. What can you tell us about that?

**Mr Mrdak:** As I say, without pre-empting the minister's launch of the *State of Australian Cities* report, it will include the latest information that is available. As well as that, the Major Cities Unit is working with the Australian Bicycle Council, the Pedestrian Council and others, which we support and assist, in relation to tracking and monitoring the growth in active transport. The *State of Australian Cities* report will provide an update of the best available information to this point.

**Senator LUDLAM:** They are good documents. I will leave it there. Thank you.

**CHAIR:** Just out of curiosity, Mr Mrdak, what is the federal government's investment in the Nation Building Program?

**Mr Mrdak:** It is \$36.2—

**Ms O'Connell:** Billion, over the six years, from 2007-08.

**CHAIR:** Just, on notice, it would be interesting if you could give us some feedback as to how that has increased over the last couple of terms of government.

**Ms O'Connell:** Certainly.

**Mr Mrdak:** It is a substantial increase. This year is the highest level of Commonwealth investment in land transport infrastructure.

**CHAIR:** How much higher?

**Mr Mrdak:** It is significant. This year the Commonwealth's investment in Nation Building is, I think, \$6.2 billion. That is equivalent of around a 30 to 40 per cent increase on previous years.

**Ms O'Connell:** This year, as Mr Mrdak said, is the highest level of federal government investment in the Nation Building Program. But in terms of investment in the Nation Building Program, investment per se over that six years is four times that of the previous investment.

**CHAIR:** That is road and rail?

**Ms O'Connell:** That is road and rail combined together. Rail is different. It is a much more substantial increase in terms of rail investment in the current Nation Building Program, about 10 times more than the previous investment. In terms of the nature of the investment—and Senator Ludlam touched on this earlier—the Nation Building Program is quite a historic investment in urban public transport and rail public transport.

**CHAIR:** In the last couple of years—and I will not take up too much time because Senator Nash wants to ask burning questions; we will have the ARTC in here later so there could be some interesting questions—did you say there had been tenfold increase?

**Ms O'Connell:** Yes, in rail investment.

**CHAIR:** This year—for the next six years?

**Ms O'Connell:** Sorry, in this six-year period in the Nation Building Investment Program.

**CHAIR:** That is absolutely significant.

**Senator LUDLAM:** Can you take on notice the break-up of that figure between road and rail?

**Ms O'Connell:** Yes.

**Senator IAN MACDONALD:** Thanks to the secretariat staff, I have that list of the projects on the Bruce Highway. Some clever person heard me incorrectly say 'MUO' instead of 'MOU' and I fixed that. My link still did not work. I then sought some assistance and found that I put a full stop at the end of the very lengthy link. In fact, the link here does show a full stop.

**Ms O'Connell:** I think that is an end of the sentence full stop, rather than a full stop in the link. It is very confusing.

**Senator IAN MACDONALD:** It is there; the link was there. I am apologising insofar as I suggested it was not. I am reinforcing my point—and the information contains a lot more than information on the Bruce Highway that I was asking for—that giving us very long complicated links, when what I asked for was a list of specific things is relevant. I did get it. Are you suggesting—

**CHAIR:** Are you suggesting that it should be questions from macca.com?

**Senator IAN MACDONALD:** My point is valid. It is not the answer I expect when we—

**CHAIR:** I am glad we have cleared that up and that the department have answered the questions.

**Senator NASH:** Further to your fantastic questions, Chair, perhaps you could correspondingly talk about the more than tenfold increase in the government debt, but I do not have the right officers at the table.

**CHAIR:** It is just unbelievable. Do you want to talk about the tenfold increase in employment?

**Senator Carr:** We can talk about the \$70 billion black hole—a national crisis.

**Senator NASH:** Nice try, Minister.

**Senator Carr:** We can talk about what you are proposing to cut from all of this.

**Senator NASH:** Anyway, not for this committee.

**CHAIR:** Senator Nash, you have the call. I learnt very early in my political career that, if you are in a hole, stop digging. So I suggest that you—

**Senator NASH:** Not at all, Chair. I do want to return to the Jobs Fund. I want to go back to the beginning with this. What is the total expenditure on the Infrastructure Employment Projects?

**Mr Mrdak:** The total commitment is \$130.8 million.

**Senator NASH:** Refresh my memory again: what is the aim of the program? When did it come in? Was it early 2009?

**Mr Mrdak:** That is correct. It was put in place by the government as one of the suite of Jobs Fund programs. It was put in place in response to the global financial crisis.

**Ms O'Connell:** There were three streams to that Jobs Fund program. One was local jobs, another was Get Communities Working and also then the Infrastructure Employment Projects. This is that specific area where capital investment is required.

**Senator NASH:** The aim of it was to—

**Mr Mrdak:** It had two aims. Part of the Jobs Fund was to provide some initial—

**Senator NASH:** To be clear, I am specifically talking about Infrastructure Employment Projects.

**Mr Mrdak:** As part of the suite of Jobs Fund, it was to provide some immediate fiscal stimulus. At the same time, this program was a little bit different, as Ms O'Connell has indicated to you, to other Jobs Fund suite of programs. It was to provide longer term community and economic infrastructure. It was designed to provide both short-term confidence but also medium-term employment and longer term community infrastructure.

**Senator NASH:** So am I right in assuming that part of that was to create jobs through the global financial crisis?

**Mr Mrdak:** That was one element of it but, unlike some other elements, it also had a medium to longer term infrastructure provision objective, which was a little bit different to some of the other elements of the Jobs Fund.

**Senator NASH:** How many projects were successful?

**Ms O'Connell:** Fourteen projects were successful.

**Senator NASH:** What was the application process?

**Mr Mrdak:** This was a program, as set out in the guidelines, where the projects were government initiated. There was no open application process as such.

**Senator NASH:** So no application process, no criteria?

**Mr Mrdak:** There were certainly program criterion. I would be happy to provide you with a copy of the guidelines for the program.

**Senator NASH:** That would be great. Just backtracking, there was no application process, so I assume that the minister picked the programs. If there were no applications through the department and no normal process, how did—

**Mr Mrdak:** There was no formal open call for project proposals and the like. Proposals were made to the government and the Australian National Audit Office set out, against each of the projects, the way in which those projects were brought forward and then the decision was that the government initiate that. The department then undertook an assessment against the guidelines to ensure that they met the guidelines criteria and then undertook our normal due diligence and probity processes in relation to contracting the projects.

**Senator NASH:** With respect to the proposals that went to government, am I right in assuming there was the announcement about the bucket of money for this and then proponents then submitted their proposal directly to government. Is that how it worked?

**Mr Mrdak:** There were a variety of ways in which the proposals were brought forward, as set out in the audit report, some of which were direct approaches to the federal government. Others were projects that had previously been considered for other programs and were then considered again by the government. There were a range of ways in which the projects were initiated.

**Senator NASH:** How many proposals went from the government back to you for the assessment against the guidelines?

**Mr Mrdak:** I do not have the specific details. I would have to take that on notice. I will try to find that out quickly for you.

**Senator NASH:** All right. That would be great. Maybe one of the officials may be able to find out over lunch.

**Mr Mrdak:** We will try to do that.

**Senator NASH:** That would be great.

#### **Proceedings suspended from 12:59 to 14:01**

**CHAIR:** We are on 'Nation building—infrastructure investment', in continuation.

**Senator NASH:** Mr Mrdak, did we have any luck finding out how many projects actually went down to the department for assessment from the minister's office?

**Ms O'Connell:** Yes, we did. This is the Infrastructure Employment Program?

**Senator NASH:** I am sorry; Chair, can we turn up the sound? I can hardly hear. I am really sorry; I just cannot.

**CHAIR:** Senator Nash, I am informed by Broadcasting—I will get the affirmative nod or negative—that it is at the stage now where it is as loud as it can be without vibrational interference or something. Is that correct, Broadcasting? I will just interpret that for Hansard: we will have to speak in close.

**Ms O'Connell:** This was the project in relation to the Infrastructure Employment Program?

**Senator NASH:** Yes.

**Ms O'Connell:** Yes, we do have the numbers of proposals.

**Mr Pittar:** There were 19 proposals considered—

**Senator NASH:** And 14 were ultimately successful.

**Mr Pittar:** Correct.

**Senator NASH:** Was the \$130.8 million the capped amount of funding that was available? What I am trying to get a sense of is this. There were 14 ultimately successful. Did that work to a bucket of funding, or was it a flexible amount?

**Mr Pittar:** The amount of funding was essentially capped, so projects needed to be able to fit within that overall funding envelope.

**Senator NASH:** Given that 19 went down to the department, did some of those miss out because there was too great a demand on the budget at that point in time? How did those five slip off the list?

**Mr Pittar:** There were a range of reasons. Some of the proposals were withdrawn. They were not supported by, for example, a state government that might have also committed some funding to them. Others were funded from other sources and so they did not need to be funded from the IEP. Others of them did not pass the sort of probity assessment that Mr Mrdak referred to before lunch.

**Senator NASH:** I take your point, Mr Mrdak, at the beginning. You said, I think, 'Apart from the jobs issue, obviously there was a longer term community benefit.' I do not want to misquote you.

**Mr Mrdak:** These were a category of projects which were medium-term investments but also provided longer term community and economic infrastructure.

**Senator NASH:** Given that, apart from just the jobs focus, there was also this longer term focus, wouldn't it have been more appropriate to run a diligent application process for projects that in the long term were going to have a benefit?

**Mr Mrdak:** In designing the program, the government set the guidelines to be government initiated. They were looking at that stage to get some projects moving quite quickly. That was a judgment the government made at the time in designing the guidelines that way.

**Senator NASH:** So the projects came to the government. The government decided which projects should go ahead. Obviously, from the government's perspective, there was a timeliness issue because they wanted these projects to go out to be part of the fiscal stimulus and provide some jobs. What was the value for money, when the ANAO reports:

... despite the April 2009 announcement of the IEP stream stating that the funding of construction of local infrastructure would create immediate jobs in communities affected by the global economic downturn, it was not until August 2010—

nearly 18 months later—

that any project proponent reported to Infrastructure that an IEP stream project had created or retained any jobs.

Isn't there a huge divergence there between the intent of what the scheme was trying to achieve and what it ultimately did, if there were no immediate jobs determined by the ANAO?

**Mr Mrdak:** I would not necessarily read that ANAO statement in the same way. What the ANAO was commenting on there was the immediate decisions that were taken. The reporting on job numbers is, I think, what they were referring to in that statement about August 2010. Immediate jobs were being created from the time projects were being committed to. To give an illustration, there have been some very successful employment creation projects in small communities such as Kangaroo Island and with some of the work in Hobart and the like. The ANAO is referring to the fact that the department's capacity to capture the jobs data did not start to happen until August 2010, about which the ANAO is raising the concern that we should have got much greater clarity on

job numbers earlier on. But in a number of situations that depended on contract negotiations and the like. That is the way I read that comment you have just read out.

**Senator NASH:** I am sure you do. What evidence does the department have that those jobs were created in that immediate environment? It says here that it was supposed to create immediate jobs in communities. What evidence does the department have that those immediate jobs were created? I am sure there was some tracking of this program.

**Mr Mrdak:** As part of the government's tracking of the fiscal stimulus, the government is on record as setting out what it believes has been the employment creation as a result of the whole range of fiscal stimulus programs. On these individual ones, as I said about a number of those communities, they are important projects. They are putting confidence into the local business community as well as providing immediate jobs in construction and ongoing jobs in a number of situations. A number of projects provide ongoing employment in a number of locations.

**Senator NASH:** On notice, can you provide the committee with the identified jobs that the department has on record as a result of the spend?

**Mr Mrdak:** Certainly.

**Senator NASH:** In terms of the value for money—apart, obviously, from any jobs which you will provide to the committee—how does the department benchmark, how does it determine, the value for money for that \$130.8 million?

**Mr Mrdak:** We are happy to provide the jobs data that we have. As to value for money, at the end of this you have to look at the broader community facilities which have been created in those locations as well as—

**Senator NASH:** I do not have a problem with that, but there is normally a process that goes with those types of things. In this instance, I understand the government wanted to try and create some jobs so there was not the normal application type of process. But for longer term structural programs like this there would be an expectation from taxpayers that there would be an appropriate application process. From time to time we do not have one. The government has a bit of a track record on this. With Better Regions we saw every single one of those was an election commitment. Again, there was no application process for the Better Regions Program. There seems to be a developing strain here leading from the government side rather than letting an appropriate application process take place.

**Mr Mrdak:** We would be very happy to take on notice the jobs issue and also the value for money considerations, which we did look at quite closely and which the ANAO comments on in their report on the program administration.

**Senator NASH:** Of the 19 that were sent down by the minister to the department for assessment against the guidelines—and obviously I understand there might be confidentiality issues—can you give us, perhaps on a case basis without referring to any component, the reasons why those did not make it through the assessment process?

**Mr Mrdak:** We can do that. The ANAO listed those in some detail in the report, but let us come back to it.

**Senator NASH:** That would make it easy for you to send them to me. The other thing is the assessment against the guidelines. I am assuming that the guidelines that you had for this program are easily accessible for the committee.

**Mr Mrdak:** We can provide those.

**Senator NASH:** Thank you. I know you said you were going to take the jobs figures on notice, but can you give us a ballpark figure, out of those 14 projects, roughly how many permanent jobs are being created?

**Mr Mrdak:** I am reminded that the audit report includes some figures. Let us get those as quickly as we can for you.

**Senator NASH:** All right. If you would not mind, when you are providing those figures could you break them down into the short-term jobs relating to those projects and longer term employment?

**Mr Mrdak:** Certainly.

**Senator WILLIAMS:** In relation to the Scone railway crossing, I want to briefly read you a media report from 17 June this year:

A fatal crash in the Upper Hunter has renewed calls for an overpass on the rail line cutting Scone in half.

Police were called to an accident involving a motorised trike yesterday on the New England Highway near Parkville about 9.40am where a 75-year-old man was killed.

At least one police car was delayed at a level crossing on the way to the accident while a coal train passed through.

There has been \$1.8 million allocated for a study into this overpass for this very important and very busy railway line crossing the New England Highway. Has the planning for that project commenced?

**Ms O'Connell:** Yes, it has. I could give you a status update on where it is up to.

**Senator WILLIAMS:** That would be good.

**Mr Foulds:** The \$1.4 million has allowed the investigation, planning and design works to commence. AECOM was awarded the contract in August and the community consultation is already underway. I know that the company met with the community on at least one occasion within days of being awarded the contract.

**Senator WILLIAMS:** You said \$1.4 million. Wasn't it supposed to be \$1.8 million?

**Mr Foulds:** It is up to \$2 million. It has been awarded at \$1.4 million.

**Senator WILLIAMS:** When do you expect the planning stage to be completed?

**Mr Foulds:** The options identification report is due to be submitted to the Roads and Traffic Authority, as it is currently known, in late 2011.

**Senator WILLIAMS:** That is not far off, is it?

**Mr Foulds:** No.

**Senator WILLIAMS:** We are nearly in late 2011, depending on how you define late. When would you expect the construction to commence? Do you have any idea?

**Mr Foulds:** At the moment there are no funds allocated towards that. The report is designed to identify the issues involved and give an indication of what it would cost, what the overpass would look like and how it might be constructed. So, pending that report, I could not say.

**Senator WILLIAMS:** The report is about how much it is going to cost—

**Mr Foulds:** And even what it might look like—exactly what the options are for how you might cross that railway line.

**Senator WILLIAMS:** So we could say you have made some headway, which is good. In relation to the Pacific Highway, in light of federal and now New South Wales budgetary commitments, can you give me an update on how much more funding is needed for the duplication of the Pacific Highway to be completed by 2016?

**Mr Mrdak:** I think the estimate remains as I outlined at the last hearing of the committee, which was of the order of \$6 billion to \$7 billion.

**Senator WILLIAMS:** Is that a \$6 billion to \$7 billion shortfall, or is that what is needed to complete the duplication by 2016? Can you give an update on your negotiations with the New South Wales government as far as funding for this project goes? Has there been any progress there?

**Mr Mrdak:** There has been substantial progress. As you would be aware, in the federal budget this year the Australian government made an additional commitment of nearly \$1.1 billion. In the New South Wales budget which was recently handed down, New South Wales made a commitment of \$468 million through to the end of this current program. It has also committed a further \$300 million beyond 2014-15, contingent upon the lease of Port Botany as one of the areas of funding.

**Ms O'Connell:** That is to match the federal government's contribution of \$750 million. So effectively New South Wales have said that they will match that, contingent on the Port Botany sale process being completed.

**Senator WILLIAMS:** In the 2011-12 budget there was money to complete the highway duplication planning. How much of the highway duplication has now been planned?

**Ms O'Connell:** The federal government has committed to the Pacific Highway in total about \$4.1 billion to date. That commitment will see all of the planning for the Pacific Highway duplication done.

**Senator WILLIAMS:** What was that figure?

**Ms O'Connell:** It is \$4.1 billion. That will see a significant number of components duplicated and we can walk you through them if you wish. It will complete the entire planning.

**Senator WILLIAMS:** When would you expect that planning to be completed?

**Mr Foulds:** It would be before 2014, but it will be sooner than that.

**Senator WILLIAMS:** The planning not only contains the route—

**Mr Foulds:** It is the route alignment, but the really detailed planning comes with the contract letting, where the precise aspects are worked out, but the actual planning and planning approval will all be obtained, which is the New South Wales Department of Planning and Infrastructure approval.

**Senator WILLIAMS:** Obviously it is not going to be completed by 2014. There is still a lot of planning to do along the whole duplication.

**Mr Foulds:** I think all the planning will be done by 2014.

**Senator WILLIAMS:** I am saying there is still a lot—

**Mr Mrdak:** The additional funding that has been committed by the Commonwealth and the New South Wales government will essentially bring all that forward. I think, as Mr Foulds is indicating, what we are trying to do is get the planning done over the next 12 to 18 months to make sure it is all completed in that time. At the same time, the additional funding that has been provided by the Commonwealth will enable the move into construction on a number of additional sections. Both governments have recently announced that we move into the design and construct contract for the Frederickton to Eungai section immediately as the next stage. As well as the work that is already underway, we will be moving forward on construction of Frederickton to Eungai and on construction between the Oxley Highway and Kempsey as the next stage.

**Senator WILLIAMS:** Like the Scone overpass, would I be correct in saying that the planning will also involve costs to complete the project—the mapping of the duplication—or will that funding of \$4.1 million through to 2014 look at the costs of completing it as well?

**Ms O'Connell:** It will certainly refine the cost estimates, yes.

**Senator RHIANNON:** What plans are there to fund the new infrastructure to support the China Shenhua Liverpool Plains mine to take coal to either Newcastle or Port Kembla?

**Mr Mrdak:** One of the projects that the Australian government has committed to is the Liverpool Range project. I will get Mr Wood to comment on that.

**Mr Wood:** The Australian Rail Track Corporation is undertaking an extensive package of work for rail infrastructure in the Hunter Valley as a whole. The Commonwealth, through its equity investments in the ARTC, is funding through the ARTC a number of projects in the Hunter. The Liverpool Range project that Mr Mrdak refers to is one of those. During the hearing this morning I indicated to Senator Macdonald the status of the projects that were being funded under the economic stimulus program. Thirteen of those 17 projects have been completed. I can quickly run through and indicate which of those are relevant to the Hunter—

**Senator RHIANNON:** I was particularly interested in Port Kembla. Is this work extending down to Port Kembla as well? Reports are coming through about China Shenhua being interested in moving its coal out through Port Kembla.

**Mr Wood:** The government has been funding a feasibility study into the Maldon to Dombarton rail line, which runs from the main north-south rail link in the Southern Highlands down to Port Kembla. The feasibility study was released this morning, but the Commonwealth is not currently funding the construction of rail infrastructure around Port Kembla.

**Senator RHIANNON:** That Maldon-Dombarton link has been around for a long time uncompleted. Is the proposal that that would then link up with some of the lines coming out of the Gunnedah area to assist with China Shenhua moving its coal out through Port Kembla?

**Mr Wood:** I am not aware of China Shenhua's specific plans. Certainly, it would be part of a rail network which would link through to the Hunter, out to Gunnedah, and through Sydney.

**Senator RHIANNON:** But that was not part of the original Maldon to Dombarton plan. It did not go up through the Hunter. Is that the new thing that has been announced today?

**Mr Wood:** The Maldon to Dombarton line is a 35-kilometre proposed link. Construction commenced in the eighties and ceased in 1988. The line links the existing rail network, so the main line from Sydney to Melbourne, to Port Kembla. It would be an additional rail link from Port Kembla. The line itself does not extend to the Hunter; it connects to the existing infrastructure.

**Senator RHIANNON:** I am aware of that. I am just interested in the language that you are using and that I am trying to explore, which is specifically about the China Shenhua link coming down to Port Kembla.

**Mr Mrdak:** The planning intent is that any coal drawn from the Gunnedah Basin would predominantly go through the Hunter line. The Prime Minister has this morning made a major announcement in relation to the Maldon-Dombarton line, which is a further commitment of Commonwealth funding to complete planning and design and take it to the next stage. That occurred this morning.

**Senator RHIANNON:** I want to explore this. Government documents released by the Greens in the New South Wales parliament detail monthly meetings between China Shenhua and the Australian Rail and Transport

Corporation, ARTC, about plans to move coal from the Liverpool Plains to Port Waratah. I am interested in what those meetings cover. They are monthly meetings specifically about this issue. It looks as though it is looming that Port Kembla could be favoured as a way to move this coal out of the country.

**Mr Mrdak:** I do not know whether that is accurate. According to the agenda, the Australian Rail Corporation is to appear next. Might I suggest we await Mr Fullerton, the chief executive officer, who is due to appear later this afternoon. Perhaps you may wish to raise some of those issues directly with the ARTC.

**Senator RHIANNON:** Thank you very much. What time is that, please?

**CHAIR:** It is scheduled for 2.40, but I know that Senator Nash has one more question. I will check with Senator Nash that there are no other questions of Nation Building. If Senator Nash or Senator Edwards have no further questions, I will call ARTC earlier.

**Senator NASH:** I have one very quick, final question on Maldon-Dombarton.

**CHAIR:** Senator Rhiannon, if you have no more questions of Nation Building, we can go to Senator Nash for her one quick question. We will thank the officers from Nation Building and bring on the ARTC earlier.

**Senator NASH:** Just on Maldon-Dombarton, is it just coincidence that the announcement was today? It is amazing how Senate estimates prompt government announcements?

**Senator CARR:** What do you want us to do? Do you want us to do nothing? It is to do with the Prime Minister's itinerary, not with estimates committees.

**Senator NASH:** Sure.

**CHAIR:** I am surprised that only the Prime Minister is worried about what is happening in this committee!

**Senator NASH:** I know. We should not have such high opinions of ourselves.

**CHAIR:** She is worried about the best outcomes for the nation.

**Senator NASH:** It happens a lot in education, though. In terms of the Prime Minister's announcement this morning of the \$25.5 million, where is that funding actually coming from? Is it coming from the overall budget?

**Mr Mrdak:** It will be funded on budget.

**Senator NASH:** Obviously, this is for the preparatory work. It is design work, a timetable and a cost estimate. The Prime Minister then goes on to say, once all this is completed, 'The project will then be considered for inclusion in the next Nation Building Program'. When is that? When is the next Nation Building Program? What I am trying to get at is a timeline. After all this happens and we have a look at the preparatory work and they do all the estimates for costing, what is the process then?

**Mr Mrdak:** The government is currently considering the next Nation Building Program of investment. Formally, the current program runs through to 2014-15, but the government now has under consideration the timing of the second Nation Building Program.

**Ms O'Connell:** It is 2013-14.

**Mr Mrdak:** Sorry; it is 2013-14 for the current project, so it would be 2014-15 onwards.

**Senator NASH:** It obviously says 'will be considered for inclusion', so that is not necessarily a given. But is there any sense of the likelihood that this will make the cut for a 2014-15 program inclusion?

**Mr Mrdak:** That is a matter for government. We cannot comment.

**Senator NASH:** Absolutely. Alright, we shall watch with interest.

**Senator EDWARDS:** I have a question that relates to the O-Bahn, which is in South Australia. I refer to page 271 of *Budget Paper No. 2* in relation to the cancellation of the O-Bahn City Access project. I understand that funding of \$56 million has been withdrawn for the O-Bahn City Access project.

**Mr Mrdak:** That is correct.

**Senator EDWARDS:** Where is that money being reallocated to?

**Ms O'Connell:** The decision was taken by government at the time of the Queensland floods earlier this year to reallocate funding to work required for Queensland for the flood recovery.

**Senator EDWARDS:** So, it has all been absorbed by the Queensland flood—

**Ms O'Connell:** That is correct. It was announced and the decision taken at that time.

**Senator EDWARDS:** Was the South Australian government consulted prior to the announcement earlier this year that the funding would be deferred?

**Mr Mrdak:** Certainly, as part of the consideration of savings at that time there were discussions with the South Australian government. The project scope had changed considerably and revised proposals were being developed. Discussions were certainly taking place with South Australia about the changing scope. So, they were advised of the decision that as a result of the changing scope and some uncertainty over the project—

**Senator EDWARDS:** They were advised after the decision was made?

**Mr Mrdak:** They were advised as part of the decision making that due to the uncertainty of the project the Australian government was considering, and then did, make the decision to treat that as a saving.

**Senator EDWARDS:** So they did not have the funding locked in?

**Mr Mrdak:** Work was underway by South Australia to progress the project plan. The project plan was changing—

**Senator EDWARDS:** And you had allocated \$56 million to it?

**Mr Mrdak:** That is correct. Subject to the receipt of the final plan. As there was still uncertainty about the plan the Australian government took the decision to—

**Senator EDWARDS:** Were they too slow?

**Mr Mrdak:** No, my recollection is that the thinking about the project was changing and the scope of the project was changing from that originally put to the Commonwealth.

**Senator EDWARDS:** What was changing in the thinking about the project? Was it the scale or the—

**Mr Mrdak:** No, it was more about the traffic arrangements of how it intersected with some of the streets once it reached into the CBD and how the traffic flow would operate. Also, whether it was the most optimal solution once further detailed design work had been undertaken of the extension of the O-Bahn.

**Senator EDWARDS:** Because they vacillated and because we had a weather event that was a significant one for Australia—

**Mr Mrdak:** I would not characterise it as vacillating. I think South Australia was progressing it but I think that in their own thinking, as they worked through some of the issues about how the extension would interact with traffic along some of the key streets, there was certainly a view forming that some significant redesigns should take place. It was in that context that the Australian government took the decision to find this as a saving at this time.

**Senator EDWARDS:** Was any compensation paid to any contractor who had undertaken work, due to the cancellation of the project.

**Ms O'Connell:** There were no contracts in place for the building of the project. It was a federal government commitment. Work was being done on design and planning, and that was funded and paid for. But no construction commitment had been entered into—

**Senator EDWARDS:** Funded and paid for. So, how much was lost? What blew up when the funding was pulled away? What vaporised project expenses when it was withdrawn? What value?

**Mr Jagers:** I understand that the Commonwealth did spend \$5 million on the project prior to the cancellation.

**Senator EDWARDS:** So \$5 million vaporised?

**Mr Jagers:** I would not say vaporised—

**Senator EDWARDS:** It was 10 per cent.

**Mr Jagers:** There was \$5 million spent that the Commonwealth contributed to the project.

**Senator EDWARDS:** But it has gone?

**Mr Jagers:** It was spent. We might just add to that.

**Mr Wood:** The majority of that money was used for detailed traffic planning through the City of Adelaide from the O-Bahn, which I understand—

**Senator EDWARDS:** Which was not good enough.

**CHAIR:** That is your opinion, Senator. Mr Wood is answering your question. I encourage that we let Mr Wood finish his answer.

**Mr Wood:** I understand from South Australian authorities that the planning work undertaken there will be useful and is being used for planning works for transport in the City of Adelaide, including, potentially in future,

should there be a revised O-Bahn plan by the South Australian government. But it is also of use for their general public transport and broader transport planning in the City of Adelaide.

**Senator EDWARDS:** I just need to know how much of the money vanished. Was it \$3 million of the \$5 million? Was it \$4 million? Was it \$4.9 million? How much?

**CHAIR:** I might help you out here, Senator. Your wording is confusing. You might want to put your question in another way rather than using the word 'vanished'.

**Senator EDWARDS:** Okay. Five million dollars evaporated by virtue of the funding being withdrawn. Do we ever expect to get some benefit from the work that was carried out using that \$5 million? If so, about how much in monetary terms?

**Mr Mrdak:** The answer that Mr Wood's given is that there has not been a vanishing or an evaporation. The work that has been undertaken will continue to be used by the South Australian agencies in relation to their traffic planning for the CBD. It is all of value.

**Senator EDWARDS:** Okay. Are you able to report back and quantify what will be of use in the future and that has been extinguished in value?

**Mr Mrdak:** We will certainly take that on notice and see what further detail that you can provide you with.

**Senator EDWARDS:** Thank you. You know what I am after, I think.

**Mr Mrdak:** Yes, Senator.

**Senator EDWARDS:** Was there any residential or commercial land compulsorily acquired as part of the proposed project?

**Mr Mrdak:** No.

**Senator EDWARDS:** The other three questions that I have, which I will put on notice, are on the same theme. They revolve around the Sydney orbital study, the Victorian regional rail link and the Princess Highway east extension—the Traralgon to Sale link.

**Senator RHIANNON:** I understand that China Shenhua missed out on the August 2010 coal nomination deadline for an allocation to export coal from Liverpool Plains through the Newcastle coal loader. Have you had any discussions with China Shenhua or New South Wales government agencies about advancing this and helping them solve it?

**Mr Mrdak:** That is not a matter in which we get involved.

**Senator RHIANNON:** They are addressing it by trying to look at their infrastructure options. Has it come across your desk?

**Mr Mrdak:** No, it has not come to this department.

**Ms O'Connell:** No, but the offer still stands in terms of ARTC.

**Senator RHIANNON:** I will certainly come to that. You are saying that you have had not dealings with China Shenhua and that you are not aware of any of the problems that they have run into.

**Mr Mrdak:** No.

**Senator RHIANNON:** How many mining related infrastructure projects are currently on your books for New South Wales? I am happy for you to take that on notice. I am interested in a list of the names and a brief description of them and how much money that you have allocated for them.

**Mr Mrdak:** We can certainly provide you the details. As Mr Wood outlined, the Australian Rail Track Corporation, which is the Commonwealth's investment vehicle in the Hunter Valley rail line, has a range of capital works programs underway. We can certainly provide you with details about those.

**Senator RHIANNON:** I am not just interested in rail projects. Do you have any involvement in any of these port plans or some of the bridges that they come up with or anything else?

**Mr Mrdak:** We certainly have a major project in the Hunter, which is the Hunter Expressway, and we have a number of rail projects. They are the projects in which we have an investment interest in the Hunter at the moment. We do not have an investment program or any projects in relation to the Port Waratah or any of the other Hunter maritime issues.

**Senator RHIANNON:** So in terms of the benefits to the coal industry, it comes down to your rail and road projects?

**Mr Mrdak:** Certainly, and principally our investment through ARTC into increasing the capacity of the Hunter Valley coal system.

**Senator RHIANNON:** And you will be able to quantify the specific coal related projects in terms of the monetary cost?

**Mr Mrdak:** We can certainly provide you with the amount that the Commonwealth has invested in ARTC in terms of the Hunter Valley.

**Senator NASH:** How many projects had money deferred to the Queensland flood recovery? Do you have a list of those?

**Ms O'Connell:** We can certainly get that for you.

**Senator NASH:** Is that something that you have with you?

**Mr Mrdak:** These are the five that have now been reinstated. There was an initial deferral of five projects. In the budget this year those projects, as a result of some savings that had been realised in other parts of the Queensland program, have been reinstated.

**Senator NASH:** So all the funding that had previously been announced is deferred for the Queensland recovery.

**Mr Mrdak:** If we are talking about those five Queensland projects, then yes.

**Senator NASH:** Are there any others across the country for which it was deferred? So far we have the five Queensland ones. There were a number of others around the country as well—is that correct?

**Ms O'Connell:** We have already mentioned the South Australian O-Bahn project.

**Senator NASH:** I do not want them piecemeal; I want them in a bunch.

**Mr Mrdak:** There was rephasing of two rail projects—the North Sydney freight corridor project and the Victorian Regional Rail Link project.

**Senator NASH:** What has happened with those? Is it the same issue as for Queensland? Have they been reinstated?

**Ms O'Connell:** No. The phasing stays as it was. It was a rephasing of the commitment.

**Senator NASH:** Do you want to take that on notice, or do you have it?

**Mr Mrdak:** We will certainly take it on notice and give you the full details, but that essentially is the picture in relation to all of the rephasing.

**Senator NASH:** And perhaps you could also put in any time delays that have occurred from the rephasing or that will occur from the rephasing, and from that period of delay when it was reconfigured for a while and then reinstated. That would be great.

**Mr Mrdak:** Certainly.

**CHAIR:** I thank the officers from Nation Building—Infrastructure Investment.

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

[14:36]

**CHAIR:** I now call the Australian Rail Track Corporation. Welcome, Mr Fullerton.

**Senator RHIANNON:** Documents released through the New South Wales upper house as a result of a motion by the Greens detailed monthly meetings between China Shenhua and ARTC about plans to move coal from the Liverpool Plains. What do these meetings cover? How frequently do they occur, and when did they commence?

**Mr Fullerton:** All the meetings that the ARTC have with all the miners in the Hunter Valley are really commercial meetings to discuss their mining requirements and the capacity they need to deliver through the Port of Newcastle.

**Senator RHIANNON:** When did these meetings commence, and do you have separate meetings with China Shenhua?

**Mr Fullerton:** We meet with all the producers in the Hunter Valley on a regular basis to look at future nominations and capacity. I am really not able to go into all the details that they are seeking in terms of volumes that they wish to transport through the port, given that there are 14 miners in the Hunter Valley. There are contracts in place to move coal volumes through the supply chain. There are obviously expanding works that are going on in the Hunter Valley in relation to increasing capacity, and that is a process that we are going through with all the miners. I can say that the volumes that are forecast for the Hunter Valley from 2015 will trigger a T4 terminal to handle those increases in volumes.

**Senator RHIANNON:** Can I assume from that that you do have meetings with China Shenhua on its own?

**Mr Fullerton:** We have regular meetings with all the coal producers and potential coal producers in the Hunter Valley.

**Senator RHIANNON:** Have those meetings also covered the issues of transporting coal to Port Kembla?

**Mr Fullerton:** We are not aware of any coal producers in the Hunter Valley that transport coal to Port Kembla other than Bluescope, which moves small amounts of coal.

**Senator RHIANNON:** My question was not about the do but about the possibility of transporting coal through Port Kembla. Is ARTC having meetings with China Shenhua about that possibility?

**Mr Fullerton:** We are not having any meetings with any coal producers to move coal through Port Kembla.

**Senator RHIANNON:** When China Shenhua missed out on the August 2010 coal nomination deadline for an allocation to export coal through Newcastle coal loader, did you have discussions with them about helping them solve the problem they then faced?

**Mr Fullerton:** I cannot comment on the detail of those discussions in relation to contracted volumes through the Hunter Valley. You need to appreciate—

**Senator RHIANNON:** My question was not about volumes. I have not asked at all about volumes, it is purely about the meetings. Could you inform the committee if those meetings occurred?

**Mr Fullerton:** We are having confidential meetings with all coal producers in the Hunter Valley. I am not at liberty to give details of specific meetings with various coal producers.

**Senator RHIANNON:** But I was not asking for the details of what happened but if the meeting occurred. Why would that be commercial-in-confidence?

**Mr Fullerton:** Because it is capacity and allocations of coal capacity through the Hunter Valley supply chain where you have 14 various mines competing for the capacity, I am not at liberty to relay who we are meeting with and the content of those discussions.

**Senator RHIANNON:** Has China Shenhua made any payment to your department?

**Mr Fullerton:** I cannot really comment on any of the details in relation to discussions with those coal producers.

**Senator RHIANNON:** It was not about discussions at all; that question was, has China Shenhua made any payment to your department?

**Mr Fullerton:** ARTC has contracts with producers in the Hunter Valley and it is under the terms of those contracts that we receive payment for volumes that are hauled through the Hunter Valley.

**Senator RHIANNON:** Again, how you have answered the question is talking about current coal producers. As you would be aware, China Shenhua has not actually been given approval for its mine. Have you had meetings with companies that would like to open up a coalmine in New South Wales?

**Mr Fullerton:** We have many meetings with many potential coal producers in the Hunter Valley, those that are developing mines and those that have operational mines, about future capacity. It is not just in relation to rail capacity. Obviously the capacity of the supply chain has got as much to do with terminal capacity at the port.

**Senator RHIANNON:** Are you aware if China Shenhua is pursuing the private construction to the north-west of the Port Waratah coal services Carrington coal loader on land owned by Newcastle Port Corporation that is leased to Buildev?

**Mr Fullerton:** I am not aware of that particular point. I am aware that a number of mines are developing future might capacity in the Hunter Valley.

**Senator RHIANNON:** You said that you could inform the committee that the fourth coal loader will occur. Where is it up to and what is the timeline for its progress, please?

**Mr Fullerton:** What I can say is that the T4 terminal has been triggered. It was triggered once future forecast volumes exceeded 200 million tonnes per annum. That has now been triggered. That is now a project that is being developed by the terminal organisations in the Hunter Valley.

**Senator RHIANNON:** When China Shenhua failed to get its nomination in for the port nomination in 2010, did you have discussions with them to facilitate the challenges that they then faced moving their coal?

**Mr Fullerton:** I cannot comment on discussions with any of the coal producers in the Hunter Valley.

**Senator WILLIAMS:** Going to the Hunter Valley as well, can you give me an overview of any upgrades ARTC is doing to the Hunter Valley rail network, briefly?

**Mr Fullerton:** Obviously the growth in the Hunter Valley is challenging us in terms of building capacity. ARTC has invested to date about \$700 million in capacity involving triplication of track, crossing loops and so on. There is a further similar amount to invest in the Hunter Valley over the next four to five years which will take current volumes from just above 100 million tonnes per annum to in excess of 200 million tonnes per annum.

**Senator WILLIAMS:** On that issue, I would like to just refer to places like Corindi, Werris Creek and Willow Tree, where industry estimates that by 2015 coal trains will be travelling through those places every 27 minutes. The trains hauling coal out of the Narrabri, Gunnedah and Boggabri areas will be about 1.5 kilometres long. Residents and councillors are up in arms and say emergency services could be cut off. This is a problem we have seen with the railway crossing there, and I gave an example earlier on to Mr Mrdak about police not being able to get to a motor vehicle accident where a bloke was killed. Have you had any consultations with the councils up in that area, such as Corindi et cetera, about what problems they may face with a 1.5 kilometre train every 27 minutes?

**Mr Fullerton:** We have detailed conversations with the councils, in particular on the Scone issue. I think that was referred to a bit earlier. I know there is work being done to consider an overpass over the track. We are also doing further work in Scone in terms of increasing the speed of trains through the town to prevent crossings being disrupted for any longer than necessary. But we do work closely with all the councils up there to try and minimise the impact of increasing volumes of freight trains through the Hunter Valley.

**Senator WILLIAMS:** What are councils' main concerns? Just delays as far as traffic movement goes, or danger?

**Mr Fullerton:** I think generally the community concerns in the Hunter Valley relate to a whole range of things. It is not just train frequency and trains travelling through towns—it is noise, dust, impacts on their particular areas. We are doing a lot of work with the mining companies and the Hunter Valley supply to understand what those issues are and how we can work more closely with them to mitigate them. But through our planning processes and approval processes we have invested significant dollars, for example, in building noise barriers and overpasses to try to mitigate the impact of the increased frequency of trains.

**Senator WILLIAMS:** With the dust issue with coal, is it actually watered down on top of the coal when each carriage is loaded or is just left in its natural state?

**Mr Fullerton:** No, it is not. The Hunter Valley coal is quite moist. At the moment we are doing some trials to measure both airborne dust from coal trains. But that Hunter Valley coal is quite moist; it is different to Queensland coal, which is wetted down. But at this stage we are trying to measure some of those environmental issues related to dust. We are doing that in conjunction with—

**Senator WILLIAMS:** No doubt you will have a few to work through with local residents and their concerns about, as I said, dust, noise, constant travel, getting across the train line et cetera.

**Mr Fullerton:** Absolutely.

**Senator WILLIAMS:** Earlier this year you released the *2011-2020 Hunter Valley Corridor Capacity Strategy Consultation* document. That is a mouthful! Can you give me a brief overview of how you are enacting some of the recommended projects in that report?

**Mr Fullerton:** We put that report together, which was released in about March this year, for consultation and also to the industry. We work within the Hunter Valley Coal Chain Coordinating group, which is an organisation that was set up two years ago to represent the interests of all the coal producers, the terminals in Newcastle, the operators and the ARTC. Through that mechanism, understanding the future and (*inaudible*) of coal in the various corridors within the Hunter Valley, we then work with them to determine what capacity needs to be built, where it needs to be built, what to build. That whole Hunter Valley strategy is aimed at identifying the future volumes and the infrastructure from a rail perspective that is needed to handle those volumes right up until T4. The strategy does not include T4 but includes the volumes just above the 200 million tonnes per annum of coal.

**Senator WILLIAMS:** And T4 will be a whole new construction at the port of Newcastle, will it?

**Mr Fullerton:** T4 is a fourth terminal which will be built in between the current NCIG terminal and—

**Senator WILLIAMS:** So there is three there now?

**Mr Fullerton:** There is three there now: the original Carrington—

**Senator WILLIAMS:** Handling about 100 million tonnes a year?

**Mr Fullerton:** All three terminals are currently being expanded themselves, but they will reach their peak capacity in about 2015, once volumes exceed the 200 million tonnes per annum.

**Senator WILLIAMS:** I want to look at the grain effort. Of those three terminals at Newcastle now, how many handle grain? They all handle coal.

**Mr Fullerton:** It is all coal.

**Senator WILLIAMS:** What about the grain terminal?

**Mr Fullerton:** The grain runs through the existing grain terminal at the port. It runs through the Carrington-Port Waratah area and through those coal terminals into the grain terminal on the wharf.

**Senator WILLIAMS:** In a bumper crop, a lot of the grain from up in the north-west—Gunnedah, Narrabri, great wheat-growing country—would be railed to Newcastle. Is that correct?

**Mr Fullerton:** That is right.

**Senator WILLIAMS:** How are you going to go with the congestion of a bumper wheat crop competing against all the coal movements, when coal is forecast to be 200 million tonnes and more a year by 2015? Have you done any research or modelling or whatever to see how the grain and the coal would conflict as far as actual use of the line, the room?

**Mr Fullerton:** It is not just coal either. There are concentrates that come through the Cobar area. There are passenger services, obviously, that run through that Hunter Valley network. All of the demands of all our customers are taken into account when we do our future capacity planning. So not only do we accommodate the growth in the coal business but we also ensure that there is sufficient capacity for the other products that move through that supply chain.

**Senator WILLIAMS:** Do you know offhand the number of coal and non-coal movements on that Hunter Valley line? Is that difficult to find out?

**Mr Fullerton:** I could get that for you. Obviously it is dominated by coal, both domestic and, primarily, export.

**Senator WILLIAMS:** Could you take that on notice and give us a break-up of the coal and non-coal movements on the Hunter Valley line? Could you also give me the excess capacity currently of the line? In other words, there is so much coal being moved and so many non-coal movements; is there any capacity there for more? As I say, hopefully it will be a bumper wheat crop where there will be a lot of grain shifted. I just have some concerns about the Hunter line being able to manage not only the coal but the grain and the other things as well, as you mentioned.

**Mr Fullerton:** I will just make one comment about that. The declared capacity for coal is about 135 million tonnes per annum, and we are currently running at just above 100 million tonnes per annum actual.

**Senator WILLIAMS:** The train line is good for 135 million tonnes?

**Mr Fullerton:** Declared capacity that can be delivered. Obviously if the mines do not produce that you are not using it, but that is the current declared capacity for the supply chain. We are continuing to invest to build that capacity up above the 200 million tonnes per annum.

**Senator WILLIAMS:** By 2015?

**Mr Fullerton:** By 2015. That is what is driving our capital program in the Hunter Valley of around \$700 million for the rest of the project work.

**Senator WILLIAMS:** Are you concerned about the Hunter Valley line becoming a bottleneck?

**Mr Fullerton:** A lot of work is going into the planning with the miners and the rail operators and the terminals to understand how we can model the capacity and model the volumes through it, to ensure that, as those volumes increase, we are not suffering from congestion and the inability to move those coal volumes through the supply chain.

**Senator WILLIAMS:** Chair, I do have other questions but I think I had better hand to someone else in the interests of time.

**Senator BACK:** Mr Fullerton, can you give me an update as to what the progress is with the intermodal transport hub at Kalgoorlie?

**Mr Fullerton:** That is not on our network, sorry.

**Mr Mrdak:** That is one of mine. There is a commitment of, I think, \$3 million under the Nation Building Program for that facility. At the moment, we are awaiting further details from the Western Australian government and the local council in relation to that project proceeding, in the light of the WA government freight strategy for

that region, which has proposed an alternative development of how that should proceed. At this stage, the commitment remains in our Nation Building Program but—

**Senator BACK:** In this financial year?

**Mr Mrdak:** It is over the next couple of years, out to 2013-14. The funds have actually been paid to the local government for that project, but the project is yet to proceed.

**Senator BACK:** So you are waiting at the moment for state and local government?

**Mr Mrdak:** That is right, and some advice on what the council proposes to do with that project.

**Senator BACK:** Before going to the annual report, can I ask a question or two with regard to the Melbourne to Sydney track rectification. The resleeper issues and the mud hole issue seem to have occupied time at various estimates. Can you give us an update on where we are with that?

**Mr Fullerton:** As I recorded at the last Senate estimates, at that stage we were heavily involved in what I call the initial remediation plan, which is simply using various techniques to remove the fouled ballast from the track. That program is virtually complete and we are now in the process of putting together a five-year program of works which will be heavily orientated towards the first two years to continue the remediation of that ballast, which has involved processes called sledding, where we take out the fouled ballast and replace it with clean ballast. We use undercutting and shoulder ballast cleaning. That range of programs will continue over the next two years with a fair amount of intensity to really get that track to a far more stable position and allow us to remove some of the speed restrictions that are currently on that track.

**Senator BACK:** I come to that as the obvious outcome of this whole process. Have you been able to release or reduce these speed restrictions since the last time you reported at estimates in June?

**Mr Fullerton:** No, we have not. We have taken a very prudent approach to speed restriction. About six per cent of the track over that whole network is under speed restriction.

**Senator BACK:** And that is about the percentage—

**Mr Fullerton:** The speed restrictions are slightly higher than the percentage of track affected by fouled ballast. Some of the speed restrictions relate to other issues. There is some rerouting work that is still being carried out and obviously there is some maintenance work being carried out that affects speed restriction. We currently have about six per cent of the track under speed restriction. About 80 kilometres of mud holes have been identified and that is where we are focusing our work to restore the ballast condition.

**Senator BACK:** Are you where you want to be with on-time train movements along the overall length of the line?

**Mr Fullerton:** No, I still think it will be another two years before we can get that to a level that we are going to be satisfied with and where it will be something our customers will be satisfied with.

**Senator BACK:** How far from your desired position are you at the moment? Are you 85 per cent towards it?

**Mr Fullerton:** I think we are probably only 40 per cent through the program. We have completed the initial works, which were targeted at the important areas first. We really want to get the job done properly. We are now very sure about what we need to do to complete the work and we are implementing the ballast remediation plan. It is a five-year plan but, as I said, it will be front-ended in terms of doing the bulk of the work over the next two years.

**Senator BACK:** Can you give us a figure as to how much has been expended to date on the total cost of the line upgrades and what you anticipate will be the final figure?

**Mr Fullerton:** If you are just looking at the Sydney to Melbourne line, in terms of how much money we have spent on upgrading that track since we took it over in 2004, we have spent a bit over \$800 million.

**Senator BACK:** To date?

**Mr Fullerton:** There was the initial \$600 million that was funded out of the grant funds from 2004 to 2006 and \$200 million of those funds on that section of track were allocated to concrete resleeper.

**Senator BACK:** So there is still another \$200 million—

**Mr Fullerton:** No, in terms of the work that has been done on the line to date—that initial \$600 million from the grant funding—about \$200 million was allocated to the concrete resleeper project that occurred from 2007 to 2009. More recently obviously we have been rolling out the nation building works, in 2008, and the productivity works for the rerouting of that corridor. That work will be completed sometime next year. It is nothing to do with our remediation program; it is the upgrade of the track. That work will be finished midway through 2012 for a total cost of a bit over \$800 million.

**Senator BACK:** With the time left, I want to go to the annual report, page 43, which is the consolidated income statement for the year ended 30 June. Expenses have gone out from \$590 million in the year to 30 June 2010 to \$972 million. It seems to me that the matter referred to as 'recognition of impairment loss' would have contributed the most significant component of that, going from \$55.7 million in the previous year to \$434 million. Can you explain what is meant by 'recognition of impairment loss'?

**Mr Fullerton:** That impairment related entirely to the investment in the north-south track between Melbourne and Brisbane. It relates to the fact that we have invested significant equity in that track, over \$2 billion, and still have not generated the future revenue. So this year there was a recalculation of future revenues to flow from that investment, which resulted in that impairment. It relates to the fact that you have to spend money to operate the track, but it takes time for those revenues to flow in terms of getting freight onto rail, off the road network.

**Senator BACK:** Is it the case that, in preparing the financials for the previous financial year, your office simply had not taken that into account?

**Mr Fullerton:** No, I think there were two—

**Senator BACK:** Why has it been such a hit on the financials just in this last financial year?

**Mr Fullerton:** There are two reasons for that. One is that we continue to invest in that corridor, so there has been further capital investment during the year. If you do not generate the future revenues, you will have an impairment loss. Secondly, this year we did a recalculation of the future forecast revenues. That resulted in the readjustment of the impairment. I might add that in future years, when those volumes increase, there will be a write-back for that impairment.

**Senator BACK:** That was to be my next question. Looking boldly to the future, where do you see the negative \$434 million this time next year—downward?

**Mr Fullerton:** I would expect it to go downward, but bear in mind we still have future investments on the corridor to roll out, with the southern Sydney freight line completing the productivity works up on the North Coast. Until we redo that calculation next year, I would not like to estimate it. The important thing to understand from all of this, I think, is that those investments will bring that track up to a competitive standard so that we can attract those revenues onto the rail system, getting freight off the road. That is important, but it does expose us to impairment. I would expect that to be wound back out of the financials once those volumes begin to move.

**Senator BACK:** So it reversed your position on \$94 million profit the previous year to a \$50 million loss this year, finishing 2011. We can look forward to something closer to parity in 2011-12?

**Mr Fullerton:** If we are looking at profitability, I would like to draw your attention to a bit earlier in the report. In the financial year just completed we generated operating earnings before interest, tax and depreciation of \$221 million, which was up from \$140 million the year before.

**Senator BACK:** I see that.

**Mr Fullerton:** That is a substantial increase, and that is the true measure of the improved performance of the business.

**Senator BACK:** Well, it is one important measure. Obviously, containing expenditure is the other one.

**Mr Fullerton:** I think we do say in the report that there has been a containment of expenditures within that. So I think that is the true indication of performance, and we expect that performance to continue this financial year, driven by growth on our interstate network and the continued growth in the Hunter Valley. So I think it is a very positive story in terms of the operating profits that this business is generating.

**Senator BACK:** I have one other question. It goes to net finance costs or income. It is addressed in note 5 on page 71. It relates to the fact that in the previous financial year there was a \$78.4 million surplus, whereas in the financial year ending 30 June 2011 it reversed to a \$11.7 million loss. The explanation refers to:

Finance Costs comprised: interest remitted by/(payable) to ATO applicable to grants related income tax assessments ...

Can somebody just give me an explanation as to how that position went from an \$81 million, I imagine, interest remitted by the ATO in the previous year to a nil figure in the year-end report. Can you just explain to me the significance of that and what it means.

**Mr Fullerton:** I might need to take that question on notice. But I think I can answer your earlier question related to interest revenues. In relation to the previous year, we had funds invested. Those funds were coming through the various projects that we were earning interest on, whereas this year we have been drawing against our debt facility to fund some of our capital investment programs. In the year ending June 2010 we were earning

interest from moneys at the bank, whereas this year we were paying interest on our debt facilities. In terms of the ATO question, I will need to take that on notice.

**Senator BACK:** If you would do so, please. Otherwise, I thank you for your responses.

**CHAIR:** If there are no further questions for the Australian Rail Track Corporation, I will thank Mr Fullerton and call officers from surface transport policy.

**Ms O'Connell:** There were a couple of questions earlier that we are now in a position to give answers to.

**CHAIR:** Fantastic. Fire away while we wait for the next witnesses.

**Ms O'Connell:** One of them was asked by Senator Macdonald, and that was in relation to the Burdekin Road safety audit project. I can now report and advise that planning has been finalised by the Queensland Department of Transport and Main Roads and the project proposal report has been received and is being currently reviewed. Construction is expected to commence in late 2011 and be completed in late 2012.

The other one was a question from Senator Ludlam on the road versus rail funding split. I can advise that for the 2011-12 financial year that road investment is \$4.95 billion and the rail investment is \$1.5 billion. For the full Nation Building Program over the six years from 2008-09 to 2013-14 the road investment is \$28 billion and the rail investment is \$7.9 billion.

[15:08]

**CHAIR:** I welcome officers from Surface Transport Policy.

**Senator WILLIAMS:** Back to my favourite issue. On 1 July next year the national scheme will be introduced. How is it all going?

**Mr Mrdak:** Very well, but there is a lot of hard work to come. As you would be aware, since we last appeared before the committee the Council of Australian Governments has signed intergovernmental agreements. All jurisdictions apart from Western Australia have signed the intergovernmental agreement on heavy vehicles, and Western Australia has indicated its disposition to do so, provided it is satisfied that it meets WA's requirements.

**Senator WILLIAMS:** Does the intergovernmental agreement on heavy vehicles include weights per axle, driving hours and volumetric loading? When you say they have signed an intergovernmental agreement, has all the criteria being laid out on all those regulations?

**Mr Mrdak:** Not on the regulations specifically. The intergovernmental agreement agrees to establish a single national regulator and a way in which a single national set of laws will be legislated in the Queensland parliament and then applied nationally. The detail of the actual laws and regulations are about to be dealt with. So the intergovernmental agreement has been signed and, similarly, an intergovernmental agreement has been signed for rail and for a single maritime regulator. The Council of Australian Governments did that in August. The next stage is that transport ministers will meet on 4 November, where they will be asked to vote on the heavy vehicle law—the first bill is the heavy vehicle law—and also on the national rail law. Subject to those votes proceeding, the process will start of introducing that legislation into the respective Queensland and South Australian parliaments, and the relevant legislation needs to then happen across all of the other parliaments to bring it into effect from next year.

**Ms O'Connell:** In terms of bringing the intergovernmental agreement into effect, the agreement has always been that those national regulators will come into force from January 2013. With the agreement that the heavy vehicle regulator would be appointed by mid-2012—

**Senator WILLIAMS:** On 1 July.

**Ms O'Connell:** That's right. They will be appointed but the full system—

**Senator WILLIAMS:** Though they won't come into practice by mid-2012; it will be longer than that.

**Mr Mrdak:** On 1 January 2013.

**Ms O'Connell:** That's right. Everything will come into effect on 1 January 2013.

**Senator WILLIAMS:** Has there been any agreement on tonnes per axle and work diary hours? Do those things still have to be worked out between the states? Has there been some agreement? Are they going to agree with the Queensland model as it is now?

**Mr Mrdak:** There has been a lot of agreement to remove a lot of the inconsistencies. The national laws which will be voted on in a couple of weeks will set out, essentially, the model law provisions that will apply. They will largely get rid of most of the inconsistencies around axle loads and the like.

**Ms O'Connell:** Those laws will outline exactly the detail of that. An expert panel has provided advice to all ministers on the varying different standards and on what should be in those particular laws. If there are specific areas you would like to address we can do so.

**Senator WILLIAMS:** I am concerned about volumetric loading for livestock. Queensland has it now; is it going to be very yardstick for the rest of the country—will the other states go with Queensland? I am very interested in this area, because in Inverell, where I live, we have an abattoir. A lot of cattle trucks come down from Queensland, but when they get to the border they have to unload probably 10 per cent of their load or they will be overweight when they get into New South Wales. That is one area I am very interested in. Driver working hours and the crazy situation in South Australia is an issue I have raised with you before. There are different work diary hours around the country; which one you going to adopt? That would be very interesting. I will go into another question in a minute.

**Ms O'Connell:** I just need to put a caveat by saying that, as Mr Mrdak said, ministers will have an opportunity on 4 November to vote on the laws, so this predicates their vote. But the intergovernmental agreements and the idea of having a single regulator is to have a single, national set of standards and a system under which these will operate.

**Ms Wieland:** The national law is going to contain maximum loading limits for vehicles under what we call a general mass limit. These will be agreed and be consistent across the country. I think what you are referring to around livestock is the concessional limits and higher mass limits that are available in particular scenarios on particular roads under access permits or gazette notices.

**Senator WILLIAMS:** No. In Queensland, for livestock, if you have a 40-foot double-deck cattle truck you can just fill it up, regardless of the weight. You might be allowed 22 tonnes on a tri-axle in New South Wales, but in Queensland you can just fill it up, so long as the vehicle is within regulations on volume—the length, the height and width of the truck. One of the concerns I had was whether they would adopt a tonne-per-axle standard, as far as livestock is concerned, or would they allow the Queensland model to proceed around Australia.

**Ms Wieland:** The intention of the work with states and territories has been to try to lift the standards and lift the level of productivity, not to reduce those which currently have higher concessional limits.

**Mr Mrdak:** We can get you some further details on the particular issue of volumetric loading and on the other one you raised, if you would like.

**Senator WILLIAMS:** I am very sympathetic for our local biggest employer in the New England area. If you have to run another truck up to the border because a B-double road train has come down and has to unload 10 per cent of its load, it is costly and there is a loss of production. These abattoirs are competing against American abattoirs et cetera. These are things that add up to the cost of production, and which ultimately go back to the cow cookie, the beef producer. They are paid less because this is part of the structure of getting them there.

**Ms O'Connell:** In terms of livestock issues, throughout this whole process we have been consulting quite extensively with ALTA, the Australian Livestock Transport Association.

**Senator WILLIAMS:** Now that you mention the trucking bodies, how are they going in accepting what is proposed by the uniform Australia-wide regulations?

**Mr Mrdak:** I think they are very supportive of the process. Obviously there are some areas, particularly access in certain jurisdictions to certain roads, which they would like to see progressed further, but I think they understand just how important it is to get the national laws in place and then use that as the basis, with the single regulator, to press for greater access. The way I would summarise it is that the heavy vehicle industry is very supportive of moving to a national regulator and very supportive of the process, albeit that I think there are a whole range of things they would like to see dealt with first up in the legislation, but they recognise that they may not get all that they want in terms of access through the initial legislation and that at least this starts a process of getting much more uniform access across the country.

**Senator WILLIAMS:** No state government has actually passed legislation yet—or have they, on the agreement side of it?

**Mr Mrdak:** They have signed the agreement. The next stage is the vote on the laws on 4 November, and then legislation will start to be introduced. Our intention is to have the heavy vehicle laws introduced into the Queensland parliament, if at all possible, before the end of this year.

**Ms O'Connell:** In two tranches, one before the end of this year and one next year.

**Senator WILLIAMS:** I would think it would get bipartisan support anyway. It should not have a problem going through the Queensland parliament, you would not think.

**Mr Mrdak:** It has high-level support, as I say, particularly from the heavy vehicle industry.

**Senator WILLIAMS:** How come Western Australia have not signed up? Are there any reasons?

**Mr Mrdak:** I think that at this stage, in Western Australia, the position that has been publicly put by the Premier and the transport minister is that they want to have a look at the legislation to ensure that it has some benefit for Western Australia. We have been particularly anxious to make sure that local productivity variations in WA are protected, and they are, under the terms of the intergovernmental agreement. We believe the protections are there, and we hope that WA will sign the agreement shortly.

**Senator WILLIAMS:** I refer to the carting of hay and wool in New South Wales. The new government, under Minister for Roads and Ports Duncan Gay, has increased the width from 2.5 to 2.7 metres. Would you be aware of why wool bales are always overwidth when you cart them on a flat-top truck?

**Mr Mrdak:** I am not aware of that.

**Senator WILLIAMS:** On a wide trailer, when you put the wool bales in two longways, the bale of wool bulges at the end and that takes you out a bit. They have been carting wool probably illegally for 120 years or however long they have had trucks! That has been now widened to 2.7 metres, so you can actually put a load of wool on and cart it legally. I would hope that would be adopted nationwide as well because I know many bringing hay from interstate, from South Australia through to Queensland, are getting booked regularly because they have the bales of hay stood up on a coaming rail to give it at any length a more secure loading. I hope these things are adopted so that a bit of common sense and fairness is there in the transport industry.

**Mr Mrdak:** I think all the states have been trying to move, as Ms Wieland said, to the best productivity outcome. You are right: hay bales and wool bales between New South Wales and Victoria have been highly contentious and a real problem. We think we have a package now which will move to the Victorian system.

**Senator WILLIAMS:** That sounds great. I think most would welcome the national regulations. We will not have to worry about going from border to border and breaking laws in this state and not in that state. During the transition period, will the states be retaining some of their old laws? Queensland will legislate. You said that on 1 January 2013 the new laws come in Australia wide.

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

**Mr Mrdak:** That is the intention.

**Senator WILLIAMS:** In the six-month period from 1 July 2012, they just all go on their old regulations in each state? After 1 January 2013, will there be other by-laws, if I can call them that, in various states? Will they have different things or are they all going to adopt the one whole package?

**Mr Mrdak:** Our intention is that they will adopt one single set of national laws and regulations.

**Senator WILLIAMS:** It will be great, Sterlo, won't it?

**Mr Mrdak:** This is a big challenge for next year. We have to get all of the parliaments to pass them. Once Queensland passes the laws to set up the national regulator and the single law, we then have to get all of the other jurisdictions to legislate in their own jurisdiction to effectively apply the Queensland law as their law in their jurisdiction. What we have to make happen next year is that all of the jurisdictions get the bills through their parliaments to apply the Queensland law in their jurisdiction as, effectively, New South Wales law or Victorian law, for example. That is the challenge we face next year: to get all of the various parliaments to do that. The governments have signed the IGA to do that, but there is a big challenge to do that. So our intent is to have everyone applying the national law from 1 January 2013.

**Senator WILLIAMS:** Hopefully, next October when we discuss this issue again, we will have regular laws, red tape will have been removed and productivity will have been increased with the new law.

**Mr Mrdak:** That is our objective, and a better safety regime by the effect of having what we would hope to be a better fatigue regime, a more sensible fatigue and log regime and, we would hope, the most productive regime we can in terms of getting rid of the distortions you have talked about. But I will not underestimate how difficult the next 12 months are going to be to get that through.

**Senator WILLIAMS:** Good on you.

**Senator GALLACHER:** I am just curious about the remote areas livestock transport options, particularly if you take into account the Northern Territory or more particularly the stuff that is going out of our northern ports as livestock exports. There are no facilities, the roads are not of the same standard as national highways and the life of a beast on a truck is probably about 18 hours before it starts getting detriment in terms of health and welfare. It is quite common for those people to actually operate those 18 hours. Is there anything in these national

heavy vehicle regulations that recognises that in any way, shape or form, or are we just going to apply national standards if we have got good roads, rest houses, places to stop and facilities?

**Mr Mrdak:** No, the national laws will apply for the productivity and local variations. We are conscious of the fact that in some jurisdictions, particularly Western Australia, the Northern Territory and Queensland, livestock transporters require that flexibility you have talked about provided they stay within the fatigue laws. So I think the intent is that the national laws will actually provide a lock-in to the current arrangements, essentially.

**Senator GALLACHER:** Introduction of B-triples is causing some media comment. Obviously it is a great productivity initiative but, for argument's sake, in South Australia if we bring it back from 110 or 100 and we have B-triples which increase the length of heavy vehicles, we then have a potential road safety issue. Has there been any discussion or work done on that?

**Mr Mrdak:** There is quite a bit of work being done. The National Transport Commission has recently put out a paper in relation to configurations of B-triple combinations which could be utilised which we think bring good productivity benefits and importantly road safety benefits by virtue of how they operate in comparison to, say, road train commendations and trailer combinations. I think that is still at the discussion paper stage. I will just check. The discussion paper is out from the National Transport Commission. The next step would be to see what the submissions are. Clearly the government's perspective is that wherever those high productivity vehicles can be used it must be done safely and ensuring that they are on routes where they can operate safely because of pavement and also traffic conditions. We are now awaiting the closure of that consultation process and then transport ministers will have a look at that in terms of what further extension of the B-triple network should take place. As you know, at the moment there is a B-triple network across the country which provides access for the combinations. It is a question of whether we can extend that network safely by using some of the combinations which the National Transport Commission is now proposing.

**Senator BACK:** I know Senator Edwards has got some more questions on safe rates but can I go to the shipping reform package, if I may. With regard to the fact that obviously extensive taxation changes are announced in the package, can you tell us what will be the cost impact on the budget of these reforms?

**Mr Wilson:** The cost impacts will be announced in the midyear financial economic outlook. I am not in a position to outline those until the government announces those details.

**Senator BACK:** They have been calculated?

**Mr Wilson:** They have been calculated and they will be reflected in the midyear financial outlook.

**Senator BACK:** When do we expect the midyear financial outlook statement?

**Mr Mrdak:** Normally the midyear financial outlook takes place around the early part of December.

**Senator BACK:** And included in that I imagine would be the impact on the budget of Australian flag companies going from those which pay company tax to those which will be exempt.

**Mr Wilson:** Correct.

**Senator BACK:** Will savings to be made be identified in the midyear statement? Are there any savings?

**Mr Wilson:** It is a fully offset package.

**Senator BACK:** You cannot yet advise us as to where those will be. A number of reference groups were set up to develop the policies, I understand: a regulatory reference group, taxation, work skills and training reference group. Were those reports prepared by the department?

**Mr Wilson:** No. The reference groups were established by the minister to provide advice on the implementation of the package that the minister announced in the election campaign of 2010. Two of the reference groups provided a written report to the minister. The third, which I chaired, provided advice under signature of a briefing.

**Senator BACK:** Which one did you chair, Mr Wilson?

**Mr Wilson:** I chaired the regulatory reform group.

**Senator BACK:** That prepared a written report, or was yours the one that appeared under signature?

**Mr Wilson:** I provided a brief under separate cover.

**Senator BACK:** So the other two, the taxation reference and the works for skills reference, were both prepared as written reports to the minister?

**Mr Wilson:** Correct.

**Senator BACK:** Are they to be made public or have they been made public?

**Mr Wilson:** I do not believe they have been made public.

**Senator BACK:** Right. Minister, do you know whether they are to be made public?

**Senator CARR:** No, I do not know that.

**Mr Wilson:** I do not believe there is an intention to make them public. They have been provided to all members of the reference groups, however.

**Senator BACK:** Sure. You would know the membership of your committee: is treasury represented on your committee?

**Mr Wilson:** Treasury was. If you like I can go through the—

**Senator BACK:** Would it be possible on notice.

**Ms Gosling:** I actually recall that in the questions on notice from the last hearings we actually provided the details of the membership of each of the reference groups, but we can certainly provide the full membership again if that is helpful. Just to come back to your issue in terms of whether the department was involved, obviously in terms of just providing normal secretariat support to the reference groups that was our involvement. We would have provided some sort of drafting assistance with the reports that were prepared.

**Senator BACK:** Certainly. There will be a Maritime Workforce Development Forum that has been announced by the Minister, hasn't it?

**Ms Gosling:** Yes.

**Senator BACK:** Again, can you advise me, since I do not have the questions on notice, whether or not the membership of that forum has been made public or will be made public?

**Ms Gosling:** The membership of that group has not yet been announced by the government. That is under consideration.

**Senator BACK:** The department would presumably have some involvement, be it secretariat or professional input into that forum.

**Ms Gosling:** We would provide some sort of support to the forum. The minister has announced that he would like to have that group commence from 1 January 2012.

**Senator BACK:** Can I just go to cabotage. Can you provide us yet with any further detail on what will be the requirements for the new licensing system, which I understand is a three-tiered licensing system.

**Ms Gosling:** That is correct. The three-tiered licensing system will involve a general licence that will provide general access to the coast.

**Senator BACK:** That is for Australian flag ships?

**Ms Gosling:** That will be for Australian flag ships. As a transitional arrangement for foreign flag vessels that currently operate, they will have a transition of five years to transition across into Australian flagged registration arrangements.

**Senator BACK:** For my clarity, are those foreign flag ships that are plying between our ports or do they include foreign flag ships, for example, that come into Port Hedland or Dampier and go straight away from the Australian coast?

**Mr Wilson:** No, ships that would be undertaking trade within Australian waters. An international ship that comes into Port Hedland and then exits Australia would remain as an international ship.

**Senator BACK:** Away from this. What if a livestock carrier came into Portland and picked up stock, then went to Adelaide and picked up stock, then went to Fremantle and picked up stock and left. In other words it has not traded between our ports but it has visited more than one port. Where does it find itself in these arrangements?

**Mr Wilson:** If it is carrying international cargo and international cargo only and it is not partaking within the Australian economy, it would be able to retain international trading. So an international flag ship.

**Senator BACK:** Right. Thank you. Sorry, Ms Gosling, I did not want to interrupt you; I just wanted to be clear on both of those. So we are now back to a foreign flag ship that is actually plying and trading between Australian ports.

**Ms Gosling:** That is correct, Senator. That is a general licence category; that is the first licence. There are two components to that: the Australian flagged and the foreign flagged vessels we have just discussed. The second tier of the regulatory system will be temporary licences and those temporary licences will replace all existing voyage permits that are currently issued. A temporary licence will be available for up to 12 months. The third tier—

**Senator BACK:** Again, are they for both foreign flagged and Australian flagged or just the foreign flagged?

**Ms Gosling:** In essence an Australian flagged vessel will have a general licence.

**Senator BACK:** It will have a general licence almost automatically, won't it?

**Ms Gosling:** That is right.

**Senator BACK:** This is now the change for foreign flagged vessels that are competing with Australian flagged ships in our ports?

**Ms Gosling:** That is right. They would have access to a temporary licence for up to 12 months. The third tier of the licensing system is emergency licences for genuine emergencies or natural disasters, where cargo has to be moved on a one-off basis.

**Senator BACK:** Can you go back to the second one? What is the reason for the 12-month limit for those temporary licences for foreign flagged vessels? Is it the expectation that they will either want to move to be registered under the Australian flag or not come back into Australian waters to trade? Can you explain that?

**Ms Gosling:** The policy is underpinned on the basis that it is envisaged that they would transition to a general licence if they wanted to continue to have access to the coast.

**Senator BACK:** So their decision is either to continue if it is commercially viable or, if conditions are restrictive, not to see Australia as a location where they can undertake port-to-port coastal trade—

**Ms Gosling:** Or to demonstrate a case as to why they would continue to have access. I have also been reminded of the requirements of Customs in accessing that ship for the purposes of bringing it into the Australian system under their rules.

**Senator BACK:** How many Australian flagged vessels do we have at the moment on the Australian coastline?

**Mr Wilson:** We have 22 major trading ships flagged on the Australian coastline.

**Senator BACK:** Represented by how many companies?

**Ms Gosling:** We might have to take that on notice.

**Mr Wilson:** That is a good question, Senator. I do not think I have that number with me.

**Senator BACK:** One of the key objectives of this whole exercise is to increase the opportunity for the movement of freight from road to sea surface. Are you bold enough to predict the likely outcome after, say, five years? Do you expect that this will be an attractive proposition for foreign flagged vessels to seek Australian registration and remain substantially on our coastline?

**Mr Wilson:** All the indications are that the package has been well received by the Australian shipping industry and the international shipping industry. International coverage has been very positive. I guess the best example of a positive reform package is the UK shipping reform package, which has seen a significant increase in the number of ships on the UK register. We would envisage that the package, as it is designed and that the government intends to deliver, will deliver additional ships flagged on the Australian shipping register.

**Senator BACK:** Is it still premature for you to be able to advise us of some of the conditions pertaining to the new registration: the numbers of Australian crew et cetera. Is that something that will emerge over time or is it information that is known now and can be made available to the committee?

**Mr Wilson:** To operate within the Australian economy an Australian flagged ship—not one operating under the transitional arrangements—will be required to have Australian crew. That is not a condition; it is just a fact of life that—

**Senator BACK:** All of the crew, from the captain to the cabin boy?

**Mr Wilson:** An Australian registered, Australian flagged ship that is not operating within the transitional period—a foreign flagged vessel has five years to work its way from international registration through to Australian registration—will have Australian crew. So we would envisage that the 22 ships that are currently licensed to operate within the Australian system will transfer across into the new registration scheme, they will be flagged and they will have Australian based crew.

**Senator BACK:** Can you tell me what role the department played in the development of the productivity compact which has now been negotiated between the shipping companies and the unions—or is it under negotiation?

**Mr Wilson:** The productivity compact is currently being negotiated between the unions involved in the shipping industry and the shipowners themselves.

**Senator BACK:** Is the department playing a role in that process?

**Mr Wilson:** The department is monitoring, through conversations between ourselves and the parties involved, but it is not playing a direct role at this stage.

**Senator BACK:** Can you tell us when the draft legislation will be available for scrutiny?

**Ms Gosling:** We are working through the drafting instructions now and we are continuing to talk to all stakeholders in that process. It is envisaged at this stage that we would have the legislation out early in the first part of 2012. We are aiming for February but there is a lot of work to do and there will be a number of bills in the package. That is our expectation.

**Senator BACK:** That concludes the questions I had on the shipping side. The answer to one of the questions is as yet unresolved but it will be announced in the mid-year financial statement by the Treasurer, as I understand. Is that correct?

**Mr Wilson:** That is correct.

**Senator COLBECK:** Has any analysis been done on the cost to industry?

**Mr Wilson:** We released a regulation impact statement document yesterday, I believe. It was registered on our website.

**Senator COLBECK:** One business told me that it is going to cost them \$7 million and it is already costing them—

**CHAIR:** Sorry, Senator Colbeck, but Senator Milne has been waiting patiently.

**Senator MILNE:** Under surface transport policy, on vehicle emissions, I am interested in the discussion paper that is out at the moment in relation to CO<sub>2</sub> emissions. Is that something you can deal with?

**Mr Mrdak:** Yes, this is the right group.

**Senator MILNE:** I note with interest that the government has now released a discussion paper. I wanted to start by asking how you came up with the six scenarios in the discussion paper for light vehicle CO<sub>2</sub> standards in Australia, because there does not seem to be any rationale for them. I would like to know how you came up with those six scenarios, what they are based on and what rationale there is for them.

**Ms Gosling:** Scenario 1 was the indicative starting point and that was nominated in the election commitment that the government released. We have worked on the other scenarios from that starting point in terms of trying to do the modelling. Obviously we have to be realistic about what might be achievable by 2015, and then we have indicated what might be more realistic targets for 2020. The purpose of the discussion paper is really to engage stakeholders and industry in terms of what actually might be realistic and achievable.

**Senator MILNE:** So the first constraint that you have put on it is that the baseline is the government's election promise. Then the others are what you think are reasonable and achievable in Australia. Yet do you not concede that they are very lax standards compared with what the Europeans are proposing for 2020?

**Ms Gosling:** It is difficult to make international comparisons in this area in terms of thinking about what the mixture of the fleet is in Australia as opposed to other places around the world, such as Europe. There are a larger percentage of diesel cars, for example, in Europe. The size of vehicles there tends to be smaller than in Australia. We have had some regard to what some of the international benchmarks might be. But making a direct comparison is a complex thing.

**Senator MILNE:** But isn't the size of vehicles in Australia to a large extent about the price of petrol and diesel? Wherever you have higher prices for your fuel you have smaller and more efficient vehicles.

**Mr Mrdak:** I do not know if you can make that generalisation. Australian's choice of vehicles is driven by a range of factors. Fuel price is one of them. So is the distance that people are travelling in Australia compared to Europe. There are family requirements. Australians make a range of choices driven by family needs, personal needs, distances travelled and the type of vehicle that suits the roads on which they are travelling. I do not think that you can make the generalisation solely on fuel price.

**Senator MILNE:** Okay. We know that the majority of people live in cities, so a lot of the issues that you are talking about to do with distance and roads and so on are not relevant to the overwhelming majority. To come back to the fuel efficiency standards, in terms of the European standards I note that you argue that to meet the same standards as the Europeans in 2020 you would need a rate of improvement that is unprecedented. What I do not understand is that, firstly given that the vehicles we will be importing and manufacturing in 2020 have not yet been designed and secondly given that these vehicles will be manufactured by companies that are also manufacturing in or exporting to the European market, why can't we have a step change improvement in

Australia's fuel efficiency standards? It seems to me that that is clearly possible, given that we are not talking about companies that are not making a from scratch Australian car.

**Ms Gosling:** In a sense, that is the purpose of the consultation period and the discussion paper: to generate and to receive submissions by the end of November that will give us some basis to provide further advice to government.

**Ms O'Connell:** The questions that follow that section directly go to that.

**Senator Carr:** And a number of the assumptions are open to very serious challenge. The consequences, for instance, for Ford would be quite profound. There are very serious differences between the engineering standards that are applied in Australia and Europe. There are differences in fuel standards—the composition of the fuel is different here. There are differences in atmospheric conditions. There is a whole range of differences between Australia and Europe and we cannot simply apply holus bolus the same arrangements.

**Senator MILNE:** Nevertheless, the standards that are being discussed have started from a low base and they are based around, as I said, an election commitment rather than an open number of scenarios, which would go from the best to the least. Why haven't we got an ambitious scenario in the six scenarios?

**Senator Carr:** I would not agree with you about low standards. I would also point to the facts that the structure of the industry in Australia is very different and the size of the market is very different. There are a number of factors that do not readily directly apply. In particular, it should not be assumed that standards in Australia are particularly low.

**Senator MILNE:** Certainly relative to other countries they are. What about the US? How are these standards relative to those in the US?

**Senator Carr:** You will find that the standards in the US are based across the fleets. There are some different models in the way that their applications apply. You will find that the size and structure of the US industry are different. The market is different. I would be very interested to see what standards apply to the SUV vehicles or the utilities that the Americans drive in comparison to ours. There is a whole range of factors that do not readily transfer between the continents.

**Senator MILNE:** But is it true that at the rate that we are going we are not even going to be up with the standards of the United States by 2020 as they have set down, let alone the standards in other countries?

**Senator Carr:** That would really surprise me, given that theirs is a fleet model.

**Senator MILNE:** Well, I am asking that question.

**Mr Mrdak:** No, I do not think you could say that.

**Senator MILNE:** The European standard is 95 grams per kilometre in 2020. What is the US proposing?

**Mr Mrdak:** It is a little bit unclear as yet, what the US proposal will end up being. What we have suggested in the discussion paper—and we will weigh comments—is a reasonable balance given the issues the minister has raised.

**Senator MILNE:** I am asking this question: why is there not an ambitious scenario amongst the six scenarios?

**Mr Mrdak:** I do not think you can make that point. I think, as Ms Gosling has indicated, that the range of scenarios are ambitious. They reflect, I think, a reasonable drive towards improved CO2 standards and also a good balance in terms of what the Australian market requires. I would not agree with you, Senator, that this is not a very determined effort to reduce levels of CO2.

**Senator MILNE:** But I put to you the question that, if we are going to be importing and manufacturing cars in 2020 that we have not designed yet, why could we not put in place high aspirational levels? We could design them for that now.

**Senator Carr:** Senator, you have raised serious questions about the investment levels that occur. It is not simply a question of saying to the manufacturers, 'You will design a vehicle of this particular specification.' Someone has to pay for it. Investment has to be attracted from somewhere.

**Senator MILNE:** That is right. These companies are already going to be manufacturing cars to meet these standards in Europe, and the US is going to be manufacturing cars to meet its projected standards as well.

**Senator Carr:** If you want to import the engines entirely—if you want to actually get rid of the engine plants in this country—that might be a policy you could accept. But that would destroy thousands of jobs in this country. It would actually undermine seriously the structure of the companies as it currently exists. It may well be that by 2020 we will have a different circumstance. But our strategy is to actually manufacture in Australia—to get blue-collar jobs in Australia.

**Senator MILNE:** That is right, and you and I have had this argument before, Minister.

**Senator Carr:** And no doubt we will have it again.

**Senator MILNE:** I am arguing that the failure to set ambitious standards means that we lose market share in Australia, which is why we keep having to pay subsidies to car manufacturers, because we are not competitive.

**Senator Carr:** No, we lose market share because of the price of the dollar. The price of the dollar makes a very big difference. Economies of scale make a very big difference. The unit prices make a very big difference.

**Senator MILNE:** But if the manufacturers are producing cars in Europe that can meet a certain standard, and these are also being manufactured in Australia, why can they not manufacture to the same standard in the plant here?

**Senator Carr:** But they do not.

**Senator MILNE:** Why can we not require them to?

**Senator Carr:** Why don't we just get rid of the Australian industry? That would be the consequence of that.

**Senator MILNE:** I am saying we should stick with the Australian industry and set comparable standards.

**Senator COLBECK:** Are the issues with pilots operating through the Torres Strait here or in AMSA?

**Mr Mrdak:** That is probably one for AMSA, if that is okay.

**Senator COLBECK:** That is all right. I just wanted to make sure we are where we are supposed to be. Better to find out early! I have a historical question—and I will be testing memories here, I think. I want to get some context around a clause in the Tasmanian Freight Equalisation Scheme that relates to transport of wool backwards and forwards across Bass Strait. I understand that there is one particular clause in there that relates to wool going to auction. It provides for wool exported from Australia through an auction that is conducted on the mainland to still qualify for the Freight Equalisation Scheme. You may have to take this on notice.

**Ms Gosling:** I think I will have to take that one on notice.

**Senator COLBECK:** This may go back away. I am just trying to get a context around that clause being placed in the Freight Equalisation Scheme. It is quite unique, particularly in relation to exports. So perhaps, on notice, you could give me that, if it is available.

**Mr Mrdak:** Certainly. Perhaps I can just clarify this. You are asking about wool moved from Tasmania to mainland Australia for auction and then exported and whether it would qualify for—

**Senator COLBECK:** No, it does.

**Mr Mrdak:** It does.

**Senator COLBECK:** We know it does. There is a particular clause in the scheme that relates specifically to that. It is probably coming to light more now because there is no international service directly out of Tasmania, so it changes the competitive nature of the market. It has become a bit more of an issue in the last 12 months or so. I am trying to get some sense of the historical context around that and an understanding of how it works, particularly given that no other export product that does the transshipping across Bass Strait actually does qualify.

**Mr Mrdak:** Gets access. Okay, we will do some work and try to do some research on why that was framed in that way and what the rationale is for the application of it.

**Senator COLBECK:** And the rationale around that particular context. Because the two issues together are forming a bit of an issue in Tasmania at the moment.

**Mr Mrdak:** We will come back to you as quickly as we can on that.

**Senator EDWARDS:** I refer to a media release by Senator The Hon. Jacinta Collins on 13 October 2011 in relation to the introduction of safe rates. It states that the Safe Rates Advisory Group met on the same day to finalise the government's response into the Safe Rates, Safe Roads Directions Paper. Has the department been consulted?

**Ms Gosling:** Yes, it is obviously being undertaken by Senator Collins in that portfolio, but we have been involved. Our department has been involved and has been consulted in terms of some of the work that is being undertaken. In terms of the work we are doing on the National Heavy Vehicle Regulator it is important that we are consulted and involved in that work. So, yes, we have been working collaboratively with them.

**Senator EDWARDS:** In tandem, and right from the start right through?

**Ms Gosling:** I am not quite sure what you would say was right from the start. We are involved now and in regular consultation with them, and have been for some time.

**Senator EDWARDS:** Has the department undertaken any economic impact analysis or cost-benefit analysis or indeed any analysis of any kind on the cost impact that the introduction of the safe rates would have?

**Ms O'Connell:** That would be a question for the employment and workplace relations portfolio, who have the lead on this.

**Ms Gosling:** As Ms O'Connell said, it is work that is being led by the Department of Education, Employment and Workplace Relations.

**Senator EDWARDS:** Is that work currently being undertaken?

**Ms O'Connell:** We understand they are doing the analysis.

**Senator EDWARDS:** When would you think that analysis would be available and is it likely—

**Ms Gosling:** You would have to put that to them. We would not be at liberty to say. We would not know.

**Senator EDWARDS:** I will ask them.

**CHAIR:** I can understand the confusion, because the previous coalition transport minister did everything he could to block any conversations about safe rates. So I can understand that the current one is just as confused.

**Senator GALLACHER:** I recently read that several vehicles imported into Australia performed very badly under the safety ratings. Do you have a view on that?

**Mr Mrdak:** Is this the ANCAP safety ratings?

**Senator GALLACHER:** Yes. They are very cheap cars coming in that cannot perform safety crash tests. They perform the tests on them and they are abysmal.

**Ms O'Connell:** I think one was a two-star rating and another a three-star rating. But they were relatively low rating.

**Senator GALLACHER:** They are probably bought by our most vulnerable road users.

**Mr Mrdak:** If I may, I will just get Mr Hogan to outline our role, which is the Australian Design Rules, which govern the vehicles that can enter the Australian market—the differences between that and the regime and the ANCAP testing regime. It is important to understand the regulatory basis of the ADRs. I will ask Mr Hogan to outline that and what the ANCAP system does in terms of being on top of the ADR requirements.

**Mr Hogan:** As Mr Mrdak has indicated, the Australian government sets the base requirements for vehicles entering into the Australian market, through the Australian Design Rules. The Australian Design Rules in turn are largely based on international vehicle standards agreed within the UN system, plus some local rules that have some historic origins. ANCAP is first and foremost an organisation that is devoted to raising consumer awareness of vehicle safety. From that perspective, it complements the regulatory regime that is currently in place. When ANCAP crash-tested those vehicles, as was pointed out, they achieved two- and three-star ratings, but that in no way indicates that they did not meet the regulatory standards that are in place.

**Ms O'Connell:** The role of ANCAP is really to influence consumer choice about purchasing safer vehicles, hence the crash-testing results and making them publicly available.

**Senator GALLACHER:** I understand that. Basically people make a decision based on their income and their wishes and their safety standards. But I am saying that we are allowing cars to be imported into Australia with barely recognisable ANCAP features—no ABS, no side curtain airbags—priced to meet the vulnerable user market. Is that a fact or not?

**Ms O'Connell:** With the Australian design laws, as Mr Hogan pointed out, there are minimum safety standards that must be met, and all cars meet those safety standards. Those safety standards are always being reviewed and increased—for example, new standards around adoption of ABS. Those standards, as minimum standards that are set through the ADR process, are reviewed and increased and stepped over time. Certainly the ANCAP crash test is about trying to promote the highest possible standard in terms of safety when you purchase a car and making that information freely available to consumers.

**Senator GALLACHER:** Is it true that in Victoria one of those imported models was not allowed to be sold because they had a different regulation?

**Mr Hogan:** What you are referring to there is the fact that Victoria introduced a state requirement as of 1 January this year that vehicles must have electronic stability control. National requirements are coming into place for electronic stability control as of 1 November this year. So Victoria were some months in advance of the national standard.

**Senator GALLACHER:** So that is not the tail wagging the dog?

**Mr Hogan:** No. In fact, the Australian government announced that it was going to mandate electronic stability control before the Victorian government did.

**CHAIR:** Senator Abetz, you are on the speakers list. We are finishing at four o'clock. Do you have a lot of questions?

**Senator ABETZ:** No. With a bit of luck, we might be able to sneak that in. I assume this is the area for the Australian International Shipping Register.

**Mr Mrdak:** Yes.

**Senator ABETZ:** I will not be subtle in my questioning, given that I have only got three minutes. Will this really be exempting people from falling under the Fair Work Act?

**Mr Wilson:** As the minister announced on 9 September, the Australian International Shipping Register will require shipping companies to regulate employment conditions in line with the international shipping regulations.

**Senator ABETZ:** So the question is: does this then exempt workers and operators from the Fair Work Act?

**Mr Wilson:** To be very blunt, employees on a ship operating under the Australian International Shipping Register will not be, whilst on international voyages, subject to the Fair Work Act.

**Senator ABETZ:** And they will only be subject to the ILO convention protections?

**Mr Wilson:** The maritime labour conventions in regard to international shipping.

**Senator ABETZ:** Thank you. That is the technical term.

**Mr Mrdak:** The details of those arrangements, of how the shipping register will work, are currently being developed as part of the legislation that is being drafted.

**Senator ABETZ:** Thank you very much. That has pre-empted another question. Given that I only have 35 seconds, I will put any other questions on notice.

**CHAIR:** I thank the officers from Surface Transport Policy for their time.

#### **Proceedings suspended from 15:59 to 16:18**

#### **Australian Maritime Safety Authority**

**CHAIR:** I welcome officers from the Australian Maritime Safety Authority. Senator Back, have you got any questions?

**Senator BACK:** I take you to an incident on 2 October 2009 when a boatload of asylum seekers left Indonesia with 105 Hazaras. It would appear as though, to create political embarrassment for the then Rudd government, they were attempting to enter Australia illegally. We have learnt from previous estimates that Customs and Border Protection Service received information about a vessel in distress the next day, 3 October. This was passed on to AMSA, who then contacted the Indonesian National Search and Rescue Agency, and in turn they accepted responsibility. Are you familiar with this particular incident? In terms of the advice you got from Customs, was this provided to AMSA at or about the time Customs was notified the vessel was in distress or was it passed on to AMSA at a later point in time?

**Mr Kinley:** We were advised at 3:33 pm Canberra time on Saturday, 3 October 2009.

**Senator BACK:** Were you already aware? Did you have any independent knowledge of this particular event other than that provided to you by Customs and Border Protection?

**Mr Kinley:** No.

**Senator BACK:** I think you indicated that it was a phone call. Is that right? Did you say you received a phone call at 3.33?

**Mr Kinley:** Yes.

**Senator BACK:** Would that have been followed up by some email or fax communication?

**Mr Kinley:** I will defer to the GM of Emergency Response Division on that one.

**Mr Young:** Yes, it was.

**Senator BACK:** By fax?

**Mr Young:** By email.

**Senator BACK:** You would then have had a duty officer, presumably, who would have accepted the phone call and received the email?

**Mr Young:** We run a 24-hour Rescue Coordination Centre, which took the issue up on alerting from Customs.

**Senator BACK:** Can you tell me, under that arrangement, what the officer would have done or did with that information once it was to hand?

**Mr Young:** The officer would assess the information as best he could. The information included a possible location for the vessel. He—I say 'he'; I am not sure if it was a he on the day—

**Senator BACK:** He or she.

**Mr Young:** He or she would contact BASARNAS, the Indonesian Search and Rescue Authority, as you have already indicated. That was because the possible location provided by Customs was well inside the Indonesian search and rescue region.

**Senator BACK:** Would he or she have been alerted to the number of people on board the vessel in distress?

**Mr Young:** My recollection is that that information came later. We did receive subsequent information about possible numbers of people aboard the vessel.

**Senator BACK:** Other than acting as a conduit, receiving the information from Customs and passing it on to the Indonesians, what if any other role did AMSA have in that particular incident?

**Mr Young:** AMSA was also in liaison with Customs about what other surveillance efforts might have been proceeding at the time. We understand that Customs had a surveillance flight into the area, and that provided us with some reassurance that, if there were a vessel there to be found, it would have been found by an effort independent of what Indonesia might be doing.

**Senator BACK:** 'Independent' being either Customs or AMSA or the two of you working jointly?

**Mr Young:** Yes, correct.

**Senator BACK:** Can you tell me from the records, or can you take on notice, whether your operations officer—or whatever title they are given—would have had any communication with the vessel itself, with people on board, either by mobile phone or by radio communication, or would that not be something that an AMSA officer would engage in?

**Mr Young:** My recollection is that in this particular incident there was no communication with the vessel, certainly not by AMSA. I am not aware of whether Customs did. I do not believe so.

**Senator BACK:** I wonder if you would be kind enough to take on notice a confirmation of that. If that is the case, then you will not appear again.

**Mr Young:** Certainly.

**Senator BACK:** Whose role would it be to alert the relevant minister, who I understand to be Minister Albanese—would that be correct?

**Mr Young:** For incidents of this type, the relevant minister is the Minister for Home Affairs, and Customs takes on that alerting responsibility.

**Senator BACK:** So it would be automatic that Customs would alert, and the minister would be the Minister for Home Affairs?

**Mr Young:** I understand so, yes.

**Senator BACK:** With regard to the decision to alert the Indonesian authorities, would that be part of the standard operating procedures of AMSA? Is it part of the standard operating procedures of the Australian government? Why would it automatically be AMSA's role to alert, in this case, the Indonesian authorities?

**Mr Young:** There are global search and rescue arrangements in which, effectively, the globe is divided into regions and different countries take responsibility for what are called search and rescue regions. The area of the possible location that Customs provided to us was in fact very close to the Indonesian coast, within the Indonesian search and rescue region, and therefore Indonesia has first-line responsibility for coordination of search and rescue in that area. On many occasions, we talk to our Indonesian counterparts and others that adjoin the Australian search and rescue region.

**Senator BACK:** Within the chain of command, would the AMSA operations officer on duty on that occasion, in addition to or prior to contacting the Indonesians, make contact with a senior officer within AMSA? Would it come through to the chief executive's office, for example, before he or she makes contact with the Indonesian authorities? Would this happen automatically without that reference up the chain of command?

**Mr Young:** Standardly, both things would happen. The term that you are looking for is search and rescue mission coordinator. That is what we call the officer in charge of the mission in the rescue coordination centre who is fully authorised to go ahead and deal with adjoining rescue coordination centres and fully authorised, in

fact, to make search and rescue coordination decisions that commit assets to a task. They often do that independently of immediate supervision from senior officers in AMSA. In this particular case, it was passed up the line and I was made aware of what was happening.

**Senator BACK:** Just so that I am clear, AMSA and/or Australian Customs did not mobilise any search and rescue aircraft in this instance? There was a reliance on the Indonesian authorities once it had been reported to them?

**Mr Young:** Again, two things were happening. The Indonesian search and rescue authority took formal coordination of the event, and therefore it was their responsibility to provide search and rescue assets, communications et cetera. Aside from that, my recollection is that Customs had a flight planned in any case by a P3 Orion maritime patrol aircraft, very capable of finding such vessels and very capable of delivering search and rescue assistance. So that was a second line of action that was happening independently of what Indonesia might be doing.

**Senator BACK:** Is there or was there a role for Australian authorities to actually follow up with the Indonesian national search and rescue agency to satisfy yourselves that the Indonesians did in fact mobilise aircraft and other search and rescue vessels to try and locate this vessel in distress?

**Mr Young:** There is no obligation to do so. We did talk again with the Indonesian search and rescue authority, which assured us that there was no vessel or no distress at the possible location that had been given to us by Customs.

**Mr Kinley:** I would also like to say that this position, as Mr Young said, was close to their coast. I think the report we had was that it was within 15 nautical miles.

**Senator BACK:** Within 15 nautical miles of the Indonesian coast?

**Mr Kinley:** Of the Indonesian coast, yes. That is almost in their territorial sea.

**Senator BACK:** I think Senator Humphries is more familiar than I am with this incident, but I believed this to be a case of a vessel where 105 people on board perished. Are we speaking about the same incident? The notes are in front of me. Perhaps I could ask Senator Humphries. I understand this to be an incident where 105 people were lost at sea.

**Senator HUMPHRIES:** Is the boat in October 2009?

**Senator BACK:** Yes. It left the coast of Indonesia on 2 October. It was seen to be in distress on 3 October. The officers have just been kind enough to alert us to the role played by AMSA. Upon being advised by Customs, the duty officer communicated further up the line and, as part of the standard operating procedures, as I understand Mr Young, then made contact with the Indonesian national search and rescue agency, who then took responsibility. Is that a reasonable summary of the questions and the answers we have been discussing?

**Senator HUMPHRIES:** If I can pick up from that point, assuming I understand what has been asked already, can I ask at exactly what point Customs and Border Protection informed AMSA of the existence of a vessel in distress?

**Mr Kinley:** Our records indicate that we had an email from Customs at 3:33 pm on 3 October 2009, advising of a vessel in a possible location in the Indonesian search and rescue zone that was taking on water.

**Senator HUMPHRIES:** Does the Indonesian search and rescue zone mean Indonesian territorial waters?

**Mr Kinley:** No. The position that was given to us was about 15 nautical miles off the coast of Java; the territorial sea is 12 nautical miles. I am just saying it was quite close into their waters.

**Senator HUMPHRIES:** What did you do when you received that email on 3 October?

**Mr Young:** The Rescue Coordination Centre, which is a 24-hour centre in AMSA, diagnosed that it was well inside the Indonesian search and rescue region. They passed the information to our Indonesian compatriots in Indonesian search and rescue zone—BASARNAS, the Indonesian search and rescue authority. They also spoke with Customs to see what other activity was going on of a surveillance nature. As I recall and understand, they found that a P3 Orion aircraft flight that afternoon would pass through the area this information related to. The aircraft did not find a vessel nor any signs of distress. The Indonesian search and rescue authority later that day reported that they had also investigated and found no vessel nor any sign of distress at the possible location.

**Senator HUMPHRIES:** When you say investigated, do you know if they dispatched vessels of some kind to search the area?

**Mr Young:** I do not.

**Senator HUMPHRIES:** Given the relationship between Australia and Indonesia, would there have been any opportunity for Australian surface vessels to have taken part in a search of that area to locate the boat?

**Mr Young:** That would have required a special effort to do so at Indonesia's request. If Indonesia had requested that we would have looked to see what was practical. It is some—I am working from memory here—100 or 120 miles from Christmas Island and so would be a significant deployment for a vessel to go to that location.

**Senator HUMPHRIES:** So, Indonesia made no request.

**Mr Young:** No.

**Senator HUMPHRIES:** Is there any further information about what happened to the boat after that investigation by the Indonesians?

**Mr Young:** AMSA has no information about what might have happened. We have seen the media speculation on the subject, but we do not move in the border protection circles that hold that sort of information.

**Senator HUMPHRIES:** But we can be reasonably satisfied that the boat did not return to Indonesia.

**Mr Young:** I do not even know that there was a vessel there, to be honest. It was intelligence information. It was followed up. The surveillance flight did not find the vessel, and the Indonesians said they did not find the vessel.

**Mr Kinley:** We had no direct contact with anyone purporting to be on that vessel.

**Senator HUMPHRIES:** In a situation where Customs and Border Protection are aware of a vessel, they involve AMSA and there is possible communication with another country's search and rescue operations, you have several authorities involved in networking to identify a boat potentially in distress. What is the protocol for public statements about the fate or the course of an investigation into a boat?

**Mr Kinley:** My understanding is that issues about SIEVs are a matter for the Minister for Home Affairs. We deal with search and rescue. In this particular case the protocol for dealing with it was that we asked the Indonesian search and rescue authority to assume coordination. They accepted that; they took action and we followed up to see what they were able to find. There was no evidence of any vessel in distress.

**Senator HUMPHRIES:** Having investigated this or having been involved in a process of exchanging information with Indonesia about this, would it be normal practice to make any kind of public statement about the fact that a boat had been identified as being in distress and there had been some process to alert the Indonesians as to potentially the existence of this boat?

**Mr Young:** The Australian government is operating at a number of agencies in this area and the Minister for Home Affairs leads on these issues. So with a suspected illegal entry vessel it is the Minister for Home Affairs leading public information on the subject.

**Senator HUMPHRIES:** This was not a SIEV because it did not come to Australia's territorial waters. So AMSA does not make public statements about boats?

**Mr Young:** No. We will talk about search and rescue operations that we conduct.

**Senator HUMPHRIES:** But not ones that you cooperated in but did not conduct yourself.

**Mr Young:** Correct.

**Senator HUMPHRIES:** Can I ask about another boat, one that was believed to have left Indonesia on about 13 November 2010. I understand that DIAC, in answer to a question on notice, has confirmed that DIAC received inquiries from relatives of people on this boat who had not heard from them since they left Indonesia on 13 November 2010. Can you tell me whether AMSA is aware of the issue of that boat?

**Mr Young:** Give me a second and I will look through the records here.

**Mr Kinley:** Can we take that on notice?

**Senator HUMPHRIES:** I have other questions that flow from that, so if it is possible to identify whether you have some information about the boat that would be useful at this point.

**Mr Young:** My preference would be to take it on notice. I would be talking without any briefing on the subject.

**Mr Kinley:** I can certainly indicate that it is not one we are aware that we were involved with.

**CHAIR:** Senator Humphries, there are other questioners and we are finishing at five.

**Senator HUMPHRIES:** I will put further questions on notice in relation to that boat, whether you can identify that you know something about it.

**Senator XENOPHON:** This is a general question to AMSA. How many aircraft operators do you use for surveillance of the coastline? Is it one or two operators, or three or four?

**Mr Kinley:** We do not do surveillance of the coastline. We use aircraft to undertake search and rescue.

**Senator XENOPHON:** Not surveillance. So how many operators are there in terms of search and rescue around the country?

**Mr Young:** One dedicated operator provides five fixed wing aircraft around the country, dedicated search and rescue aircraft. I do not have the immediate figure but it is in the order of 55 other operators that we will use from time to time. They range from state and territory provided emergency medical services helicopters, for example Safcare is on our list as an aircraft we would use and we have a number of other fixed wing operators around the country that we can use from time to time as need be. All up, I think there are around 60 and I can get you an accurate number on those.

**Senator XENOPHON:** So a significant number of operators. In general terms, what protocols and safeguards are there to ensure that those operators have appropriate standards of pilots training and of safety so that you know that the rescuers in a sense will not need to be rescued? Are there particular requirements that are set for those operators in terms of minimum standards?

**Mr Young:** Yes, there are. Firstly, we contract commercial operators. They obviously need to have an air operating certificate approved by the Civil Aviation Safety Authority. We provide specialist search and rescue pilot training. That is about flying at lower altitudes, bad weather and special requirements for search and rescue operations. We run an audit program through which we go out with aircraft and watch their specialist operations.

**Senator XENOPHON:** I might place some of my questions on notice. Essentially, if they have the air operator certificate, that gives you comfort, because in order to get that you need to satisfy CASA. So you quite justifiably rely on that. In addition to those minimum requirements for an AOC you undertake your own audits.

**Mr Young:** We undertake our own audits of the search and rescue operation not flight operation.

**Senator XENOPHON:** Perhaps on notice you can give me some information on the extent of those audits.

**Mr Young:** Certainly.

**Senator XENOPHON:** And whether there been any issues with respect to any of those audits.

**Mr Young:** Yes.

**Senator XENOPHON:** Can you say whether there have been any concerns or outcomes as a result of those audits with respect to any of your operators? Are you able to answer that now, or do you want to take that on notice?

**Mr Young:** I would prefer to take that on notice, thanks.

**Senator XENOPHON:** That is fine. I would be grateful if you could.

**Senator HUMPHRIES:** I want to ask about a report that appeared in the *Age* on 12 September entitled 'Reef safeguards cut back'. The report claimed, based on leaked US embassy cables, that the Australian government had weakened the shipping pilotage regime for large vessels through the Torres Strait. Are you aware of the report and can you reflect on its accuracy for us?

**Mr Mrdak:** I might deal with this one, if you do not mind. Firstly, it is not an accurate statement at all in relation to the Australian position on pilotage. As you may be aware, the Australian government has put in place a system of pilotage that requires all non-military vessels above 70 metres in length and all gas, oil and chemical tankers transiting the Torres Strait to take on board a professional pilot. Since the implementation of this scheme in January 2007 some 4,197 vessels have transited the Torres Strait. All have carried pilots. When we established this arrangement a number of countries, particularly Singapore and the United States, put a position that the pilotage system—in their view—may have been inconsistent with international law in relation to the IMO requirements. We disagree with that review; we do not believe that it is correct. Australia and the US have reached an understanding on this issue, which is reflected in an Australian marine notice that was issued on 17 April 2009. That contains the requirement for pilotage. The Australian government's position is that the way in which that has been presented in the media is not an accurate reflection of the situation.

**Ms O'Connell:** The minister made a statement in the House to that effect on 12 September. That is recorded in *Hansard*. He said that the position has not changed since the initial policy position, so the premise of the article is incorrect.

**Senator HUMPHRIES:** What the marine notice of 17 April 2009 said was that if a vessel passes through the Torres Strait and does not comply with Australia's system of pilotage for merchant ships 70 metres in length and

over et cetera 'the government of Australia will notify the vessel's flag state, owner, operator and master that the vessel failed to take a pilot and henceforth cannot enter an Australian port without the risk of the owner, operator or master being subject to a non-custodial penalty under Australian law'. Was that a strict restatement of the existing law before that point or did it modify in any way the law or practice with respect to vessels passing through the Torres Strait?

**Mr Mrdak:** That has been consistent throughout the period in which the Australian government has had these arrangements in place.

**Mr Kinley:** That is no more than a statement of our jurisdictional reach. That is basically putting people on notice that they are still breaking the law but our jurisdictional reach is when they are in an Australian port. But we will also be taking those other steps if anyone were to breach this legislation—we would contact the flag states and take those other actions. For us, nothing has changed. For us, the focus has always been on ensuring compliance before ships undertake the passage through the reef and through the Torres Strait. We have remained focused on ensuring that 100 per cent compliance.

**Senator HUMPHRIES:** So if a vessel of a certain size passes through the Torres Strait and there is no future intention for it to stop at an Australian port then effectively there is no penalty at all that applies if that ship does not have an Australian pilot?

**Mr Kinley:** It is still committing an offence under our legislation, and we would certainly take that up with the flag states to see what sanctions they could introduce. But, in effect, our jurisdiction is when a ship is in our port.

**Senator HUMPHRIES:** How many prosecutions have been launched under that arrangement of ships passing through the strait without—

**Mr Kinley:** We have not had anyone breaching that. We have had 100 per cent compliance.

**Mr Mrdak:** There has been full compliance since the arrangements were put in place.

**Senator HUMPHRIES:** So you are satisfied that ships have not passed through of which you are unaware that had no pilot?

**Mr Kinley:** The Torres Strait is monitored by the reef vessel traffic service. There is radar and other sensor coverage up there, so we have a very good picture of what ships are passing through the Torres Strait.

**Senator HUMPHRIES:** The majority of ships that pass through the Torres Strait in fact are not headed for Australian ports, as I understand it. Is that correct?

**Mr Kinley:** I would have to get the exact figures. I am not sure that it is the majority, but we do know that there is traffic that goes to ports in other countries through there—transit passage.

**Senator HUMPHRIES:** Why didn't the minister, Mr Albanese, put out a media release when he made that statement in the House of Representatives on 12 September to clarify to people other than those who read *Hansard*—a very small group in the community—as to what the situation is with the enforcement of the law with respect to ships passing through the Torres Strait?

**Mr Mrdak:** The minister made a clear statement in the House. That is obviously a significant statement by a minister.

**Senator HUMPHRIES:** Why do you think that the US embassy would have been advising Washington that the law had been effectively relaxed? As I understand the gist of the cables, they said that, although the legal pilotage framework remains in place, in practice a voluntary scheme would be in operation and there would not actually be any penalties if the ships did not dock at Australian ports.

**Mr Mrdak:** I think the Australian government's position is that we do not comment on material as in such cables which have been publicly released.

**Senator HUMPHRIES:** But can you say to us now categorically that what the cables say is not true—that there is no effective voluntary scheme in place?

**Mr Mrdak:** I am not going to comment on whatever was said in cables by said representatives. What I am putting to you is the position that the way in which that has been presented in the media article is not accurate as per the arrangements that are in place.

**Senator HUMPHRIES:** The US government apparently have a different view about this, I assume, based on what they are being told by their embassy here to what the minister says. It is very curious, don't you think?

**Senator Carr:** It is not curious at all. If you read any number of those cables there would be a difference of opinion about what was said.

**Senator HUMPHRIES:** I look forward to advice in future about any prosecutions that are launched for ships that have passed through the Torres Strait without an Australian pilot that do not dock at an Australian port.

**Department of Infrastructure and Transport**

[16:50]

**CHAIR:** I welcome officers from Policy and Research Division. Do you have any questions, Senator Edwards?

**Senator EDWARDS:** What are the current staffing levels of the Bureau of Infrastructure, Transport and Regional Economics?

**Mr Williamson:** The bureau has currently got 34 staff.

**Senator EDWARDS:** Where are they all located?

**Mr Williamson:** Do you mean physically?

**Senator EDWARDS:** Yes.

**Mr Williamson:** In the department in Canberra.

**Senator EDWARDS:** Okay, I just had to try to get a handle on that.

**Senator NASH:** In terms of research into regional aviation, there are a few things at the moment that are going to impact significantly on regional aviation. Those are the carbon tax, the new security charges and the loss of the Enroute Scheme. Has any research been done on how these things are going to impact cumulatively on regional aviation, or is that more for Aviation and Airports?

**Mr Mrdak:** The short answer is no.

**Senator NASH:** Are there any plans to do any research? When you look at them separately they all sort of stand alone, but when you look at the potential cumulative impact on regional aviation it is quite significant. Am I still getting a no?

**Mr Mrdak:** No. We have done some analysis of various elements of that. The minister has just commented on those matters but we have not done, as you say, a more comprehensive review of costs on regional aviation.

**Senator NASH:** I might write to the minister and see if he would be interested in doing that, because I think it is going to be quite important.

**Dr Dolman:** We have previously published trends in regional aviation and we are just about to do an update of those trends. Even though we are not looking at the individual impacts we are looking at trends for numbers of passengers and numbers of airlines that are providing services to regional Australia.

**Senator NASH:** When is that going to be published?

**Dr Dolman:** We would hope by the end of the year.

**Senator NASH:** When you do that sort of research do you take into account what I would call the social good of regional aviation? There is a lot of transport by regional airlines moving professionals from cities out to the region and from region to region. While it is a commercial enterprise, it is often underpinning regional sustainability by flying professionals in and out and providing a transport link from those regional communities to the city areas. Is that something that you consider at all in the research that you are doing?

**Dr Dolman:** As I said, that particular piece of research was looking at trends. We have also recently done a paper that was presented at the Australasian Transport Research Forum a couple of weeks ago. That paper looked at long-distance commuting and some of the patterns that are involved in that and how it supports regional development. It is not quite there yet.

**Senator NASH:** I do not know if that was a yes or a no. I think it was a no. I might raise it with the minister. It is a particular area of interest for regional communities if, hypothetically, for commercial reasons—this links back to doing any work on the cumulative impacts of the carbon tax, security charges and the Enroute Scheme—we have regional airlines falling over. But there is, if you like, a government provision in some way, shape or form for provision of services. How do you actually get those services to regional communities? I think it is a very interesting question, and perhaps something that some consideration can be given to.

**Senator COLBECK:** Looking at your website and in particular the general aviation activity statistics that have come out on an annual basis between 2001 and 2009, when are the 2010 figures due?

**Mr Williamson:** I think you are referring to our publication *Avline*, which actually came out a couple of months ago for 2009-10. We sort of run about—

**Senator COLBECK:** Are they the aviation statistics—domestic airline activity 2010-11?

**Mr Williamson:** Yes, but that was 2009-10. We run a sort of 12-month lag. That is the most recent—unless Dr Dolman wants to correct me—publication, which we do annually.

**Dr Dolman:** However, we do publish monthly data that includes the running year up to that month. So there is always current data available on the website.

**Senator COLBECK:** So there is running data on the back end of that?

**Mr Williamson:** Yes.

**Senator COLBECK:** Are things like the size of the regional aviation fleet and all those statistics part of the *Avline* documentation?

**Dr Dolman:** We regularly publish our monthly aviation statistics in three parts. One looks at domestic aviation, which includes some regional routes, but largely those regional routes that are run by the major airlines. We also provide monthly international statistics and monthly updates on time performance of airlines. The detailed regional aviation is the report I was talking about earlier, which I think was last published in 2009, and we are about to publish an update of that.

**Senator COLBECK:** Okay, now I think we are on the same page. That is due out shortly?

**Dr Dolman:** Yes.

**Senator COLBECK:** Does it contain data sets similar to those previously?

**Dr Dolman:** It does. Yes, it is updating the data.

**Senator COLBECK:** When is that due?

**Mr Williamson:** By the end of the year, we hope.

[16:58]

**CHAIR:** I thank officers from Policy and Research and now call the Major Cities Unit.

**Senator EDWARDS:** What is the current staffing level of the Major Cities Unit?

**Ms Ekelund:** At the end of September we were at 9.6 FTEs, and with staff returning from maternity leave we are now a little over 10.

**Senator EDWARDS:** What remuneration classification are these positions?

**Ms Ekelund:** We vary from one SES through a number of EL levels and ASO levels.

**Senator EDWARDS:** How many are policy and how many are administration?

**Ms Ekelund:** There is one administration and the rest are policy.

**Senator EDWARDS:** One administration for 8.6 policy. Is there a plan to increase or decrease that number?

**Ms Ekelund:** Not at the present time.

**Senator EDWARDS:** Are they all located in the one spot?

**Ms Ekelund:** We have two offices—one in Sydney and one in Canberra, the main office.

**Senator EDWARDS:** Are you able to tell me the travel costs for the department for 2010-11?

**Mr Mrdak:** I think we would need to take that on notice.

**Senator EDWARDS:** Absolutely. I would be surprised if you did not have to.

**Ms Ekelund:** Could I add something. We will no doubt put this in the response. We do a lot of consultation, as you could appreciate. With 18 major cities, we seek to meet with people on their own ground as well.

**Senator EDWARDS:** Also on the same theme, can you detail the hospitality costs expended by the MCU in that same period. What priority activities is the MCU currently completing?

**Ms Ekelund:** During the previous quarter we worked on an implementation plan for the national urban policy, which was launched in May. We have been progressing work on a national urban design protocol, which was discussed at previous hearings. We have undertaken workshops to progress a policy agenda on active travel—that is, walking and cycling. We have completed the 2011 *State of Australian cities* report, which was referred to earlier today, which the minister will soon launch.

**Senator EDWARDS:** Where does the Sustainable Communities package fit it there?

**Ms Ekelund:** Part of the Sustainable Communities package, the Liveable Cities program, certainly fits within our portfolio. Within our portfolio the nation building team are running the program but we are providing policy advice and input and will be involved in the assessment process. It is certainly an implementation item coming out of the national urban policy.

**Senator EDWARDS:** So you do not have jurisdiction over the \$120 million that the Sustainable Communities package oversees?

**Mr Mrdak:** We have a component of it, which is the \$20 million for Liveable Cities. The balance is held by the environment portfolio.

**Senator EDWARDS:** That is the Suburban Jobs initiative?

**Mr Mrdak:** That is correct.

**Senator EDWARDS:** I am looking to see how much traction that \$20 million is getting. How many clients do you have for that \$20 million?

**Mr Mrdak:** The government is about to release the guidelines for the program.

**Senator EDWARDS:** Does that close at the end of the year?

**Mr Mrdak:** It is intended to. The minister will be releasing—

**Mr Wilson:** If I might clarify. It is a two-year program, with \$10 million this year and \$10 million next year. The government will release the guidelines and seek applications under those programs shortly and then we will go through an assessment process. As Ms Ekelund indicated, the nation building division will do the administration of the program.

**Senator EDWARDS:** You have still got \$20 million in the bank?

**Mr Wilson:** At this stage.

**Senator EDWARDS:** What reports are presently being considered by the MCU?

**Ms Ekelund:** The main one would be the 2011 *State of Australian cities* report, which I mentioned, which updates key indicators on the 18 major cities in Australia. That is the principal one.

**Senator EDWARDS:** What can you tell me about the 2011 *State of Australian cities* report, which is due to be released imminently?

**Mr Mrdak:** Without pre-empting the minister, I am sorry, I cannot give you too much of the detail. The minister will launch that on Thursday.

**Senator EDWARDS:** What is the progress of the national urban policy?

**Ms Ekelund:** There are a number of actions sitting in chapter 7 of the report on the national urban policy. The annual state of Australian cities reporting is one commitment. Earlier today the committee heard that the nation-building considerations will also have regard to the national urban policy. The liveable cities program guidelines will be released shortly. The national urban policy refers to progressing an active travel agenda, which we have been undertaking. It also refers to an Australian urban design protocol, which we hope will be released very shortly; it has been the subject of quite considerable consultation with a lot of input. And we are working with our other portfolio partners in their programs which have an impact and influence on cities as well.

**Senator EDWARDS:** There is no policy or any reports that are overdue, right as at now?

**Ms Ekelund:** No, there are not.

**Senator NASH:** What is the budget for this financial year?

**Ms Ekelund:** \$1.5 million.

**Senator NASH:** What was it last year, 2010-11?

**Ms Ekelund:** \$1.1 million.

**Senator BACK:** Can I pick up on the response to Senator Edwards's question. The launch is on Thursday. Is this part of the two-day conference that is coming up later this week and is to be held in Brisbane?

**Ms Ekelund:** That is right.

**Senator BACK:** Who are the invited guests, or is it open to all comers? Can you give us some idea of who would be attracted to attend the two-day conference?

**Ms Ekelund:** The State of Commonwealth Cities Symposium, which I believe you are referring to, is an initiative of the Commonwealth Association of Planners and the Planning Institute of Australia in the lead-up to CHOGM. The planning fraternity wants to reinforce at CHOGM the importance of urban systems. Because of the difficulties of getting into Perth at the moment it was decided to have the event in Brisbane. It is about looking at what is happening in cities across the Commonwealth. As I said, it is an initiative of the planning fraternity, but we have supported it through our portfolio. The main part of the symposium is open to anybody who is interested, with a modest registration fee—I am afraid I cannot recall exactly what that was.

**Senator BACK:** The figures I have, to assist you, are \$210 and \$455. I imagine one would be for perhaps students and others; I am not sure who would be paying \$455. Is that consistent with what you can recall?

**Ms Ekelund:** That sounds right. We are not running it per se; the Planning Institute has taken the running on it.

**Senator BACK:** Has the unit contributed financially?

**Ms Ekelund:** We have.

**Senator BACK:** What is that contribution?

**Ms Ekelund:** \$20,000.

**Senator BACK:** The actual organisation of it is by others and that \$20,000 would be your cash contribution, but there would be an in-kind contribution as well, such as administrative support?

**Ms Ekelund:** No, no administrative support. That was our contribution to ensure that the event could effectively take place. It was also an opportunity for us to reinforce the importance of the *State of Australian cities* reporting within that Commonwealth framework and there are invited guests from other parts of the Commonwealth.

**Senator BACK:** From your role in the organisation, could you tell us at this late stage would the number of registrants is?

**Mr Wilson:** As Ms Ekelund indicated, the department is not actually organising the event.

**Senator BACK:** I am clear on that. I am just interested in knowing what the level of interest is, whether there is overwhelming interest or whether it is a dead duck.

**Mr Wilson:** We would not be able to provide you with the information. I can take it on notice but the event will have occurred by the time—

**Senator BACK:** Yes, we will have found that out. Presumably the report will then be publicly available on various websites, including your own, at the time it is launched.

**Ms Ekelund:** Yes.

**Senator BACK:** Does the launch of this report mark the beginning of the end of the Major Cities Unit?

**Mr Wilson:** No. There are funds available within the department allocated for the continuation of the Major Cities Unit.

**Senator BACK:** I suppose you cannot tell us, Mr Mrdak, what is in there but can we expect to find any information on the future of the Major Cities Unit within the report as it is launched on Thursday?

**Mr Mrdak:** No. As Ms Ekelund has indicated, the report details a number of indicators of Australian cities and how they are operating, including with international comparators. The Major Cities Unit is a major initiative of the Australian government. It is resourced within the department. As I indicated earlier today, it has been quite deliberately brought within the department to ensure we get better integration of our infrastructure planning, investment and the other policy areas across the portfolio with the government's urban agenda. So it is a key area of the department which will continue with the department as long as the urban agenda is being implemented.

**Senator BACK:** Thank you.

**Senator LUDLAM:** Thank you for presenting. I am a little bit cross that we still are no closer to guidelines for liveable cities. I think at different stages you both said they will be released shortly. How long is 'shortly'? We have played this game once already.

**Mr Mrdak:** We have played this game once before. I think that they will be in the very near future.

**Senator LUDLAM:** Is that days rather than weeks?

**Mr Mrdak:** Without pre-empting the minister, I think it will be days rather than weeks.

**Senator LUDLAM:** Great. It is a relatively small amount of money—we have had variants on this discussion as well. If it is rolled over the entire country over two years, you are going to need to choose your targets very well for it to make an impact. How many individual projects are you envisaging this little pot of funding will cover?

**Mr Mrdak:** We do not have a position on that at the moment. As Mr Wilson and Ms Ekelund have indicated, the guidelines will be released. We will then be inviting submissions for project proposals. We do not have a feel at this stage of how many. Obviously we would like to be able to fund as many good projects and proposals as we can.

**Senator LUDLAM:** Have you got an idea, then, what the size of the average grant is going to be? This is kind of lateral to that question.

**Mr Mrdak:** No, we do not. At this stage the guidelines will contain some requirements in relation to what will be funded, but we do not have a feel at this stage what the quantum may be that would support.

**Senator LUDLAM:** Right. You put the guidelines out. How are you going to promote them to the huge number of potential applicants doing things around the country?

**Mr Mrdak:** We will put in place arrangements to make it known that they are out. Certainly Ms Ekelund works very closely with local government and state government agencies and authorities, so they will all be made aware of the release of the guidelines. I think we have an extensive communications strategy which will send out the guidelines to a vast range of people who would be eligible.

**Senator LUDLAM:** Are you going to release some kind of benchmark on the basis on which you would consider whether this program was successful or not? After you have spent all your money, how will we evaluate whether it worked?

**Mr Mrdak:** We would look to have an evaluation of the program. The minister has certainly indicated that he sees this as the start of a Commonwealth investment in cities. Obviously that is a matter which the government will have to consider in its budgetary circumstances, but we will be looking to evaluate the program as we do normally with programs.

**Senator LUDLAM:** Good. I imagine that before you scale it up a hundredfold you will want to know that the first down payment was successful. Who will do the assessments once the applications start coming in?

**Mr Mrdak:** They will be done within the Nation Building Division and with the Major Cities Unit of the department.

**Senator LUDLAM:** Are you going to stand up some little subcommittee or something?

**Mr Mrdak:** We will have a team of people in the department who will manage the processes.

**Senator LUDLAM:** Who will be the chair of that?

**Mr Mrdak:** I will be asking Mr Wilson and Ms Ekelund to manage that process for us.

**Senator LUDLAM:** Good. Are you going to do successive funding rounds or is it all going to go out the door in one go?

**Ms Ekelund:** There will only be one round, but the money will go out over two years. There will only be one call for proposals.

**Senator LUDLAM:** Very good. Ms Ekelund, you mentioned in your opening statement—I think; I am missing some of it—that you are doing some kind of study into active transport.

**Ms Ekelund:** That is right.

**Senator LUDLAM:** Congratulations. That is good. Can I draw out from you what that means. What does that work involve?

**Ms Ekelund:** The work we are doing is a position paper. We do not have confirmation yet as to whether it will go out as a discussion paper in the first instance. It is a paper that looks at active travel—walking and cycling—as a legitimate transport mode. It will explore what has been happening in Australia and will be one of the planks through which to help deliver on the Australian bicycle strategy, which seeks to double the amount of cycling in Australia. We have been undertaking workshops with key stakeholders and we held a two-day workshop on 8 and 9 August.

**Senator LUDLAM:** Where was that?

**Ms Ekelund:** It was held in Sydney, but it did have people from around the country, including health economists and transport economists as well as policy people, to understand all the costs and benefits of those modes.

**Senator LUDLAM:** That sounds very good. I recognise that active transport is bigger than just cycling. We already have a national cycling strategy that is aiming to double cycling by 2016, but we are, unfortunately, not spending a cent to support it. How is your work going to complement that and not end up going on the shelf, awaiting funding?

**Ms Ekelund:** With much of our work it is about setting a policy framework that identifies the aspirations not just of the Australian government but also of other key players: the states and territories, local government, the private sector, the community and its actions. They are all stakeholders. I would think it is not just about

Australian government money; it is actually about a collective commitment to active travel and how we behave differently.

**Senator LUDLAM:** Okay. Can you tell us a bit more about your expert panel? Where are they drawn from?

**Ms Ekelund:** I would have to take that on notice. I do not have the details with me here.

**Senator LUDLAM:** Has that been stood up or is that a proposed panel?

**Ms Ekelund:** This is the panel—

**Senator LUDLAM:** for active transport. I believe you mentioned an expert panel.

**Ms Ekelund:** No, I do not think so. We had a workshop with experts from around the country, not a standing panel.

**Senator LUDLAM:** Okay. So it is not a formal grouping that is out there. Will you be making recommendations for funding? It is an area that has been starved to the point where it is kind of silly.

**Ms Ekelund:** It is premature to consider that.

**Senator LUDLAM:** All right. The state of the cities report is to be released a little bit later this week. We had a very brief discussion about that this morning. They are very good reports, by the way; the 2010 one was very helpful. It lacked a mention of urban biodiversity in particular. Is that something that is going to be included in the 2011 study?

**Mr Wilson:** Without being difficult, I think you will need to wait for the release of the document.

**Senator LUDLAM:** It is always worth trying! Are you working with SEWPAC on their development of sustainability indicators?

**Ms Ekelund:** Yes.

**Senator LUDLAM:** That is good. I am interested to know how you or working or the degree of thinking that is going on inside the MCU on retrofitting given that a huge area of the urban footprint that will exist in 2050 exists already.

**Mr Wilson:** I am sorry?

**Senator LUDLAM:** Retrofitting—for example, going back into areas that were laid out to be deliberately car dependent and making them somehow not so. Is there thinking going on within the MCU on that issue specifically?

**Ms Ekelund:** I am not sure if you had a chance to look at the national urban policy, but in the national urban policy we do certainly explore issues of the shape of cities, the density of cities and to what extent the existing urban footprint can accommodate future growth. Infill development in the core and in what is called the greyfields are of interest to us.

**Senator LUDLAM:** Thank you. To come back again to active transport in terms of targets and modal splits, the minister has referred to the increase in mode share for public transport across all capital cities in his budget statement earlier this year. For example, Melbourne set targets. I think Perth is in the process of setting targets in the draft public transport strategy there. Is there any thinking that you are doing about indicative national targets being set for, for example, public transport patronage?

**Mr Wilson:** Not at this stage.

**Mr Mrdak:** Infrastructure Australia have previously outlined that they are doing some indicative work on that issue. At the moment it is part of their work program that Mr Deegan talked about. That may not of itself result in indicators per se, but a lot of thinking is going on about future directions in public transport modal shift.

**Senator LUDLAM:** We had a brief discussion about nation building mark 2. Are the Major Cities Unit folk involved in helping set guidelines or shaping the thinking around the guidelines for the next three- or four-year round of funding.

**Ms Ekelund:** We are having conversations about the shape of that work. The secretary has indicated a commitment to ensure that the nation building 2 program is consistent with the National Urban Policy.

**Senator LUDLAM:** I hope so as otherwise you would be wasting your time once the funding starts to flow. I leave my questions there with a request. You indicated you were not certain whether the active transport study would have a public component to it and whether you would put out a discussion paper. I invite you to consider doing that. I think that could be useful. Please tell us when you think that work will conclude and when your report will go to government.

**Ms Ekelund:** I do not expect it will be until early next year. We are still undertaking research and consultation with key stakeholders. Neither the department nor the minister has had time to consider the work to date.

**Senator LUDLAM:** Will that be made public eventually?

**Ms Ekelund:** That will be up to the minister.

**Senator LUDLAM:** Minister, apologies for bothering you.

**Senator CARR:** That is very polite. It has been a long day.

**Senator LUDLAM:** Minister, it has been referred back to the government as to whether the active transport strategy that the MCU is working on will eventually be a public document.

**Senator CARR:** I will have to take that up with the minister directly.

**Senator NASH:** You said the government was going to contribute \$20,000 to the conference. Please give me a breakdown of what that will be spent on.

**Ms Ekelund:** It is partly for the venue and the machinery of setting up the conference. There is a contract between the Planning Institute and ourselves that breaks part of that down.

**Mr Wilson:** In general terms, there is sponsorship by the department for the operation of the conference.

**Senator NASH:** This is a bit of a bucket of money for the venue et cetera. As they are giving sponsorship, is it up to them to determine how it is spent?

**Mr Wilson:** As Ms Ekelund indicated, we do have an arrangement between the department and the organising body which specifies it. In general terms, it is sponsorship by the department for the conference.

**Senator NASH:** Will you be informed about the breakdown of the spend?

**Ms Ekelund:** That is not necessary under the contract as long as they deliver the event in accordance with the contract.

**Senator NASH:** What does the contract require?

**Mr Mrdak:** Let us come back to you with the details. We do not think we have a copy of the contract.

**Ms Ekelund:** No, I do not.

**Mr Mrdak:** With normal contracts there is an acquittal process and we need to make sure that the event has been held in terms of the contract which we check. Let us come back to you with some details.

**Senator NASH:** That would be very useful.

#### **Office of Transport Security**

[17:25]

**Senator EDWARDS:** Now that the trial of body screeners is complete at Melbourne and Sydney airports, have the results been assessed?

**Mr Wilson:** We are currently working through the results of the trials in Sydney and Melbourne. I do not believe we have finalised the analysis of them. We are working with the individual airports and the individual providers of the actual security, the actual screening.

**Senator EDWARDS:** Is there a manufacturer's recommendation for how many people you should trial to get an accurate reading? If so, what is that number and how many did your trial?

**Mr Retter:** We conducted a trial, as you know, at Sydney for about 2½ to three weeks and for about 25 days in Melbourne. During that time—and Mr Robertson might be able to give me the exact number of scans that we did—it was over 23,500 scans. That does not necessarily equate to exactly the same number of passengers going through. It is sufficient evidence for us to look at operational performance of the equipment; facilitation rates; the best way to organise both the way in which the screening points at our international airports are laid out to optimise facilitation and security outcomes; to look at the way in which we can resolve any alarms that may emit as a result of a passenger going through the scanners; and indeed the whole process of selecting individuals as well as what worked and what did not work. We assessed a number of scenarios as part of the trialling. I would hope that within the next three to four weeks we will have a detailed assessment including data to support what worked best. We will then use that information to help us finalise the policy position that we will put to the minister.

**Senator EDWARDS:** What was the processing time for a client?

**Mr Retter:** It is difficult to characterise other than to say that the actual time spent in the body scanner is about 1½ to 2½ seconds, depending upon how fast the individual moves in and out, and whether or not the alarm

gives you, then, some additional time required in terms of resolution. In my view the scanner, per se, is not going to be the critical issue here. The critical issue has been and remains the speed at which we can actually clear the cabin baggage that a passenger brings with them. Increasingly we are seeing a trend for passengers to carry more items with them when they travel, both internationally and domestically. As a result it takes longer to screen those bags. Invariably we are delaying passengers going through any form of technology whether it is a walk-through metal detector and/or a body scanner simply because we have a backlog of bags. We are working on that issue as part of this project as well.

**Senator EDWARDS:** Given that, you said that there is no diminishment of efficiency in time by going through these new machines as currently experienced in airports?

**Mr Retter:** If we get the training of our staff right, get the procedures correctly aligned in terms of how we resolve alarms, I would suggest to you that we will see no appreciable change in facilitation rates through our screening points. Indeed, with the way we are proposing to lay out our screening points, I would suggest that if we get it as we hope to there will be no discernable difference in terms of what you see when you go through the airport.

**Senator EDWARDS:** How did you go about addressing any of the health concerns of users or, indeed, your own health concerns with this?

**Mr Retter:** We have worked very closely with ARPANSA since the government announced this initiative back in February last year. All of the equipment that we use meets or exceeds the standards required by ARPANSA and, as has been stated by the minister himself at the announcement of the trials, these machines are completely safe in terms of the millimetre wave technology that we are using.

**Senator EDWARDS:** Were there any privacy issues identified?

**Mr Retter:** The reason that we have used body scanners with the automatic threat detection capability attached to the machine is to address the understandable privacy concerns that passengers had when we first did some trials of these types of technologies back in 2008-09. At that time there was no technology which allowed us to display a generic image of a passenger—a stick figure, if you like—and we relied on an individual, as you would be aware, sitting in a back room who had to look at raw images.

Fortunately, in the last two years there have been quite major developments in the technology, and algorithms now exist which automatically process what the machine is detecting through the millimetre wave technology produced image. Where it sees some sort of an abnormality, it puts it into a box on this generic figure and that tells the screening officer where they need to go to look for a particular item that should not be there as far as the machine is concerned. We have had extensive discussions with the Office of the Privacy Commissioner, the various groups interested in privacy issues and health issues, special needs groups, people who have sight impairment and people who have various medical ailments, working through the various issues associated with these technologies.

There is a draft privacy impact assessment which has been available on our website for public comment. From memory, I think those comments closed in the first week of October. We will be finalising that privacy impact assessment once we have taken into account all of the public's comments and the various comments we have had from the groups we have met with on multiple occasions.

**Senator EDWARDS:** So you are building up to a report. When would you be tabling that report?

**Mr Retter:** I would hope to have the finalisation of the policy settings supported by privacy impact assessments and the like to the minister within the next two to three months, if all goes well in getting the data from the proof-of-concept activities that we ran.

**Senator EDWARDS:** Are you able to provide that to this committee?

**Mr Wilson:** That will be advice to the government.

**Senator EDWARDS:** What results did the trial provide in terms of the efficacy of the machines?

**Mr Retter:** That information is still being analysed. It is fair to say that, in terms of items of clothing people were wearing and whether they divested them correctly or not, the machines would alarm. What we are analysing at the moment is what caused the alarms, whether that was expected as per the manufacturer's requirements and whether there were some special abnormalities that we did not expect because of the nature of the environment in Australia. They are the sorts of things that we are working through at the moment which I would hope to have at the end of the analysis of the data.

**Senator EDWARDS:** Do you have a percentage of false positives, which I think they call them in your lingo, that occur?

**Mr Retter:** There is a false alarm rate that we are looking at. That was somewhere between 20 to 40 per cent, but it did vary and it varied on a weekly and daily basis. I am not prepared to say what the final mean will be and whether we can look at whether we had the procedures right and whether the technology was demonstrating a false alarm rate or an actual alarm rate until I have the data in front of me, as it would be presumptuous to jump to that conclusion.

**Senator EDWARDS:** But if those figures are false positives would you suggest that is a high rate?

**Mr Retter:** Not necessarily. I think it is fair to say that the technology is improving on a weekly and monthly basis. One of the issues that we work closely with manufacturers on is the issue of false alarm rates. At the time we started the trials in August we had the latest algorithms that pertained to this technology. Over the intervening couple of months while we were conducting the trial, I was aware that there were two further releases of algorithms that improved the false alarm rates and other aspects of the technology. So my suggestion would be that when we finally decide where we want to go with this technology we will get better results than we have had perhaps in the past. But equally, I am not sure yet that I can tell you exactly whether it was the machine or because we had not effectively explained to passengers what we wanted them to take off, or a combination of the two.

**Senator EDWARDS:** In the media there has been some reporting about sweat, that it actually creates a false positive. Do you want to comment on that?

**Mr Retter:** That is one of the factors that we are looking at and I am aware of the issue. Yes, there were reports in the media about sweat on an individual potentially causing the algorithm to alarm.

**Senator EDWARDS:** But you are still investigating whether that is the case?

**Mr Retter:** We are going through all the data from both the Sydney and the Melbourne trial with the manufacturers, looking carefully at what we saw, looking at every scan—why it went off, what the resolution was like, and the outcome. I think it will take us a few more weeks to get to the bottom of the detail. I think we need to be careful that we do not presume that we are going to have a perfect piece of technology every time when we start down this road. In all the technologies we have used and are using over the last five years I have been the executive director in OTS, I have seen incremental improvements every year as the technology gets better. I would suggest that we are going to see the same situation with body scanners or any other technology we introduce in the future.

**Mr Wilson:** It is not just the improvements in technology, it is also a better understanding by both the screening operators and the individuals that are being screened, the passengers travelling through and the behaviour patterns in terms of what passengers do and do not divest themselves of as they go through screening facilities. Walk-through metal detectors, as they currently operate, will alarm on certain days in terms of belts et cetera, and there is an incremental improvement in the quality of the outcome.

**Senator EDWARDS:** So we are still in a state of waiting for reports and things like that. What is the time line for a rollout of these machines given that we are here today, 18 October? Could you give me some time line for tabling reports, and then when we actually have them—

**Mr Wilson:** We would envisage that the rollout will start to occur from the early part of 2012.

**Senator EDWARDS:** January, February—

**Mr Wilson:** I would not want to put a date on it. As Mr Retter has indicated, there are still a number of issues that we need to work through in terms of the proof of concept trial and for the physical layout of the machinery. I would not want to pre-empt—

**Senator EDWARDS:** That is relatively quick. Where do you intend to roll them out? Do you intend to roll out around the country on day one, or is it a progressive rollout?

**Mr Retter:** Again, that is a matter for the minister to make a decision on, but my likely recommendation to him will be for a progressive rollout at the eight international airports as machines become available. In addition to the points that Mr Wilson made, the other variable that we work with is the manufacturers of these technologies. I just make the point that the United States equivalent regulator, the TSA, has just ordered 300 body scanners of the type I have described we were using and inevitably that means that I am going to have to sit down and negotiate with industry and with manufacturers on how we stand in relative terms to get the technology. So there are factors here that might influence exactly when we go out and, hence, our comment about being coy on exactly the date it will start.

**Senator EDWARDS:** Where is the manufacturer based?

**Mr Retter:** The manufacturer has manufacturing facilities in the United States and, I think, in Europe but has offices throughout the world, including access to L3, which is the body scanner that we used for the trials, and agents and company representatives here. Whether that particular technology or any other manufacturer's technologies are used will be part of the decision-making process that will go to the minister.

**Senator EDWARDS:** Is there a manufacturer of these types of machines in Australia?

**Mr Retter:** No, there is not.

**Senator EDWARDS:** A media report in the *Australian* on 13 September 2011 states that the department was warned by the US that body scanners could not reliably detect homemade explosives. Do you have any response to that assertion?

**Mr Retter:** Without getting into technical and operational specifics, the body scanners, in my view, offer the best chance there is in the world today to detect explosives, including homemade explosives. There is no other technology that will come close.

**Senator EDWARDS:** It is our safest and best option, would be your estimation?

**Mr Retter:** It is the best option at the moment. I am not suggesting it is foolproof, but it is the best.

**Senator EDWARDS:** Okay. Thanks for your work today.

**Senator BACK:** Mr Retter, I understand that new aviation transport security regulations come into effect in November.

**Mr Retter:** I think the regulations you are referring to are on 21 November and they relate to the visitor identity card issues.

**Senator BACK:** Can you explain to the committee what they are?

**Mr Retter:** I will ask Mr Dreezer, who is the responsible general manager, to take you through that particular set of regulations and what they mean.

**Mr Dreezer:** The regulations that were signed off in May this year to take effect on 21 November will introduce changes to the Visitor Identification Card scheme. From that date, airport operators, national passenger airlines approved by the department and the Australian Customs and Border Protection Service will be able to issue visitor identification cards and they will establish centralised arrangements at airports.

The visitor identification card enhancements will see a limit to the number of days a person can be issued with a visitor identification card. A person will only be able to be issued with a VIC for up to 28 days per airport in a 12-month period. We are working very closely with industry in order to implement these new arrangements at airports.

**Senator BACK:** Could you explain to us the sorts of people who would apply for these visitor cards?

**Mr Dreezer:** They would be general visitors to an airport—a contractor that might be at the airport just for a day or so.

**Senator BACK:** Those engaged in some commercial activity, not the travelling public?

**Mr Dreezer:** Not the travelling public, not passengers, but those people that have a need predominantly to be airside at an airport, in a secure area.

**Senator BACK:** If they are likely to be doing so over longer than a 12-month period there is some other card that they are obliged to have?

**Mr Dreezer:** They would be required to get an aviation security identification card, an ASIC.

**Senator BACK:** What, then, is the relationship between the aviation security card and this new visitor card? There is no equivalent to the visitor card at the moment—is that correct?

**Mr Dreezer:** There is an equivalent, a visitor identification card, issued now; but currently that card can be issued for a much longer period of time than 28 days within a 12-month period.

**Senator BACK:** So this is a process of encouraging increased take-up of, let us call it, the more permanent card?

**Mr Dreezer:** Absolutely. It is the manner of encouraging people to apply for an aviation security identification card and undergo a background check—both an ASIO and criminal history and, if you are a foreign national, an immigration check as well—in order to obtain an aviation security identification card.

**Mr Mrdak:** If I can summarise, this is a significant change to restrict the availability of visitor identification cards as an additional security measure which the government is introducing.

**Senator BACK:** Yet somebody could still make application for the visitor card for up to 12 months. How much more lax is the—

**Mr Mrdak:** No, what Mr Dreezer is outlining is a significant reduction: they can have access to a card for up to 28 days within any 12-month period, but if someone is a regular visitor to an airside or secure area they will need to go and get a formal ASIC. This is just covering those who have an itinerant requirement to access a secure area. It does not remove the requirement that they be escorted or that they be monitored.

**Senator BACK:** That really is the point I want to go to now. What are the levels of security? If I front up there and have a reason to go airside, once, twice or three times during a period of time, what added security does the community expect of me in consideration of being given this visitor's card?

**Mr Dreezer:** The added security is two things. From 1 November you will be required to produce photographic identification whereas you do not have to at the moment. You will also be required to be sponsored by an Aviation Security Identification Card holder, someone who works at the airport. That person will need to confirm whether you have an operational need to actually be at the airport itself and confirm that you are there lawfully. Your name will be entered into a centralised database at a register, so the airport would know how many times you have been to that airport within a 12-month period.

**Senator BACK:** That is all collated?

**Mr Dreezer:** That would be collated by a centralised database at the major airports. You will also be required to be escorted by that ASIC holder throughout the entire time you are in a secure area at that airport.

**Senator BACK:** So, it is really for an electrician who turns up to do a job.

**Mr Dreezer:** Yes.

**Senator BACK:** With regard to the maritime side, will there also be the visitors card?

**Mr Dreezer:** No, there is no visitor identification card scheme for that.

**Senator BACK:** For both the MSIC and the ASIC, I understand the cost of the background check will be increasing from \$12 to \$30 per check. Is that correct?

**Mr Dreezer:** The costs have increased by \$20 from 1 October. That is due to increases in ASIO and CrimTrac charges. We expect those charges to be passed on with the commercial charges for ASICs and MSICs.

**Senator BACK:** Is it the same for maritime?

**Mr Dreezer:** The same for the MSIC.

**Senator BACK:** Who bears that cost?

**Mr Dreezer:** The cost would be borne by the applicant for the ASIC or the MSIC.

**Senator BACK:** You do not see this as being a disincentive for people to actually be making application for the MSICs or the ASICs?

**Mr Dreezer:** Absolutely not, because it is a requirement to have one of those cards to be in a secure zone.

**Senator BACK:** In terms of the maritime side, is that an area over which you have responsibility?

**Mr Dreezer:** Yes.

**Senator BACK:** Given the fact that most entrances to ports are through uncontrolled gates—by uncontrolled I mean non-staffed—what practical measures can regulators have to actually control them. If a truck turns up at the wharf, a passenger might be in the cab. Is there any realistic control that you can exercise?

**Mr Dreezer:** There are a range of different measures at different ports around the country. For example, at ports such as Melbourne and Fremantle there are control rooms which monitor gates using closed-circuit television whereby you need to produce your MSIC beside your face to the CCTV camera, and a security officer determines whether or not you have authority to enter that port. In other ports there is access control linked to the MSIC itself, so you would swipe through the gate. In other ports there is actually physical security guards at the port as well. There are certainly some cases in very isolated regional ports where there are no security guards at the gate but there are roaming security patrols that would determine whether or not you had a valid MSIC.

**Senator BACK:** I think we were discussing at the last estimates the number of positives from the random checking that is undertaken at airports. I do not quite know why they think my wife is so potentially a guilty party, but she never seems to escape. Anyhow, I think we established that after taking account of, let's call them 'false suspicious', the case of Western Australia with people whose tasks are associated with handling explosive materials, I do not think there were any positives at all last financial year. Is that correct?

**Mr Dreezer:** I think you are correct. I think there are, on any given day, a number of people who will go through the random and continuous ETD test—and perhaps your wife, like mine, feels she is being victimised.

**Senator BACK:** She reports this to me often; about twice a week.

**Mr Retter:** The fact is that if you do, for whatever reason, record a positive, the test is repeated. If a second time you record a positive, the standard procedure is for the Australian Federal Police at our major airports to be asked to attend. Invariably there are a set of procedures that we follow to clear the passenger. To my knowledge—and I will check this—there has been no double-positive that has resulted in somebody carrying explosives on to an aircraft. I am very pleased to say that is a good outcome from my perspective.

**Senator BACK:** It is equally for mine.

**Senator FAWCETT:** On Monday, media reported that a gentleman in Townsville walked into the secure side of an airport with a couple of metal box cutters in his pocket. He realised afterwards what he had done and reported the incident. I assume you are aware of that incident.

**Mr Retter:** Yes.

**Senator FAWCETT:** What sort of scanning equipment does Townsville airport use? Is it the same as the scanning equipment in other airports around Australia?

**Mr Retter:** Townsville airport, as a regional screened airport, has a suite of technologies in place, including a walk-through metal detector which is calibrated and set in a similar manner to every other screened airport in Australia. It is tested on a daily basis. I might add, without getting into it too much operational detail for obvious reasons, some items that are prohibited from going on to aircraft are incredibly difficult to detect. We continue to work with the manufacturers and others to find better ways to detect those items. I do not want to go too much further in talking about those issues in the public domain.

**Senator FAWCETT:** I assume a report in appropriate confidence will be made to the minister.

**Mr Retter:** It is fair to say that where we have identified areas for improvement in either technology or procedures, these matters are brought to the attention of the deputy secretary, the secretary and minister where it is appropriate. Our intention is always to make the system as secure as we can without unduly impacting on facilitation. I would hate to think that we have not got the balance right. It is often a judgment call in terms of what sorts of technologies and sensitivities you have in place. If we go too far we will ultimately effectively destroy the industry we are trying to protect.

**Senator FAWCETT:** I have a question on access to cockpits by flight crew. A number of us were engaged by the Qantas pilots' union. I declare an interest as I was also engaged professionally prior to my time in the Senate. I am conscious that that was subject to disallowance twice. Since then we have had the incident in Singapore where the ATSB report identified that the presence on the plane of other aircrew was quite critical in handling the emergency, particularly given the number of warnings generated by the electronic systems. They literally swamped the normal crew complement and it was the check-in trainee and a passenger who was a pilot and was sitting down the back of the plane who were key to a successful recovery. In the light of that incident, is there any intention on the part of OTS to bring forward another attempt at limiting access to the cockpit by off-duty quantified pilots?

**Mr Wilson:** At this stage there are no current plans by the government to bring forward any future amendments. It is not up to the department to say whether or not the government will bring forward amendments.

**Senator FAWCETT:** I recognise that, but the government reacts to the advice of the department. My point is, has this recent occurrence, which has validated much of the safety case that was presented, changed the thinking of the department around the value of allowing off-duty aircrew members access to the cockpit?

**Mr Mrdak:** The issue is perhaps a bit different to the ones that have been raised, but our advice remains consistent in relation to the issues which underpinned the former regulations. As Mr Wilson indicated, at this point there are no intentions by the government to bring those regulations forward.

**CHAIR:** Thank you, Mr Retter, and your officers.

[17:57]

**CHAIR:** I welcome officers from Aviation and Airports.

**Senator XENOPHON:** This question relates to airport security, but I believe it is in your portfolio of responsibilities. If I am wrong I am sure you will correct me. A lot has been invested in increasing security for air cargo. What budget is allocated towards investigating and preventing organised crime in our ports?

**Mr Wilson:** Preventing and investigating organised crime does not fall within the responsibilities of the department.

**Mr Mrdak:** The matters pertaining to investigation and other matters in relation to organised crime at ports or airports are matters for law enforcement and criminal intelligence agencies.

**Senator XENOPHON:** But to what extent is there liaison between this division of the department and law enforcement agencies?

**Mr Wilson:** We have an ongoing relationship with law enforcement agencies across both Commonwealth and state jurisdictions in sharing of information and understanding the threat and risk assessments of what is occurring at airports and the like.

**Senator XENOPHON:** Is the Whelan report commissioned by the previous government within your purview?

**Mr Mrdak:** That is correct. The relationship, as Mr Wilson has outlined, is our engagement with those agencies around where that threat pertains to transport security.

**Senator XENOPHON:** And the Whelan report was relevant to that?

**Mr Mrdak:** Absolutely. The Whelan report was commissioned to look at the adequacy of the aviation security regulatory regime and also the relationship of law enforcement agencies as it relates to transport security.

**Senator XENOPHON:** I know that, historically, it was a response to the leaking of documents that were prepared by Allan Kessing, the Customs officer.

**Mr Mrdak:** That was one of the drivers. There were also a number of other incidents which led the then government to commission the report.

**Senator XENOPHON:** But it was a trigger?

**Mr Mrdak:** It was a trigger, with some others, certainly.

**Senator XENOPHON:** Is there an ongoing audit or review as to whether the Whelan recommendations have been implemented? Is there a regular review to ensure that those key recommendations (a) were implemented and (b) continue to be implemented?

**Mr Mrdak:** Certainly. We have implemented the Wheeler findings and there is an ongoing process through the work of our Office of Transport Security, which was just here, in terms of ensuring a constant review. The most recent was done in the lead-up to the aviation white paper, which was released by the government in 2009. Over a period of time it went back and reviewed all of our aviation security settings in the lead-up to that. That fed into the next steps, which were then announced as part of the white paper, a number of which we have just been discussing with the Senate.

**Senator XENOPHON:** This division looks at fostering a competitive, sustainable and safe aviation sector. In terms of the competitive nature of it, firstly, you may be aware of the comments made by the newly appointed Chairman of the ACCC, Mr Sims, who talked about lack of competition at airports. He was talking more about facilities, car parking and things like that. Is that something that the department is contributing to in terms of the Productivity Commission inquiry that is looking at competition within airports?

**Mr Mrdak:** Very much so. Our minister initiated the Productivity Commission review. We have responsibility for the policy settings on airport price regulation and monitoring.

**Senator XENOPHON:** But you are constrained though, aren't you, by virtue of the privatisation process?

**Mr Mrdak:** No, we are not constrained. The policy settings in relation to airport pricing and economic matters in relation to airports are within our purview. Successive governments have put in place the regulatory regime which now applies to the privatised airports. That is done through ACCC monitoring and also policy advice that we provide to government in relation to economic regulation of airports.

**Senator XENOPHON:** For instance, airport car parking fees in Australia—I think Melbourne and Sydney in particular—are amongst the highest in the world. They even beat JFK hands down. Is that something of concern in terms of the impact on consumers and on airport competition?

**Mr Mrdak:** We certainly have continued to monitor airport pricing to provide transparency around prices, including car parking prices. The Productivity Commission review that is now under way is a regular review that is done. The government has commissioned it to look at the policy settings. That is now examining in some detail not just car parking prices but the whole aeronautical pricing regime that is in place in Australian airports. The draft report is now out. We have provided a submission. Mr Wilson and I appeared at a hearing of the Productivity Commission two weeks ago to provide evidence on these matters.

**Senator XENOPHON:** But don't you concede that, by virtue of the way the privatisations were carried out, there are some constraints, hurdles and contractual and sovereign risk issues if—

**Mr Mrdak:** No, the issues you raised around car parking were in place pre-privatisation when the airports were operated and run by the Federal Airports Corporation and before that the department. These are issues not about the privatisation per se; they are about the regulatory framework in which they operate. Car parking and what is essentially a return on the car parking asset vis-a-vis other assets of the airport—

**Senator XENOPHON:** Sure, but in terms of other aspects of the airports operation and competitiveness is there any constraint by virtue of the privatisation process involving Australian airports?

**Mr Mrdak:** There is not a constraint per se. This is essentially a question of what are the alternative modes of access to the airport. That is an area that the Productivity Commission is having a look at. I am not sure what the point—

**Senator XENOPHON:** In terms of the rents at the airports, for instance, for tenants at the airport. There have been criticisms made that the privatisation in terms of access to airlines, landing fees and airport charges are particularly high and that is partly as a result of the privatisation process.

**Mr Wilson:** The Productivity Commission in its draft report was actually quite clear in regards to it. I guess this is the difference between the Productivity Commission and the ACCC. The Productivity Commission clearly indicated that they do not believe that aeronautical charges indicate a misuse of market power by the airports and that the quality of service outcomes have generally been satisfactory over time. Airports and their customers retain a strong desire to continue the commercial negotiation. I think we have seen over time a strong relationship develop between the airlines and the airports in terms of commercial negotiations. That is not to say that those commercial negotiations are not robust, as you would expect between significant economic players. In the Productivity Commission's view, car parking and the airport access fees are not unreasonable given the level of investments undertaken by the airports in providing those pieces of infrastructure.

**Senator XENOPHON:** So when Senator Conroy interjected on a question I asked the Senate the other day about airport car parking charges, saying that privatisations were in part to blame—

**Mr Wilson:** It is fair to say that most people who use airports have fairly vigorous beliefs about the airports, but I think the Productivity Commission, which has been charged with undertaking an analysis of the issue, has been quite clear in terms of its view of the economics that underpin the provision of airport services.

**Senator XENOPHON:** Thank you.

**Senator FAWCETT:** Gentlemen, a number of individuals and aviation associations have criticised—in fact, some have condemned in quite strong words—both the minister and the department for their handling of the issues around commercial development on Bankstown and Archerfield airports. I would like to know if you would make an opening statement about how you see the department's role in interacting with airport operators, the minister and CASA in terms of that process.

**Mr Mrdak:** I would be interested in seeing what those comments are. I do not believe that those comments are in any way reflective of the regulatory arrangements and the actual situation at a number of airports, particularly those. I am aware of recent criticism of decisions, but I do not think that some of the media commentary reflects the facts.

In essence our role is set out in the act and also under the airport leases, which provide for the way in which we go about ensuring that the airport master plan provides for growth at the airports for aeronautical and non-aeronautical activity and to make sure that demand is being met. We also have a range of statutory requirements in relation to building control, environmental regimes and operations of the airport that we administer. The Civil Aviation Safety Authority obviously has responsibility for safety at the airports.

In relation to particular planning matters there are obviously differences of views at times between those of the airport operators in relation to development and those of some of the customers at that airport, particularly general aviation customers. I would characterise that at times as being robust, but I do not believe I would agree at any time that the act, the regs and the statutory requirements have not been met.

**Senator FAWCETT:** You mentioned that one of your requirements it to ensure the potential for growth. Are you referring there to growth in the aviation use of the airport or growth in the commercial use of the airport?

**Mr Mrdak:** Both. Our primary focus is to make sure the airports are available to provide facilities for aviation growth. That is the primary focus of the master planning process and the way in which we regulate the airports.

**Senator FAWCETT:** Perhaps if we go to a couple of examples that might help to unpack some of the concerns of industry. We will start with Archerfield and runway 28 right in particular. There have been some

concerns in terms of the new corporate hangars and warbird hangars that have been built very close to runway 28 right and the impact that has in terms of instrument flight rules departures from that runway. One of the initial actions when that was raised was that the runway take-off distance available was shortened. If you look at the on-route supplement in the annexe at the rear, that restriction is still there. That starts to limit the type of aircraft that you can operate. If you are looking to operate a business jet or even something like a King Air or a 350, for example—which in Archerfield's case would need a weight exemption—that starts limiting rather than enhancing the growth of the airport. Can you explain that inconsistency for me?

**Mr Mrdak:** I am not sure there is. I will ask Mr Doherty to comment. I am certainly not aware that there has been any restriction on anyone's ability to operate from that field.

**Senator FAWCETT:** Shortening the runway is one heck of a restriction.

**Mr Mrdak:** I would be interested in seeing whether that has actually in practice impacted on any operation, but I will ask Mr Doherty to comment on the specifics.

**Mr Doherty:** Certainly the intention would not be to allow a development which was going to restrict the nature of the operation. I am aware that there has been controversy over a couple of buildings at Archerfield and I understand that there was basically disagreement between experts as to the extent to which that may or may not affect the operations of some aircraft at that airport. My understanding was that the most recent exercise on that was a study by the ATSB that indicated that those structures were, in fact, not an issue, so there was not an ongoing program. I am interested to hear you say that the restriction is still reflected in the documentation. The way the process should work would be that, if the airport lessee proposes a development, it would go through a building control process and would be referred to the expert agencies—in this case particularly, Air Services and CASA—for them to comment on any possible interference with aviation operations. As I understand in that case, it must have been around the interpretation at that stage. While it was given the clearance at the time, I think there are others who felt subsequently that it should not have been. But as I said, I thought the latest on that episode was that the ATSB had had a close look at it and advised that they did not see this as a problem.

**Senator FAWCETT:** You are correct that the ATSB did do an investigation and you are correct that there was a difference of opinion; but, interestingly, the ATSB investigation appears to have made the same error of interpretation of the *Manual of Standards* part 139, which looks at obstacle clearances, in that there are actually two tables in the back of that chapter which determine clearance gradients required. They took table 7.1, which applies to approach and landing clearances, and table 7.1-2 applies to the take-off requirement and expands the runway width requirement from 150 to 180 metres. With that, the splay that then goes out puts those two buildings well and truly in the zone where it impacts on the capability to use that for departures.

**Mr Doherty:** I am not able to comment that—that is not an area within my expertise—but it may be a matter that you can take up with ATSB.

**CHAIR:** Rather than spending the next 20 minutes inquiring, is this the place for Senator Fawcett to ask the questions about his concerns or is it ATSB?

**Senator FAWCETT:** If I can continue, all I am doing is highlighting an example. We have had the secretary tell us that everything is rosy. I have three or four examples where quite clearly the process of checking, verification and independent audit of the advice, whether it is given by the airport operator, by a consultant or by CASA in some cases has not been taken up and acted on appropriately by the department. That is the issue at hand, so all that detail was merely an example where due diligence has not been applied to a process and the end result is operational restrictions on people at the airport, which flies directly in the face of the stated intention of providing paths for growth for the airport.

**CHAIR:** Okay. This is fantastic. From a truckie to a test pilot, I do not mind what you do. What I am trying to say is we are not going to sit here all night if there is a quicker way of you getting answers. I am just going to put it to you that way. So I go back to my original question: are we in the right area?

**Mr Mrdak:** I think there are a range of issues Mr Doherty has been discussing with the Senator. I think we need to have a look at what the Senator wishes to put forward.

**Mr Wolfe:** I may add something. With regard to those particular claims that you have indicated in relation to the ATSB advice, my understanding is that the ATSB has responded to those claims, so I would definitely suggest you take it up with the ATSB.

**Senator FAWCETT:** Okay, let us have a look at the runway and safety area at the end of runway 28 right. You talked about the fact that there is a building inspector who works for the federal government, who is supposed to be involved as part of that development process. In fact the Archerfield Airport Corporation on their website when they talk about developments, very clearly lay out the criteria that should trigger the involvement of

a federal agency, and the auction site which has been built in that safety area—or just over the road but still in the area concerned—was not referred—and please correct me if I am wrong—to the building inspector. The airport made their own determination that the site, which was a hardstand for the purpose of auctioning and selling large trucks and machinery and those sorts of things, did not constitute something that they needed to actually involve the federal government in.

Speaking as a professional pilot—and, thankfully, most of my aviation experience in single-engine aircraft means that I have had an ejection seat—if I have a large obstacle in front of me and the engine fails, I can leave the aircraft. The people on the ground will suffer the consequences. In this case part of the requirement in place is that the Queensland government has identified public safety areas around the runway ends.

**CHAIR:** If there is a question, Senator Fawcett, I would urge you to get to it, please.

**Senator FAWCETT:** My question is: why are the checks and balances not in place to make sure that when things occur that impact operations on airports which still come under Commonwealth or, where by lease, Commonwealth control, that the airport operator does actually refer things? And, if the subsequent activities on that land break state regulations, why are the checks and balances not there to make sure that we are supporting safe operations at airports? The Commonwealth has said that it wants to work with the state, and the minister has said in his recent speeches that he wishes to integrate more with the state and make sure we work with them. Clearly, the system has broken down in this case.

**Mr Doherty:** We may need to look more closely at the particular case, but my understanding is that, yes, there is a Queensland policy relating to public safety zones, and certainly in the white paper and beyond we are keen to have that reflected in planning particularly on the airport but also off-airport to the extent that it can. Those policies operate in different ways to define an area within which activity should be restricted because of the risk of exposing either the aircraft or persons on the ground to the risk of damage and, while it might be slight, it becomes a problem.

It does not work as a complete prohibition, however. There may be a range of activities which are still permissible in that area if they do not involve bringing a large concentration of people. So while it might be inappropriate to have a large shopping centre or something like that which involves congregating large groups of people, it may be quite appropriate to have a longstay car park or something which does not involve having large groups of people there at one time.

My understanding of that case is that it has been looked at and that the nature of the activity conducted there does not infringe the public safety zone policy. But it is something that we can take further advice on.

**Senator FAWCETT:** I would ask you to, and to take that on notice. Certainly what is there, and there is photographic evidence of it being there—large pieces of plant as well as many members of the public attending auctions at that location—is problematical. As you read both the Queensland legislation and the federal, the obligation is a two-way street. One is to protect people on the ground—and there was an accident adjacent to that location a number of years ago when the pilot, and four people working in a factory, were killed when an aircraft crashed. There is also the obligation to the aircraft and its pilot and passengers to provide safety in a zone which is one of the most critical areas. US studies show that about 80 per cent of accidents occur in that area on takeoff, or landing when there is an undershoot, if you have an engine failure. The obligation is on your department to make sure that we provide a safe area around airports so that in the event of an emergency the pilots do have somewhere to land. It is not like military aircraft with ejection seats and the options to try and turn back. Civilians are constrained—

**CHAIR:** Senator Fawcett, I will remind you that if there is a question would you please come to it. The questions are very important, but I do not honestly believe we need all the preamble. You have the call and I urge you to get to the question.

**Mr Wilson:** We will take the issue with regard to the end zone at Archerfield on notice and provide the committee with a detailed response.

**Senator FAWCETT:** About the process: there was a recon in *Flight Safety Australia* recently, which looked at the issue of building approvals again, this time well away from the airport. But things that affect what are called the PANS-OPS clearance requirements for aircraft that are in IFR—so they cannot see. What became very clear in that recon was that as the redacted report went to different agencies the airport operators said, 'It is up to CASA'. And CASA said, 'We can't, actually—it's up to the department'. The department came back and said, 'Look, processes are in place'. But we have seen over the years that rather than saying, 'No, you can't build a building, because that actually infringes the requirements,' the building has gone ahead and instead there has been a reactive approach where the gradients and flight settings increase.

**Senator Carr:** Be fair. The minister put out a white paper on these issues, the first that had ever actually been produced by the Commonwealth. It outlined the procedures with regard to planning for development around airports. You have raised some issues with regard to one site, which the department has undertaken to have a look at. But I do think we have to get this in context; none of this work was ever done before.

**Senator FAWCETT:** My point is that this is not just around Archerfield. It is also around the Sydney Basin, and this is a clear indication that what has been put in place in terms of a process is not being applied, monitored or audited. My question is: what checks and balances are in place from the department to make sure that the processes that are laid down are actually being followed and adhered to? What independent body audits or checks the application of these processes?

**Mr Doherty:** There is work on foot on this. We do take those services very seriously. There is the OLS relating to visual flight and the PANS-OPS relating to instrument flight. The PANS-OPS is seen as non-negotiable; there is no scope for an intrusion into the PANS-OPS for any particular time.

We have provisions in the Commonwealth legislation which are designed to provide notice of proposed buildings which would go close to the control services, to allow those to be assessed and to make a judgement. We are currently working with a group of state officials to try to do a couple of things. One is to make sure that those sorts of controls are expanded properly into airports which are not controlled under the Commonwealth's Airports Act provisions. And secondly, to make sure that we have robust arrangements in place for how they are administered. So we are keen to work on making sure that we have the right arrangements in place to make sure those are given effect to. We agree with you: those are extremely important.

**Senator FAWCETT:** I think if you look into it—and again, I am happy to be corrected—I believe that there are at least two examples in Brisbane and Sydney where the PANS-OPS base has been increased as a result of buildings that have gone up and have not been blocked, even though under our ICAO obligations we are supposed to. I encourage you to look into that and, if I could put that on notice to come back to me—

**Mr Wilson:** If you could put those two examples on notice that would be helpful.

**Senator FAWCETT:** Certainly.

**Senator ADAMS:** I would like to ask some questions about aircraft and wind turbines, and the issues associated with those. As you are probably aware, the Senate has done an inquiry into the health effects of wind turbines. But as we did that we had a terrific lot of submissions just on the general issue of increasing wind turbines. Today, of course, with the \$30 billion which was announced as going into renewables, and mainly into wind turbines, the number of applications for these turbines throughout Australia is just going mad, to put it mildly.

The Aerial Agricultural Association of Australia has a wind farm policy. Does the department have anything to do with that? Have they seen that policy?

**Mr Doherty:** We are working in that area as well, but I will get Scott Stone to provide additional detail.

**Mr S Stone:** We are aware of the Aerial Agricultural Association's policy. We met with the chief executive of the Aerial Agricultural Association, Mr Hurst. We have discussed this issue about how we might better progress some of the planning requirements around wind farms to protect aviation operations. That is not our document; it is the Aerial Agricultural Association's document but we certainly are aware of it.

The committee Mr Doherty referred to earlier, the National Airports Safeguarding Advisory Group, which comprises state and commonwealth planning and transport officials, has prepared a document on land use planning for wind turbines to protect aviation operations. That document has been prepared as a draft and has been circulated to the Aerial Agricultural Association as well as many councils in Australia, state governments and airports to test for usability. Those guidelines are in place and we are hoping to finalise them in the first part of next year.

**Senator ADAMS:** Wind monitoring towers are going up all over the place but a number of developments do not want any identification on them as far as lighting goes because these monitoring towers are installed before they make the decision whether or not it is a good area to put turbines in. Have you had any issue with those? What can happen?

**Mr S Stone:** I have met with the Clean Energy Council, who represent wind farm developers. We put to them the concerns of the Aerial Agricultural Association in terms of the meteorological evaluation towers, the towers that do the assessment for the wind turbine farms, and we are working with them to try to come up with a system where those towers can be reported and where they are better communicated. What has happened, we believe, in the past is that they have been communicated in an ad hoc way to the Aerial Agricultural Association, who have

then communicated to the state members. We support the Aerial Agricultural Association's concerns that there could be a better system to allow those monitoring towers to be tracked. We are looking at what we can do with the Clean Energy Council and some of the wind farm developers.

**Senator ADAMS:** Another issue I would like to talk about is the turbulence associated with these wind turbines. In Western Australia, not far from where I come from, the towers are going to be 197 metres high. They will be on a ridge that is about 1,000 metres high. They are getting a long way up. These are the sorts of issues that are starting to worry the community. There is another area where the neighbours, who are not associated with hosting turbines, have an airstrip and do aerial spraying. Because of the close proximity of those turbines to their boundaries, that airstrip is not going to be able to be used. It is an area that grows a terrific lot of canola, which is normally sprayed with urea early by air so that it does not get broken down by going over it with conventional methods of spraying. There are a number of areas where people are not going to be able to farm their land the way they should, so it becomes almost a property rights issue. Are you looking at any of those with airstrips?

**Mr Doherty:** Our involvement is looking at to make sure they do not interfere with aviation safety.

**Senator ADAMS:** What is going to happen here is they are going to be a trying to spray the crops and the turbulence from the turbines is going to cause problems for safety.

**Mr Doherty:** I do not see that as an aviation issue.

**Senator ADAMS:** It is an aviation issue.

**Mr S Stone:** There are a couple of issues. One could be the possible physical impact of the wind turbines. What we are trying to do with these planning guidelines is allow land use planning authorities to be able to take into account the effects on aviation safety of these sorts of developments and to make decisions at a local level as to how important each of those land uses is. In terms of turbulence, we have certainly had discussions with CASA about the possible effects of turbulence from wind farms on aviation operations, and our advice from CASA is that the evidence is not there that that would actually impact on aviation safety. Now, the issue of having a turbine that is right next to a farm is one that needs to be considered at a local planning level, and that is what we are trying to do with these guidelines. As I said, they are out in draft for comment at the moment from the states and local councils, as well as the pilots association. So we are keen to see the feedback we get on the draft, to better manage some of those processes.

**Senator ADAMS:** The other issue is fire safety—fires that start through turbines. We had examples given to us during the inquiry of turbine blades going off and fires starting. Planes cannot get in there for aerial firebombing because, even though the turbines would be turned off automatically, I would hope, at that stage—but maybe not straightaway—the turbines are spread out over rural areas. For local fire brigades, they are too high, and they cannot touch them because of the oil and the electricity issue with them. So what happens with aerial firebombing? Is there anything in the guidelines about that?

**Mr Stone:** No-one has brought that to our attention as yet, Senator.

**Senator ADAMS:** I would like to just flag that, because that is another concern. In a lot of rural areas, especially in Western Australia, where I come from, firebombing from aircraft is the No. 1 response, because the terrain and the geographical situation mean that they cannot get the normal fire trucks and firefighters in. So a lot of the work to try to stop the fire, or at least stop it from expanding, is done in that way. Those are issues that have come up that I think are very, very important. Thanks very much.

**Mr Stone:** Thank you.

**CHAIR:** Senator Nash.

**Senator NASH:** Last time, we had some discussions around the European Union emissions trading scheme, and I think at the time—correct me if I am wrong, Mr Mrdak—you said the department was doing further analysis to try to get a sense of the impact that it was going to have on our domestic aviation industry. Have we got any further in assessing the potential impact of that?

**Mr Mrdak:** Certainly, we have done some more work on it in relation to potential implications. There is still an international debate about the timing and whether Europe will proceed with those regulations and requirements. I think at this stage their intention is that they will. Australia remains opposed to the unilateral application of those arrangements to international aviation; we have made that clear on successive occasions. Most recently, I discussed this issue with the European Commission to make clear our views. So we continue to express our concerns about it. I think it is fair to say, isn't it, John, that we are waiting to see what the next stage is in the response from the Europeans?

**Mr Doherty:** I think that is correct. At that stage, when we had the last conversation about this, we were expecting further information from Europe about the application or allocation of free permits to some of the carriers, and I think in September that further information was made available to carriers. We do not know the full details. I do not think it has been a conversation directly with the carriers, but our understanding is that there is a high level of confidence that Qantas will achieve a high level of the free permits, which would soften the blow, at least initially, in terms of the impact.

**Senator NASH:** Okay. Is there an impact at all from the potential commencement of the carbon tax from 1 July next year, or are they stand-alone type issues?

**Mr Doherty:** They operate quite separately. The carbon tax would apply to domestic aviation operations, where it applies. The European emissions scheme applies only to flights in and out of Europe, so it would be the second leg of a journey between Australia and Europe—clearly, only international flights.

**Senator NASH:** Okay. Has a cost analysis been done on the impact of this? I know you are still working through that at the moment, but is there any sort of understanding of what this is going to cost airlines?

**Mr Doherty:** We have not done that as a detailed study.

**Senator NASH:** Is there any plan to do it?

**Mr Doherty:** I think, really, it is an issue for the airlines rather than for the department.

**Mr Mrdak:** But I think, as we said previously, once the final details are known then, yes, we will undertake an assessment to understand the impact on Australian carriers if this proceeds.

**Senator NASH:** Yes, because it stands to reason that you would want to have an understanding of the impact rather than just leaving it to the industry.

**Mr Mrdak:** Hence the assessment we have done to this point has been awaiting this further advice.

**Senator NASH:** Are there WTO implications in all of this?

**Mr Stone:** There was an action taken by American and, I believe, Chinese airlines in the Court of Justice of the European Union, and the preliminary opinion of the court was that the scheme is compatible with international law. It is a non-binding opinion but the expectation is that that is what the Court of Justice of the European Union will rule on the matter.

**Senator NASH:** Does that have further steps to go or is that the end of it?

**Mr Stone:** It is not final. It is a preliminary opinion.

**Senator NASH:** Have we had any discussion at all about whether or not we would take that same course of action through the WTO process?

**Mr Stone:** That was taken through airlines, not through national governments.

**Senator NASH:** Is there any discussion domestically either through government or through the airlines that we might do the same thing?

**Mr Doherty:** It was indicated in the last estimates the government has no intention to take legal action.

**Senator NASH:** You are right. I recall that now, Mr Doherty.

**Senator FAWCETT:** I want to confirm whether the department still acts on behalf of the Commonwealth in leases of airports?

**Mr Mrdak:** Yes.

**Senator FAWCETT:** Section 9.2 of the lease talks about maintenance of runways and pavements:

The lessee must maintain the runways, taxiways, pavements and all parts of the airport essential for safe access by air transport to a standard no less than the standard at the commencement of the lease.

Why then at Bankstown Airport has the airport operator ripped up the cross-runway, which is the only north-south runway available to light operators in the area, closed taxiways, reduced the number of runways by nearly three-quarters and moved the purpose-built compass wing area to a part of the tarmac that has ferrous material in it, which makes it not suitable, and also reduced significantly the area available for rotary wing training operations by moving it from the south to the north side of the runways?

**Mr Doherty:** The decommissioning of the cross-runway at Bankstown occurred in March 2005. It was identified in the master plan as a change of the layout of the aeronautics and that is provided for in the Airports Act. The new master plan was approved in 2005, so that was the basis for the action that then followed.

**Senator FAWCETT:** The changes were also opposed by operators at the airfield and MOPS 139 requires operators be consulted. Also with the cross-runway, particularly where there is ab initio training involved which

there is—in fact the minister just in the last 12 months has reported the number of training operations at Bankstown is increasing—means the useability factor for a runway and cross-wing operations in particular should be 99.5 per cent. Was it actually established prior to that plan being approved and were the opinions of the users taken into account? The users certainly still believe that whilst they put forward contrary positions they were not considered nor in fact available publicly to see who opposed it.

**Mr Doherty:** I can only speak broadly. I understand that there were submissions from two of the tenants at the time which were taken into account and, I think before the decision was made, advice was sought from both CASA and Airservices. The essential advice was that the cross-runway was used very rarely, that it was inappropriate to use it while the main parallel runway system was in operation and the requirement to use the cross-runway occurred on maybe a couple of days a year for part of a day, so it was used to a very small extent, and there was no objection raised from CASA on safety grounds.

**Senator FAWCETT:** Mr Doherty, how often do you use the airbags or seatbelts in your car?

**Mr Doherty:** I use the seatbelts all the time.

**Senator FAWCETT:** To prevent injuries in an accident. How often are they required?

**Senator Carr:** It is a bit unfair to put it to these officers. A decision was made and signed off, as I understand, by Minister Anderson at the time of the previous government. It really is a bit difficult to pursue the matter with officers some years later.

**Senator FAWCETT:** Minister, my point is that the process in terms of transparency around the relationship between the department, regardless of the flavour of government, and the aviation operators is not effective in terms of actually preserving the utility of airports for their primary purpose which is aviation. To quote the current minister: 'Nothing, I repeat, nothing is as important in aviation as safety.' I have no further questions.

**CHAIR:** We will now take a one hour break.

#### Proceedings suspended from 18:40 to 19:40

#### Airservices Australia

**CHAIR:** I take this opportunity to welcome Senator the Hon. Jacinta Collins, representing the Minister for Transport and Infrastructure. I also welcome Mr Russell—always good to see you—and officers from Airservices Australia. We will start with questions from Senator Back.

**Senator BACK:** Mr Russell, can I take you back to the inquiry hearing we had at Perth Airport on 28 April last year regarding noise. In your opening statement then you made the comment that you were not satisfied that Airservices yet had enough data from independent noise monitoring and that you were undertaking more monitoring. You went on to state that the results of the further monitoring would be made public as soon as they could be and that action would be taken.

A couple of recently published results point to excessive noise at the locations at which monitoring was occurring and I was wondering if you could comment on that for me. The first is the Perth Airport NFPMS report. It shows LAeq 24-hour measures of 45 to 52 over the 12-month period when the Chidlow monitors were in place and that this is in excess of the Airservices measure used in the environmental self-assessments below which noise is not considered significant. I wonder if you could comment as to action you may have taken as a result of those analyses coming back to you.

**Mr Russell:** Thank you for the question. We put some additional noise monitors into the Hills district of Perth around the time, as you rightly point out, of the Senate inquiry in Perth and during that period. We were at that time receiving a lot of complaints from the Hills district. We did implement two noise monitors. I would have to go back and look at the results in detail to be sure that I am giving you an accurate answer but, from memory, I was of the view that the results of those noise monitors did not cause us to believe that there was excessive noise from overflights of aircraft over those suburbs. Those noise monitors also measured ambient noise, noise from traffic and a number of other things. I am happy to take the details of that issue on notice and come back to you if I may.

**Senator BACK:** Minister, for your edification or information, we should declare that there is one point east and slightly north of Perth Airport where the overflight paths of about three or four different approaches and departures all conjoin. They happen to be directly over Senator Adams's home, but that is completely and utterly incidental to the questions.

Mr Russell, could I draw your attention to the draft document *Remote noise monitoring at Chidlow, WA: a post-implementation review* of April 2011, which was presented to the PANMCC. It uses different measures to evaluate the noise recorded in Chidlow, but makes this conclusion: 'Combining the above criteria with the average

measured noise levels of aircraft shown above, practically all aircraft types can cause noise events from 50 to 60 decibels at both Chidlow monitors and therefore potentially could cause annoyance at night-times in accordance with WHO guidelines.' I draw the draft document to your attention. Do you agree that these results do show significant excessive noise at the locations of those two temporary monitors in Chidlow?

**Mr Russell:** I do agree that the results are accurate. I want to go back and review the document in detail. I am happy to elaborate, as we mentioned earlier, if I could take that question on notice. There are some details I want to be clear on.

**Senator BACK:** Sure. In so doing, I ask you to take on notice, in the event that the draft results do confirm this observation, I am keen to know what action either has or will be taken to ameliorate the effects. Please answer now, are there other locations in the Perth Hills which either are the subject of examination or will be examined for excessive noise in the same manner?

**Mr Russell:** From memory there are not others. Again, I will include that in the answer to the questions.

**Senator BACK:** It is possible my colleagues will want to come back to the same issue. One complaint that has been registered in the office of one of my colleagues is that each weekday morning, when runway 21 is in use, there are many off-track departures by turboprop aircraft. There are numerous other incidences where off-track and direct-to-way-point tracking are causing aircraft noise problems outside the published route corridors. Are these excursions from the standard instrument departure for the benefit of the operators and to the detriment of those whose properties they overfly or are there because the RAVON two standard instrument departure cannot cope with the volume of early-morning traffic?

**Mr Russell:** I do not mean to be pedantic on this, but I want to make sure I get this answer right. If I could, I will add that to the response to your other questions.

**Senator BACK:** Certainly. Again, in taking that question, if it is the procedure that cannot cope, obviously putting air traffic controllers under stress, is it not possible to introduce a flow-control system which I understand has existed in Europe for over 30 years? Please pick that up in your response. My final question goes to the Aircraft Noise Ombudsman, who I understand cannot appear before us in estimates because he is not a servant, as such, but he does report to your board. In his February report on the review of complaints handling by the Airservices Noise Enquiry Unit, the ombudsman made a total of 18 recommendations to assist Airservices to enhance the effectiveness of your complaint handling. Can you give us an overview of the nature of these recommendations. What progress have you made in implementing them if you have accepted any or all of the recommendations?

**Mr Russell:** Yes, we have accepted all 18.

**Senator BACK:** Are they to be made public?

**Mr Russell:** That report is on the ANO website. Yes, it has been a public document for some months. The types of issues covered in those recommendations go to, quite a few of them, the nature of how we have been handling complaints and the role of the Noise Enquiry Unit in particular. There have been some recommendations on the enhancement of the Webtrack software system that you would be aware of. There have been some recommendations built around how we engage with other industry stakeholders on issues where there are perhaps some differences of perception as to who in the federal bureaucracy has which responsibility. He thinks we could improve on that. Of the 18, all but one will be complete by December, and we report regularly to our board on the details of those recommendations. So we have made some progress.

**Senator BACK:** On balance, from where you sit in running the organisation, you feel the creation of the ombudsman position has been a positive move.

**Mr Russell:** Definitely. I do.

**Senator BACK:** It is difficult, I suppose, to get an unbiased opinion from you, but you do not sense that the ombudsman believes he is being in any way constrained by the fact that his reporting is to the board?

**Mr Russell:** You and I have talked about this issue on a couple of occasions. I must say that I have been pleasantly surprised by the professionalism that the incumbent brings to the role. He has come from a long period of working in the federal Ombudsman's office, and he has brought a new dimension, I think, to the way we have been interfacing with the communities and how we have been going about managing complaints. He does so with a fierce independence, and I respect that. That has been the basis of part of the reason he has been so successful.

**Senator BACK:** I would concur.

**Mr Russell:** You may know that he has been in Perth in the last couple of weeks, and I see all of that as being very positive. Quite frankly, it has helped us improve how we manage these issues.

**Senator BACK:** Thank you.

**CHAIR:** I will take this opportunity, Mr Russell, to ask for an update on how the air traffic control tower in Broome is going.

**Mr Russell:** That building is now well underway. In fact, today it is a combined operation that encompasses a new air traffic control tower built around the amount of traffic that is going into Broome, and what we expect to go into Broome, as well as a fire station. Today our firemen moved into that new station. We are well underway. There is a bit of commissioning work to do with respect to the tower itself, and that will take a little bit longer, but by the early part of the new year the whole complex will be fully operational.

**CHAIR:** Wonderful. That is all I want to know. I look at it every couple of weeks. It is looking good. Thank you, Mr Russell.

**Senator FAWCETT:** Gentlemen, I take it Airservices Australia is still responsible for producing aeronautical publications.

**Mr Russell:** Yes, indeed.

**Senator FAWCETT:** In the WikiLeaks revelation that the FAA audit highlighted, one of their concerns was that navigation charts produced in Australia were not compliant with international standards. Do you have any comment on that revelation?

**Mr Russell:** I in particular do not, but my colleagues may. Mr Harfield, do you?

**Mr Harfield:** There were a number of issues raised in the audit where ICAO came in and had a look. The issue was that the standards that were portrayed were recommended practices. Our order was that we met all the requirements that we had to under the ICAO auspices, and therefore the issues that were brought up were just differences. We have worked through those and we have come to what I would say is a common understanding in ensuring that our practices do meet the ICAO regulations.

**Senator FAWCETT:** I will ask the same question of CASA later, but it strikes me that a number of things have come to the surface as a result of this ICAO/FAA audit. Do we not have an internal process within Australia where somebody who is knowledgeable but independent audits on a regular basis the product of Airservices?

**Mr Harfield:** There is an audit function that is carried out by CASA. One of the deficiencies that was found in the ICAO audit was that we do not currently have regulations in place for aeronautical information services and the regulation thereof, but there is a process already underway to establish those regulations.

**Senator FAWCETT:** What is the timeline for that?

**Mr Harfield:** You will have to take that up with CASA.

**Senator FAWCETT:** Even though you are doing it?

**Mr Harfield:** We are the service provider of the publications. We have input into it but, for the regulatory time frame for the regulations to come into effect, you would have to ask CASA. I am unaware of what the actual time frame is.

**Senator FAWCETT:** On a slightly different topic, do you still act on behalf of CASA to develop departure approach plates as part of the AIP publications for aircrew?

**Mr Harfield:** We are certified under CASA regulation part 173 to actually design and produce instrument approaches.

**Senator FAWCETT:** If there were a building development in a capital city that pushed the floor of the PANS-OPS criteria higher, you would be then required to modify approach plates?

**Mr Harfield:** If that was an approved variation and the PANS-OPS was varied then we would have to go back and revalidate the instrument approach. The instrument approach would have to then be authorised by not only our chief designer but also CASA. It has to be flight tested and approved but still has to stay within the approved design criteria.

**Senator FAWCETT:** I am happy for you to take this on notice if you need to, but could you come back to the committee with any situations where you have had to revise your PANS-OPS criteria as a result of urban development or city development in either the Brisbane or Sydney areas in particular, or anywhere in Australia, but particularly those two?

**Mr Russell:** We will take that on notice. There have been some issues that I would like to make sure we get right.

**Senator FAWCETT:** Could you expand on that, please, Mr Russell, and tell the committee what those issues have been.

**Mr Russell:** It is urban encroachment on major airports. I think you are probably pointing this way. In Sydney, for instance, there are a number of high-rises around the airport that fall into this category. There are a number of infrastructure developments close to the airport, again, that fall into this category. If we could have some time to research this properly, we will come back to you on notice if we may.

**Mr Harfield:** I just want to provide some clarity. What we will do is provide information where there has been a redesign or a variation as a result of a change being put in. We do not have the authority to change PANS-OPS criteria. I just wanted to make that clear.

**Senator FAWCETT:** Yes, I understand that. With the issues you are working through, Mr Russell, do you feel as though there are appropriate checks and balances in place such that, if a developer does actually put forward a proposal, the operator, CASA and Air Services Australia have opportunity in a transparent way to register their opposition to something which is going to adversely affect the operational capacity of an airport and the requirements of airlines to actually fly steeper gradients during departures or approaches?

**Mr Mrdak:** This is an area of growing concern for us, as the department acknowledged before the dinner break. Mr Russell, Mr McCormick and I, as the aviation policy group, which is the CEOs of the aviation agencies, have discussed this issue at length. We have recognised the need to improve the processes involved in judging and advising. Also in relation to the point you raised, to some degree the aviation industry has worked hard to accommodate in the past some of these breaches of services. I think we have reached the point where we believe we can no longer do that. Hence there is some work happening at the moment where we have established a group of officers from our respective departments and agencies which is now working on a much more robust approach to, firstly, identifying potential breaches. As you know there are regulations under the Airports Act which provide for protection of prescribed airspace. How do we better identify those, how do we ensure that local and state governments are aware of it and how do we as the agencies get together much more effectively to make sure that those breaches of the services are no longer accommodated in the way that they have been?

**Senator FAWCETT:** Do you have a time frame for that work?

**Mr Mrdak:** Our officers have started talking about this in some detail. I expect that the next couple of months is when we will try and provide a much better approach to how we have handled this to date.

**Senator FAWCETT:** Do you have any plans for industry involvement so that they can have some input as to how their perspective can be incorporated?

**Mr Mrdak:** We certainly will. We have not got to that stage as yet. I think the first stage is for our officers to identify exactly what the current processes are and where the weaknesses are. That will then enable us to design a better way to handle this. As Mr Doherty and Mr Stone indicated in the evidence from the department a little earlier, this is an area which we are taking up with a great deal of strength with the states and their planning agencies.

**Senator FAWCETT:** I am very pleased to hear that. Could you take on notice to provide to the committee how industry will be involved, particularly how feedback around an application is transparent so that, rather than just being told consultation has occurred but not knowing whether all the submissions were positive or negative, industry know whether they are a lone voice or everyone else supported their position but, for some reason, the decision has gone the other way? That would be very useful.

**Mr Mrdak:** Certainly.

**Senator FAWCETT:** My last question is to do with air traffic control, looking both at personnel—and I am aware that there is a degree of overlap and cooperation with the Defence Force currently—and equipment, particularly radar systems, around approach controls. What are your current plans and what are your future plans for increased cooperation or integration or, indeed, do you not see that future?

**Mr Russell:** You may be aware that there is a project underway with the Defence Force and ourselves to investigate the joint acquisition and joint operation of a new air traffic platform for Australia. That work has been underway now for the last two years. It initially began looking at the platform. It has been extended to the issues of standards, training, equipment purchases and our various capital programs. So there is integration and the potential for more of it on a number of levels here, which I think we are very supportive of and so too the Chief of Air Force.

The time frame for the acquisition and the implementation of this new platform is still some years away. We are looking at about 2018. It is quite a complex project when we get to these sorts of integration issues. We are

hopeful of being in the market jointly around the middle of next year with a tender, and a considerable amount of work is underway on that matter now.

**Senator FAWCETT:** Around the issue of the differing priorities in the civil space, you are obviously trying to expedite the most air traffic from point A to point B as efficiently as you can. In the military space they are often looking to exploit a piece of airspace with a high dynamic manoeuvre. What is your approach to trying to bring into line or having a suitable accommodation of those two very different priorities with one system?

**Mr Russell:** In the last two years we have made considerable progress on the question of functional use of airspace. I think a good high level of cooperation now exists operationally between our organisations. We have been working, for instance, on the airspace required for Super Hornet operations off the coast of eastern Australia. It requires more airspace, as you probably know. That process has been worked through in a very cooperative fashion. Recognising the emphasis that each organisation has, I think we have come to a good accommodation and there is the prospect of further benefit coming from this closer integration of the two approaches to the platform. Mr Harfield might like to comment as well.

**Mr Harfield:** Yes. I think one of the major benefits of both organisations—Defence and Airservices—coming together and operating one system is that we manage the airspace together. We both, as you mentioned, have different missions: one is about civil traffic and one is about abrupt manoeuvres with high-performing military aircraft. The issue is that neither of us uses the airspace 100 per cent of the time. Working more closely together means that when Defence need to use airspace for a particular reason they can use it, and then we can use it when we require it and jointly manage the airspace. So we see this as one of the most significant benefits out of working together in a harmonised fashion.

**Senator FAWCETT:** How do you hope to overcome the situation that developed in America, where, when they looked at joint-user airspace, the only option the military had to get exclusive use was to have aircraft with live munitions? There were many examples where they flew with live munitions which were not required; they did it purely so they could get exclusive use of the airspace for those very dynamic manoeuvres. Has that been developed in your thinking as to how both parties can get exclusive use when required?

**Mr Harfield:** This is about the two organisations working together. We have a different regulatory and operating framework from what they have in the United States, so that particular example will not necessarily occur here. Some of the areas that they use for live firing now in Australia are outside our normal civil traffic corridors, so we do not actually have that particular issue.

**Mr Russell:** I think it is fair to say that here in Australia there is not the intensity of use of airspace that there is in the United States. Clearly we have had some contact with the American DoD and the FAA to learn from the experiences that they have had, but we are nowhere near that sort of intensity. I think that is the bottom line at the moment.

**Senator FAWCETT:** Thank you.

**Senator ADAMS:** I will just take you back to the Perth Hills and to Perth airspace while we are on the Defence issue. Has the use of Pearce for civilian aircraft increased? Have you gone any further with them?

**Mr Russell:** One of the aspects of the whole Perth airspace in the last six months or so has been that, where we can, we have been trialling some different flight paths to try to alleviate some of the noise.

**Senator ADAMS:** You have written to me about that, and I appreciate it.

**Mr Russell:** In particular, there is one which is a northern departure over the suburb of Beechboro and to the north of Perth, where there were, we thought, quite a few complaints that we tried to work on. In cooperation with the Royal Australian Air Force, we have had better access at night to Pearce airspace so that the long-haul heavy aircraft that are flying to South Africa and places in Asia are able to turn later, over less populated areas to the north of Perth, and fly through Pearce airspace; obviously they are at height. It has been a good example of, I guess, the closer cooperation that we have been experiencing with RAAF.

**Senator ADAMS:** I am sure that the people in the western suburbs would be very happy about the fact that the flights are going north, but my constituents are mainly in the eastern suburbs. I will just read you this; it is from Mrs Parker from Greenmount. She has written a number of times, and a number of her neighbours have as well. She says here:

While I appreciate that the planes must go somewhere, the increase in traffic has meant that the aircraft noise is constant and it has become unbearable. The planes from Skywest and propeller planes in particular are very noisy and fly low. I have contacted the Noise authority to report the constant noise.

I am in the eastern states and doing inquiries all around Australia, but I must say that I had four days at home, up in the hills, and I was quite surprised at the build-up. I know that they are using the east-west runway most of the time at present, but it really has become a lot busier, especially with aircraft at night and early in the morning. So if that has been constant right through, which I have been told it has been, I think the residents do have something to complain about. So my question is: is there any other way that you can address this? I think Bedforddale up through there is the other one; I know we fly over there. It seems that every time we leave Perth we are going over the top of Bedforddale. Those seem to be the main two corridors to the east. Is there any way that they can be broken up? I know that the wind plays a big part in this, but it really—from my own observation, anyway—has got worse.

**Mr Russell:** We have been looking at these flight paths in quite a lot of detail in the last couple of years. The Beechboro example is one where we have been able to make some changes. Where we can, without undoing the whole of the airspace as it is currently constructed over the Perth terminal area, we are trying to make some amendments to flight paths. Part of the issue is the fact that there has been, as you well know I think, a 30 per cent increase in aircraft movements in Perth in the last five years. We are seeing on average another 100 aircraft movements every day in Perth. I guess there are two aspects to it. It is what we can do within that constricted airspace to manage the noise issues and the flight path issues but also simply the growth in the numbers of aircraft are creating some of these issues for us. We have no control over that issue I am afraid.

There is an undertaking from us that where we can we are looking at these issues. We mentioned earlier to Senator Back that the Aircraft Noise Ombudsman has been in Perth in the last few weeks. He has been talking to local councils, members of parliament and members of the community. I am expecting to hear the recommendations that he might have that we can then investigate about further changes to flight paths. That is where it is at at the moment. It is under a lot of notice. I do want you to understand that.

**Senator ADAMS:** I thank you for the letters that have been sent and if you continue to do that at least it does help us to explain that we have received this letter and for any constituents from that particular area you can say, 'This is what is happening, we are trying.' Probably for the WA senators with the amount of charter flying that we do we used to be able to get to the airport at quarter to seven and leave at seven with no problem at all. Now you have to be there at six and you sit in a queue with goodness knows how many aircraft waiting to take off. It certainly is on the increase and the traffic around the airport as well.

**Mr Russell:** There are 90 aircraft overnight at Perth Airport now, every night. Nearly all of them want to leave at six o'clock to 7.30, in that hour and a half.

**Senator ADAMS:** We know, we certainly do.

**Mr Russell:** That creates issues right through the airspace system.

**Senator ADAMS:** Thank you very much.

**CHAIR:** I want to make a couple of comments and I have a couple of quick questions. Senator Adams is right about the traffic round the airport, but we have a plan. We are going to put in a mining tax and we are going to build the gateway WA project so that will alleviate that. Mr Russell, when we did have the inquiry there were numerous complaints in the hills but am I right in remembering there were very few complainers, is that the right word?

**Mr Russell:** Yes, that is one of the general features of the whole of the noise issue in Australia. If I could perhaps just indicate to you in the last financial year, the year to 30 June, we had 98,000 complaints from 4,900 complainants—65 per cent of those were from 20 people and 50 per cent were from 10 people. When we upset some people, unfortunately, we really do upset them. There are instances where there are 80 complaints about the same aircraft flying over a particular resident. Some of those we can do something about. Some of them, unfortunately, we cannot as some of the suburbs, in the case, for example, of Canning Vale in Perth, are very close to the flight path approach to the Perth Airport. We are constantly getting a lot of complaints from a particular complainant there.

**CHAIR:** It is not a senator is it?

**Mr Russell:** No, it is not.

**CHAIR:** No, that is my office, that is all right! I thought it rang a bell.

**Mr Russell:** In those circumstances there is not a lot we can do to change the flight path that close to the approach to the runway.

**CHAIR:** Thanks, Mr Russell. It would be very annoying. I think some people have very good reason to be upset; there is no argument. I just wanted to clarify that because when we did the inquiry 18 months or two years

ago the numbers were repetitive. I have one last thing I want to touch on. Airports around the metropolitan area are very emotive. I think we have to remember that there have been some changes over the years, and none so more than Perth with the brickworks. I remember how I carried on for two years, and Senator Adams is sick of hearing me talk about it. We all know that that was very challenging. I have to say very clearly that in 2009 at least we had Minister Albanese introduce an aviation white paper, which we had never had before, to give communities the opportunity to have involvement. Communities now have the opportunity to be part of a vibrant aviation industry which they did not have before under the Howard government. There being no further questions of Mr Russell or Airservices Australia, thank you very much. We look forward to receiving answers to the questions taken on notice.

### Civil Aviation Safety Authority

[20:17]

**CHAIR:** Welcome, Mr McCormick and officers from CASA. It is always good to see you, even though it is late in the evening.

**Senator BACK:** Mr McCormick, what is the current situation with Tiger Airlines? Can you give us some advice as to how the crisis could have been averted from the viewpoint of Tiger ceasing its operations in Australian airspace?

**Mr McCormick:** CASA has issued an air operators certificate to Tiger, which contains a number of conditions. Those conditions relate to different events which we wish to see them develop. Some of them have a relatively short time span and a number of them required them to satisfy us before they resumed operations, as I think I said on the press releases on that. Some of the others would take a little longer for any operator to resolve—such as amendments to their safety management system et cetera—so those times extend out to perhaps the end of the year. We are continuing to monitor the conditions on the air operators certificate. We monitor their compliance with each of those issues.

Tiger themselves originally wanted to fly 18 sectors a day, which we approved. Since then they have applied to go up to 22 sectors a day, which we have also approved on the basis that, as they develop their commercial operation, they will come to us to request an increase in sectors. So, as far as their operation goes at the moment, we are not restricting their flying; it is up to them to tell us when they wish to fly. In answer to the second part of your question—and I guess I should say there are commercial sensitivities around some of this information, as I am certain you would appreciate—we were working with Tiger for some time, particularly the previous senior management of Tiger, and we did not see the improvements in Tiger which we wished to see. After we issued the show cause notice to Tiger, around 23 March this year—and, in itself, as we have discussed at previous committee meetings, it is a rare event for a high-capacity RPT operator to be issued a show cause notice—we did not see addressed the issues which we needed to see addressed. Then there were a few other issues which occurred which led us to the 'serious and imminent risk' criteria. So, apart from saying we could have taken 'serious and imminent risk' action earlier, which at the time we did not think was justified on the basis of the information in front of us, we handled that issue in the most expeditious manner we could.

**Senator BACK:** Are there any other RPT operators in Australia about whom you have similar concerns?

**Mr McCormick:** In the high-capacity regular public transport arena, not at this stage.

**Senator BACK:** So you are confident from your agency's point of view that, with Tiger, you enacted all of the procedures that were within your powers and that should have given Tiger the necessary message to correct what you deemed to be shortcomings in their operations?

**Mr McCormick:** Yes.

**Senator BACK:** I do not want to get into any confidentiality issues in terms of the relationship with Tiger, but, based on their performance since you approved them to commence flying, are the concerns you had back in March being revisited, or do you now believe that they more fully understand and are more fully compliant with the requirements of CASA?

**Mr McCormick:** When we issued the show cause notice, we did not know that things would continue to deteriorate the way they did. Once we took the 'serious and imminent risk' provisions and put Tiger on the ground, the show cause notice issues really became moot.

**Senator BACK:** Sure. So, in hindsight, you are confident that all the actions taken by your agency were (a) appropriate and (b) timely, not premature?

**Mr McCormick:** I do not think they were premature—and, to the previous part of the question, yes.

**Senator BACK:** Chair, I have questions in other areas. If colleagues have other questions regarding Tiger Airways, perhaps it is appropriate they ask them now.

**CHAIR:** Sure. Senator Gallacher.

**Senator GALLACHER:** There were media reports that there was a breakdown in relations between CASA and the CEO. Do you want to give us any particulars about that—or let us know if that was exactly the case?

**Mr McCormick:** I think that was most probably reported incorrectly.

**Senator GALLACHER:** All right. Thank you.

**CHAIR:** I thought that, Mr McCormick, because I know how approachable you are. I thought that was quite misleading. Senator Fawcett.

**Senator FAWCETT:** There were some reports that one of the concerns about aircrew with Tiger was that there was undue pressure on them to accept unserviceabilities and continue to operate, due to Tiger's policy of not having LAMEs at each of their bases. Would you care to comment on whether that was a valid report from some aircrew members and whether that has been addressed?

**Mr McCormick:** To my recollection, we did not have issues with crew reporting to us that they were forced to take aeroplanes with unserviceabilities. No, we did not have that issue.

**Senator FAWCETT:** Okay. Does the example of Tiger go to the larger question of training and standards for airline pilots? There are some calls for simulator-only, co-pilot type training as opposed to people coming through the more traditional way—GA, get a body of experience, move into airlines. Is there any relationship between where you see airline pilot training going and the Tiger experience?

**Mr McCormick:** Thank you for the question. I think, in the case of pilot training, we did address that at some length in this committee's inquiry into pilot training and airline safety. How pilots are trained was extensively reported there, in *Hansard*. We do of course recognise today that the traditional method of obtaining pilots from the military or, as you say, with an experienced GA background is perhaps not what we see in the future of pilot training. The multicrew pilot licence and more use of simulators in training is the way forward. But we are not taking any great leaps into the future yet; that has to be done on the basis of some science rather than it just being assumed that this is the new mantra. We believe in competency based training, which is what the military believes in as well, rather than fixed-hour training or any specifics outside of the basic rudimentary flying skills which everyone has to develop.

In the case of Tiger, they of course were not quite in that situation. Without divulging any commercial secrets, Tiger had three different methods of introducing experienced pilots into their organisation, or three different training streams, depending on the background of the pilot, how many hours he had, whether he was previously endorsed on the aircraft, had operated in command et cetera. I think their allocation of some of their pilots when they employed them to those streams was not correct.

**Senator FAWCETT:** Mr McCormick, you are obviously aware of WikiLeaks and their discussion around the FAA and ICAO audit that took place recently. Some of the comments that came out of that—undertrained, underfunded, incapable of understanding the obligations to airline safety oversight—were fairly damning. I have two questions that come out of that. Firstly, has CASA been underfunded in your opinion?

**Mr Mrdak:** I will jump in early to put on the record that the Australian government has a clear position of not commenting in relation to WikiLeaks matters and matters pertaining to cables. I ran through this a little earlier, Senator, in relation to a question that was asked about a maritime issue. We do not comment on what representatives of other governments may wish to comment on, and certainly not in relation to the material that has been published on WikiLeaks. Having said that—

**Senator FAWCETT:** That is fine. Can I rephrase the question.

**Mr Mrdak:** Perhaps if you rephrase it outside that issue.

**Senator FAWCETT:** Do CASA believe that they have had adequate resources to perform the functions that they know they are supposed to perform to the level that they wish to perform them?

**Mr McCormick:** At this stage, yes.

**Senator FAWCETT:** Without commenting on a foreign government's proposal, what it showed to a certain extent was that, with an audit from an independent body, things were highlighted. Some of the comments that have come out from the government and CASA have shown that things have been addressed, so clearly some areas were identified. Is there an internal process of auditing or is there an external auditing body that looks at

CASA's operations on a regular basis, rather than having to rely on an overseas body to come through and highlight issues?

**Mr McCormick:** If I can take the last part of that first, I took over in March 2009 and you will find in *Hansard* that I stated in, I think, May 2009 that the issues I saw in CASA revolved around four areas. They were: refocusing on our core activity, which is the regulation of aviation safety; increasing the governance of the organisation, which of course includes audit; making sure our staff are properly trained and deployed; and, lastly, completing the regulatory reform program in the most expeditious manner. Those comments and those plans that we put in place predate the FAA audit visit to Australia. Without commenting on the source of some of that information, we work very closely with the FAA. Of course the FAA, like everyone, is entitled to their own opinion, and in some of these areas we would differ.

On the training side, the comment made at the time was that the plans we had in place, the training plans that we had already undertaken and started, were rebuilding from a very low base, I will admit. That was fine, but of course when somebody externally audits you it is a snapshot through the organisation at a point in time. That snapshot at that point in time showed that we had some way to go.

As far as internal audit is concerned we have a robust internal audit program across all the disciplines, including financial. We do use external auditors where they are appropriate under the government guidelines, and of course we are subject to ICAO oversight as an external auditor. Similarly, within our own organisation when we are taking action, and I will go back to Tiger for a second to give you an example. When we had the Tiger issues being dealt with by a team in our Melbourne office, at one stage I asked the Sydney office, who also have airline transport people, to have a look at what the people in Melbourne had done as an internal QA to check that we were on the right track, that we had not gone off on some tangent which we did not quite understand. That confirmed what we were doing, and that is part of our processes now. Hopefully we will not need to use that process again. However, we have a very robust audit program.

**Senator FAWCETT:** I am very pleased to hear about the governance and the audit; they are very important functions. Even with additional funding, without those you do not necessarily get the outcome you are after. Where are the pressure points in terms of your staff, whether they be FOIs or your technical inspectors? Is it the ability to attract and retain people in the industry? Is it the ability to train folk to the required standard or is it access to people with an airline background? Where are the pressure points that make your role difficult?

**Mr McCormick:** Certainly in the heavy helicopter market we have great difficulty attracting and retaining flight operations inspectors to do that function, looking at mainly the offshore resource industry, because we compete for the same people that industry competes for and it is a very small pool. Those people generally tend to go where the money is, to put it bluntly. I have no problem with that.

We have brought in a graduate management program now, where we are bringing people into the organisation directly from university. That might not sound all that glamorous, but the principle behind that is that, if those people come to us, stay for a while and then go to the industry, at least they take to the industry something about how we work. If they stay with us then they help us with the retention problem and our ageing workforce problem. And there is always the possibility they will go out to the industry and then come back to us. The issue is not only to make the job attractive by making it interesting but also to be very clear cut about where issues lie and what people have to do. I would say our biggest issue would be with the helicopter market, though of course we are perennially short across the board when airlines start attracting staff.

**Senator FAWCETT:** How do you go with maintaining the currency and competency of both your engineering workforce and your flight operations inspectors to allow them to do their role and stay up to date with, in the case of the flying guys, their flying instrument ratings et cetera and, in the case of the engineering guys, the evolution into more FADEC and electronic systems? How do you tackle that challenge?

**Mr McCormick:** We are doing a very extensive training program. We have a number of tiers in that training. One of them is basic inspector training and then there are advances, for instance, in the engineering world that you speak of. We have courses we put people through. It is nascent days for us going into things like carbon fibre reinforced plastics, composites and some of the more emerging technologies. We have a plan to do that. We have a training program and we are putting people through it. But it is taking time because we had to start with the basic training again to make sure all our people were at the right level that we wanted people at. They were at the right level, but there is also a function of being seen to have done the right thing, not just to have actually done the right thing.

On the FOI side, we have discussed at length how much recurrent flying we give our flying operations inspectors. We currently do not have our flying operations inspectors operating in a control seat with the regular

public transport operators, the high-capacity jet operators, but we do put them through simulator programs and we are currently addressing the amount of flying that we give each of the FOIs during the year.

**Senator FAWCETT:** What is that level at the moment?

**Mr McCormick:** We are actually in negotiations with our workforce agreement at the moment. That is an issue that is in those negotiations. I can take it on notice.

**Senator FAWCETT:** Surely that is not so much a condition of employment, as in a benefit, as a competence based thing. I am aware that the Defence Force, particularly the Navy, has recently gone through a review of basic competencies required for somebody to be a current IFR pilot. I think—and I am happy to be corrected—the number of flight hours just to achieve the competencies was over 100 per year. I think it came to 120. Do you need to link it in with the conditions of employment? Surely it is a safety issue.

**Mr McCormick:** It is a core deal. That is for sure. The military probably has a wider set of skills required than we have. The reason I would like to take it on notice is that I am not sure of the actual number. I think it is 40 hours at the moment, but I do not know what that number is. We will take it on notice.

**Senator FAWCETT:** Do you believe that is adequate, particularly for somebody working in the GA sector, where they are encountering a wide variety of aircraft?

**Mr McCormick:** As I say, it is under review at the moment.

**Senator FAWCETT:** We have had some feedback from industry that they feel as though, where resources have been applied to CASA, it is predominantly the RPT sector around airlines and that your charter and air work operators, particularly GA, are not getting the same kind of attention and turnaround time. Do you feel as though you have adequate capacity to service all the sectors of industry that rely on your services?

**Mr McCormick:** It comes to a question of where the highest risk is. Of course, as you know, section 3 of the act tells us we are to prevent to the best of our ability accidents and incidents. Therefore, it is about protecting the Australian public. It is also set out in the white paper *Flight path to the future* that our focus is on where the majority of passengers are carried, because we have limited resources. We do attempt to get around all of the different sectors of the industry, including GA, and we are currently having the GA task force looking at some of those issues of where we can best put our resources.

**Senator FAWCETT:** The feedback that we have had is that where you take the risk based approach—and I am talking here about the GA airwork charter kind of space—it will often target those people who are at high risk and therefore probably have more issues. Therefore, the turnaround time to the reporting is longer, which reduces the capacity of both technical and flight ops inspectors to do more audits. This is kind of a tightening circle where the less you audit, mentor and encourage development and the more you target the problem child, the less capacity you have. Do you feel as though that is a valid reflection from industry?

**Mr McCormick:** I have not actually viewed it in quite that frame. Yes, it is always a balance between identifying the high-risk operators and targeting them. If they are high-risk they will, as you say, take longer to go through. But we cannot ignore them and take the low-hanging fruit either, so it is better to spend the time getting done what we can. Our audit programs are planned in advance for the majority of cases, so when that audit program is developed it is within the capacity that we have to do those issues.

**Senator FAWCETT:** If you do not have the capacity to respond with a proactive audit program that is targeting those who are not necessarily high-risk, does that mean that we really do need to be seeing more resources given to CASA in those spaces of both technical and flight ops inspectors?

**Mr McCormick:** The government has funded us and allowed the head count to increase through the NPP process. We are confident at this stage that we have sufficient personnel.

**CHAIR:** How much extra funding?

**Mr McCormick:** \$89.9 million over—

**CHAIR:** \$89.9 million?

**Mr McCormick:** Over five years, and it is revenue-neutral in the end.

**Senator FAWCETT:** Has the focus of that gone to RPT as opposed to the other sectors?

**Mr McCormick:** Sorry; I missed the start of your question, Senator.

**Senator FAWCETT:** In terms of where that money has been invested and focused, has that been favouring the RPT and high-capacity sector? You made the comment before that you are constrained to looking at where the most passengers are carried. Has that flowed evenly across the other sectors?

**Mr McCormick:** It is a difficult question to answer from the point of view of where the exact breakdown is. We are building capacity in all those areas, both in the high end of town and the GA end of town, at the moment.

**Senator FAWCETT:** In terms of capacity, we have had some feedback from operators at Bankstown that they are concerned about rumours of a move of CASA staff from Bankstown to elsewhere in Sydney. Are there plans to move CASA staff from Bankstown?

**Mr McCormick:** In the interests of pooling our resources and being able to do more, the traditional model has been that you have airworthiness inspectors looking at airworthiness issues, you have flying operations inspectors looking at flying operations issues and you have safety systems experts looking at safety systems issues. What that has led to is a great deal of spread of the workload, where in fact there could be an airline with a maintenance organisation that has been looked at three different times or in three different areas, basically by the same organisation.

What we did in Melbourne was trial for over six months certificate management teams—that is, moving into the grouping of a team where you would have a team leader and the team will contain an FOI, an AWI, a safety systems specialist, sometimes a cabin systems specialist, a cabin safety specialist and perhaps dangerous goods people. They manage a group of certificates on the basis of their looking at that airline and looking at everything at that airline. To do that, and because we are constrained by people, as we have been discussing, we need all the people in one place; we need them in the one office.

In the case of Melbourne, we moved our office from Moorabbin into town. We moved our town office into another building and colocated those people. Colocation of the people is an essential element of being able to work in the certificate management team model. We have reviewed extensively what we did with certificate management teams. We discussed it with our staff. It is the way we are going to go forward, so there will be a move at Bankstown so that we can have the capacity of everyone in one place to be able to build those teams.

**Senator FAWCETT:** I do not have a problem at all with the concept of teams. In a time when we are increasingly talking about networkcentric everything, whether it is business, warfare et cetera, clearly the potential is there to do business remotely but still work as a team. The reality for capacity is that the inspectors still need to go to the operators, whether they are looking in the workshops or flying with staff. In Sydney you are probably talking about an hour minimum travel time to get to most places once you have worked your way from Bankstown, so by the time a technical inspector or a flight ops inspector travels to Bankstown and back to their office, two hours out of an eight-hour day is a 25 per cent hit to productivity. I assume the cost of the travel time is passed on to industry, so how is that helping the capacity issue as opposed to utilising technology to enable your team concept?

**Mr McCormick:** We have not settled yet but we will more than likely end up in the vicinity of Homebush in Sydney, so the travel time is not an hour because it is less than an hour to the city from Bankstown, as you know. The inspectors will still be present on the airfields. In other places like Brisbane we do not have an office at Archerfield and so in many places we already have those travelling issues. It is something we are cognisant of but we are happy we can manage it.

**Senator FAWCETT:** On the topic of the pressures of financial management we have had some feedback about frustration of timeliness for people to appear. One of the reports that has come back to me is that, when somebody asks for a flight ops inspector or a technical inspector to come, even from the Bankstown Airport, if they wish to use their own car they have to fill out paperwork and seek permission every time they wish to use it before they can respond to the request and travel around the airfield to speak to one of the operators who has asked them to come. Is that kind of bureaucracy and additional workload necessary?

**Mr McCormick:** I would be surprised—and I would be happy for you to pass on any details of that—if people are claiming their own car travel if they are driving on the airfield at Bankstown. But if we for the moment assume that that is the case, reconciliation of the cost and compensating workers—or anybody for that matter—for using their own vehicle is subject to the Commonwealth guidelines, and we follow those guidelines.

**Senator FAWCETT:** I do not believe that they were necessarily seeking compensation for it but I am happy to take that offline with you. Moving to some separate issues, we have had a number of operators from both Bankstown and Archerfield in particular talk to us about concerns around commercial development on airfields. The secretary and I have had some discussions in previous sessions around the different agencies that are involved in this, and CASA is clearly a key player in this space. The concerns that industry are coming back to us with are that either CASA is not being listened to or CASA is not concerned about some of the developments. Would you care to comment on how you see CASA's role in the current construct and whether you feel that CASA is empowered so that if you do see a safety concern, be it something in the OLS that is affecting operations

at an airport or the PANS-OPS criteria more broadly, you have the remit and the authority to say no or if at the moment all you can do is make a recommendation.

**Mr McCormick:** I appreciate there has been quite a bit of discussion about this already and I will allow the secretary to speak if he wishes. We have heads of power for safety issues. If there is something that affects safety, we do have some ability to do things. We do not have any role to play in the planning environment or the infrastructure environment. Perhaps Mr Mrdak will say a few words on that.

**Mr Mrdak:** It comes back to my earlier comments. We recognise this is an area where there is a renewed focus by the agencies. The white paper certainly set out the need to safeguard and protect aviation activity. There is a very heightened focus by the government. We are undertaking the master planning process for the leased airports in this area, and we are looking to work much more closely with CASA than we have in the past.

**Senator FAWCETT:** With respect, Secretary, I am comfortable with your position. I am greatly heartened by it. I am keen to hear from CASA's perspective where they would like to see their position in all of this, because in the safety role you have a key part to play in preserving the efficacy, the efficiency and the safety of particularly our secondary airports.

**Mr McCormick:** We do take that very seriously. I will ask Peter Cromarty, Executive Manager of Airspace and Aerodrome Regulation, to give you a few more technical points on where we are.

**Mr Cromarty:** I think the issue boils down to the point that the aerodrome is a piece of infrastructure which is owned by somebody, quite often the local council, and the council has to take a commercial decision between what they consider to be, in relative terms, the benefit of whatever the development is that they want to put on the aerodrome and the benefit of the aviation infrastructure. As far as CASA are concerned, we have very few powers to restrict developments of the nature you are talking about.

**Senator FAWCETT:** I accept that from a development perspective, but MOS 139 and other regulations point to the fact that the primary concern is the safety and the ongoing utility of the airport as an air operating environment, both the airspace and the surface, to make sure there is continuing access. And the lease that the Commonwealth has signed with airports such as Bankstown and Archerfield, as the two that are in question at the moment, go to the fact that we need to preserve that safe operating environment. What people come back to us with frequently is: 'If CASA has not objected then we are good to go.' What we do not see in the public space is a transparent record of what CASA's position has been. For example, with runway 28R at Archerfield, when people have had concerns about the new corporate hangars and the Warbird hangars, what has CASA's position been? Do you have concerns about the IFR take-offs, the restricted runway length and the potential impact of someone doing an overshoot off the 28 RNAV?

**Mr Cromarty:** As I understand it, the situation at Archerfield was that the hangar was in a position where it was at the precise point where there was an anomaly between the obstacle limitation surfaces and the PANS-OP surfaces. Now, when I was watching the committee broadcast earlier, I heard there was some question about the diligence we had put into this. I can assure you we spent a huge amount of time trying to come to a compromise position which would allow the airport to continue to operate as it had done and comply with the regulations that we could comply with. In the end, Airservices and CASA came to a compromise position, a conservative position, which facilitated the airport's operations yet also enabled us to comply as we could with the contradictory requirements of the ICAO standards.

As far as Bankstown is concerned, the withdrawal of a runway, as I said before, is a commercial decision for the airport; and, provided the airport in all considerations complies with MOS part 139, then CASA is satisfied.

**Senator FAWCETT:** So you are satisfied that there are suitable options for a student pilot flying a Cessna with a 10 knot cross-wind limit to land in adverse wind conditions, in a north-southerly or a northerly wind in the Sydney Basin?

**Mr Cromarty:** I would say flying ops is not my area. However, having been a flying instructor I would say that it is the instructor's responsibility to make sure that the student can fly in the conditions they are flying in.

**Senator FAWCETT:** Conditions do vary, so that is not necessarily a fail-safe. Coming back to runway 28 at Archerfield, you talked about that overlap between the two points. It does not take away from the fact, though, that the information that is provided, for example into the en-route sub—because it is only a registered airfield as opposed to a certified airfield—comes from the operator and the description of 150 used in that equation, as opposed to the 180 from my readings of the MOS and the tables in there, particularly 7.1-2, appears to be an error. Yet that appears to be the basis of the take-off requirement. Is there any other circumstance in Australia where the compromise you have referred to of having to keep that obstacle visual during an IFR take-off has been applied, or is that unique to Archerfield?

**Mr Cromarty:** Not that I am aware of, no.

**Senator FAWCETT:** So it is unique, it is unusual, but it maybe accounts for the take-off. But what about the overshoot case, where somebody has come off the 28 RNAV, is forced to do an overshoot because of heavy rain and so does not have visual contact with what is now quite a large obstacle that intrudes into the airspace?

**Mr Cromarty:** May I take that on notice and get the definitive answer for you?

**Senator FAWCETT:** Please do, but it just highlights the fact that the system of oversight—putting safety ahead of the commercial interest—has broken down and there are operators who are at risk because of that breakdown in the system.

**Mr McCormick:** I do not think that is correct. I am not sure that that is the case and that we necessarily agree with that.

**Senator FAWCETT:** I will be happy to see your answer on notice because, as I read the various publications, that is the situation I am led to understand to be the case. That is certainly also the contention of the operating fraternity at Archerfield.

**Mr McCormick:** If the question on notice has some specifically about what you want addressed, we will certainly get you the answer.

**Senator FAWCETT:** I will also be placing some questions on notice about the runway and safety area on 28 right about the culvert and the development of the auction site within the public safety area as defined by the Queensland government and the fact that that is not as advertised originally. There are significant obstacles, large plant, in that area.

**Senator ABETZ:** Mr Farquharson, yesterday's *Australian* reported that you had written to Qantas and the unions expressing concern about the potential compromising of the safety of the airline. Is that a fair summary of your correspondence?

**Mr Farquharson:** The communications were to highlight to both the airlines and the unions that under these circumstances people can move their focus from their safety obligations. That was the purpose of the letters.

**Senator ABETZ:** So a letter was written, as reported, to express concerns about potential safety—

**Mr McCormick:** Those letters were written under my direction. I was absent in Noumea at the Directors General of Civil Aviation Conference.

**Senator ABETZ:** I was not aware of that. Thank you for that explanation. I understand that, following the strikes some years ago that Qantas had, it took quite some time for Qantas to get their fleet back up to what might be described as a fully healthy fleet. Did CASA have any involvement? Do you wish to offer any comment in relation to that observation?

**Mr McCormick:** I do not know whether we have any comments on that. I will give you a bit of background on those letters. I had foreshadowed to Qantas verbally and to the unions involved that, having been in other countries in other industrial relations issues around airline operations, it can very rapidly deteriorate and become a flight safety hazard—

**Senator ABETZ:** When did you indicate that verbally?

**Mr McCormick:** I indicated that verbally to Qantas—I do not have the date with me—before any industrial action had started.

**Senator ABETZ:** If you could take on notice to get us that date, that would be helpful.

**Mr McCormick:** The principle involved here was to remind people. We were talking about Tiger earlier on. We are applying the same standard across everyone.

**Senator ABETZ:** I commend CASA for its actions, just in case you think there is a hidden agenda in my questioning. So you then wrote. Are you able to tell us the date of the correspondence to Qantas? Which union or unions was it directed?

**Mr McCormick:** Yes, we do have that information.

**Senator ABETZ:** Can you tell us which unions? Was it to the Transport Workers Union or the licensed engineers association?

**Mr McCormick:** The letter that we sent is dated 14 October 2011. It went to the chief executive officer of QantasLink, the chief executive officer of Australia and New Zealand Jetstar, the president of the Australian Federation of Air Pilots, the managing director and chief executive officer of Qantas Ltd Australia, the federal

secretary of the Australian Licensed Aircraft Engineers Association, and federal secretary of the Transport Workers Union.

**Senator ABETZ:** And that was an identical letter to this?

**Mr McCormick:** Correct.

**Senator ABETZ:** Are we able to be provided with a copy of that letter? If you need to consider that, you can take it on notice. Whilst I accept that the officials at the table may not necessarily be able to give us a history of the consequences of previous strikes, would there potentially be files in the archives of CASA which could shed some light on how maintenance had slipped with certain airlines as a result of strike action, and then how long it took them to get their fleet back to a fully healthy condition—and excuse my lack of technical terminology there?

**Mr McCormick:** We will certainly do that, Senator, and if you can give us more specificity in a question on notice we could most probably look more carefully at a particular operator, if you wish.

**CHAIR:** While we are at it, I want you to take on notice a question on information you may have about overseas outsourcing of maintenance and how that may have affected previous situations similar to the one we are facing here in Australia.

**Mr McCormick:** Yes, we still recall the thrust of your committee investigations into pilot training. We have that in our minds. I would like to correct one thing I said earlier on. I said that our funding was over five years; it is actually over four years.

**CHAIR:** Even better. Thank you, Mr McCormick.

**Senator ADAMS:** I would just like to continue my questioning on low-flying aircraft and wind turbines and where CASA fits into that. Has CASA been involved with the new guidelines developed by the Clean Energy Council for wind turbine development and erection? Have you had any consultation with the council?

**Mr McCormick:** On the guidelines of which you speak, no.

**Senator ADAMS:** Have you seen the policy of the low-level pilots, the ones who are members of the Aerial Agricultural Association of Australia?

**Mr McCormick:** I have not seen the document, but I have spoken at length with them about wind farms.

**Senator ADAMS:** At the moment they are very concerned. Today there is a proposal for \$30 billion to be put into renewable energy and most of that will be going into the development of wind energy. I know from Western Australia that we have got a terrific lot of developers with applications into state planning to put up these turbines, and they seem to be increasing in size all the time. The concern is that before they put the turbines up they have to find out whether the wind is really going to be consistent, and unmarked wind monitoring towers seem to be appearing around the countryside. They are unmarked and the developers do not want to let their competitors know where they have put them. Is CASA advised where these go?

**Mr McCormick:** No, Senator, we are not.

**Senator ADAMS:** Do you work with Airservices Australia and any other relevant agencies to ensure that completed wind farms are included on aviation maps?

**Mr McCormick:** We do not put that sort of aeronautical data onto maps. That is not in our area of responsibility.

**Senator ADAMS:** Whose area of responsibility would it be?

**Mr McCormick:** The actual map production?

**Senator ADAMS:** Who is going to say: 'There are wind turbines here and they are that high—and there are also power lines'? For the backload, they have to have a very high-voltage line to go from that wind farm. Who would notify the pilots association? I am thinking more about ag. pilots and water bombers because they fly at very low altitude.

**Mr McCormick:** I think you will find in the majority of the World Aeronautical Chart, the WAC, series wind farms do not feature at all. As far as knowing where they are and how that information gets out, there is no-one in the renewable energy sector or in the wind turbine industry, for want of a better term, that has any responsibility to tell CASA where they are putting wind farms, to my knowledge.

**Mr Cromarty:** The only requirement that we have is that any obstacle more than 110 metres tall has to be advised to CASA, the Department of Defence and Airservices Australia. Airservices Australia is responsible for keeping a database, as is the Department of Defence, on what obstacles there are. A lot of the sorts of obstructions you are talking about are less than 110 metres tall, which includes the wind masts.

**Senator ADAMS:** No, the proposal is for a wind farm on a ridge in a rural community in Western Australia. The actual wind turbine is going to be 197 metres high.

**Mr Cromarty:** The wind turbine might be, but the wind towers that you are talking about, the monitoring tower, are quite often not as tall as that.

**Mr McCormick:** We are talking about wind monitoring towers.

**Senator ADAMS:** We are talking about wind monitoring. The problem with them is that they are unmarked because they do not want people to know where they are.

**Mr McCormick:** I appreciate that.

**Senator ADAMS:** But when you get to the turbines, they are a lot higher than that.

**Mr Cromarty:** We do not have any power to make them mark them either. CASA has no power to make anybody mark obstructions away from an aerodrome, but we will be working with the department in the National Airports Safeguarding Advisory Group towards guidelines for planning authorities that will give the planning authorities the guidance that you are talking about. CASA itself has no power to have these things marked. Furthermore, because it is now becoming common knowledge that we do not have this power, some of the wind farm operators are withdrawing the lights from the towers.

**Mr McCormick:** Because they are a distraction to people.

**Senator ADAMS:** As you are probably aware, the Senate has just done an inquiry into wind turbines and the health effects of them. That covered a much wider area and these are the issues that came up through the submissions.

**Mr McCormick:** Yes, this exists. The US has a tall structures register. The point for structures to appear on the register is 200 feet and anecdotal evidence tells us that now in the United States wind monitoring towers are constructed to 198 feet.

**Senator BACK:** When you say within the environs of an airport, what distance from the airport does that cover?

**Mr Cromarty:** There is not an exact distance.

**Senator BACK:** How far away from an airport?

**Mr Cromarty:** When an obstacle is constructed in the vicinity of an aerodrome, they have to go to the aerodrome authority and tell them. That gets passed on to us and various other authorities.

**Senator BACK:** I am trying to ascertain what the vicinity is. Is it 12 nautical miles?

**Mr Cromarty:** Up to about 30 kilometres.

**Senator BACK:** In rural areas in Australia we are finding these wind farms—that is a terrible term for them—these wind turbines conglomerations getting closer to country airports.

**Mr Cromarty:** I understand that.

**Mr McCormick:** I think it is fair to say that we share the concerns of the Aerial Agricultural Association of Australia about these and the guy wires that go around the wind monitoring towers, including the fact that they are painted with low-reflectivity paint if not in a virtually camouflage colour. These are issues and there is no denying that, but unfortunately we do not have a head power.

**Senator BACK:** For crop dusters as well as water bombers, of course.

**Senator ADAMS:** That is right.

**Mr McCormick:** I will correct one thing: I said there was no requirement for anyone to tell us and I think Mr Cromarty has cleared that up. There is actually a requirement to tell us, but we do not—

**Senator BACK:** Do anything with it.

**Mr McCormick:** There is very little that we can do about it.

**Senator FAWCETT:** I have seen NOTAMs issued in the past about wind-monitoring towers being set up. Was that just on the goodwill of a developer to notice somebody or is there an option through local or state governments who approve the development to require, as a minimum, issue of a NOTAM so that operators know they are there?

**Mr Cromarty:** Yes, to both of those. It is through the goodwill of the person putting up the tower. The local planning authorities do have the power to make them do it.

**Senator ADAMS:** Are you aware of any research that is being done regarding a safer distance to fly near the wind turbines with the weight turbulence from the operating turbines? We have heard quite a lot of evidence about the turbulence and, once again, for aircraft doing spraying flying too close. Have you heard anything there as far as safety issues go?

**Mr McCormick:** We have had people raise that issue with us. We have not done any research into that at all.

**Senator ADAMS:** And you do not know of any research that has been done?

**Mr Cromarty:** I have not seen any.

**Mr McCormick:** I have not seen any, but I would not say there is not any.

**Senator XENOPHON:** I go to the Senate committee report on aviation safety and pilot training, which was handed down on 23 June 2011, 3½ months ago. To what extent has there been communication between CASA and the department on the matters contained in that report?

**Mr McCormick:** I am not sure the minister has responded yet to that.

**Mr Mrdak:** The department has had the lead on preparing advice for the government in relation to a response to the committee's report, obviously drawing on advice from CASA and the other agencies. Advice is now with the minister on that response.

**Senator XENOPHON:** What time frame are you anticipating? Under the standing orders, there is a statutory response time. Is it six months? I am not sure.

**Senator BACK:** It is three months.

**Senator XENOPHON:** It is three months. We are over three months at the moment.

**Mr Mrdak:** I know the minister is considering the draft advice and there are obviously processes within government as to how parliamentary committee reports are responded to across whole of government.

**Senator XENOPHON:** But do you have a problem with the three-month time frame?

**Mr Mrdak:** No, we are making every effort to table the response as quickly as possible. We have provided advice and I know the minister is now progressing that.

**Senator XENOPHON:** We only have another two or three sitting weeks. Will it be this year?

**Mr Mrdak:** It is certainly the intention to respond before the parliament rises this year.

**Senator XENOPHON:** In the course of responding to the committee's reports, you would have taken advice from the key stakeholders and key agencies such as CASA and the ATSC?

**Mr Mrdak:** That is correct.

**Senator XENOPHON:** Mr McCormick, when did the government seek your advice on the Senate committee report?

**Mr McCormick:** I do not have that actual date. We will try and get that date.

**Senator XENOPHON:** If you can get that on notice, I would appreciate it.

**Mr McCormick:** We might even get it tonight.

**Senator XENOPHON:** Depending on how long I will be. There is an issue about fatigue and foreign crews. You may have seen a *Lateline* story following the publication of the report which I think you are familiar with about complaints in relation to crew working for Jetstar based out of Thailand. There were concerns about their working conditions and the hours that they were doing. I think there was an issue about the Sydney-Denpasar-Sydney shift, which can be 17, 18 or 19 hours, depending on if there are delays. To what extent did that trigger any inquiries by CASA? Were the matters raised in that *Lateline* report of some concern?

**Mr McCormick:** We are aware of the claims that were made on the ABC *Lateline* program and we have investigated the circumstances. In this case we have reviewed Jetstar's applications and processes contained in their operational manual volumes which oversee safety management system policy, processes and procedures. It was noted that the cabinet fatigue management subcommittee was established earlier this year to support the ongoing development of Jetstar fatigue risk management. There were reprimands within Jetstar, I understand, and CASA was satisfied with Jetstar's remedial corrective actions where the airline CEO was seen to have counselled the supplier and then informed the Jetstar cabin crew at all bases of his actions towards the supplier and support for Jetstar's open reporting culture.

**Senator XENOPHON:** Those reprimands were because the Thai based crew were reprimanded for saying they were too exhausted to go on a domestic flight. You are referring to a reprimand by the Jetstar group of the labour hire firm?

**Mr McCormick:** Of their supplier, yes.

**Senator XENOPHON:** Of which Qantas Group owns 37 per cent, I understand.

**Mr McCormick:** I am not aware of that. We analysed five cabin crew members' rosters, which indicated potential areas of fatigue risk in the worked rosters for the seven-day period prior to that fatigue reporting. The home base location of the Thai cabin crew, being further west of the Jetstar cabin crew bases, was seen as a potentially significant factor with regard to fatigue risk. CASA continues to oversee Jetstar to ensure their FRMS is taking this factor into account when assessing the suitability of roster patterns. We have investigated every complaint we have had about Jetstar fatigue. The executive manager of operations, Mr Greg Hood, is here now, and he can give you some more information about Jetstar issues of fatigue and cabin crew if you wish.

**Senator XENOPHON:** That might be useful. While Mr Hood is coming to the table, would you be concerned if there were subsequent information that some of the crew members who made the complaint are no longer working with Jetstar or if their contracts were not renewed? Would you be concerned if there were some retribution? I am not saying that there was, but there seems to be a case where at least one of those cabin crew members is no longer working for Jetstar.

**Mr McCormick:** Our general view, as we were just discussing with Senator Abetz with regard to another issue, is that we do not involve ourselves in industrial action. We have no role to play in that space and we do not have a head of power to do so unless there are safety issues, in which case we do have the ability to take action.

**Senator XENOPHON:** Before we go to Mr Hood, in answer to the Senate inquiry into pilot training and aviation safety on 25 February a question was asked on notice: 'Do you believe that industrial matters are mutually exclusive from safety considerations?' The answer was, 'No, not in all cases.'

**Mr McCormick:** As I have just said, we do not involve ourselves in industrial relations matters, because we do not have a head of power, unless the actions compromise or have the potential to compromise safety. I say 'have the potential to' because we wish to exercise any power we do have pre event, not post event.

**Senator XENOPHON:** I understand. The reason for your existence, really, is to exercise your powers and make sure it is pre event. We do not have a post event. But with these issues being raised and CASA acknowledging that industrial matters are not mutually exclusive from safety considerations in all cases, what threshold or criteria are there for CASA to get involved in what appears on the surface to be an industrial matter? How do you assess if there are safety considerations? How do you untangle the two? How do you get involved under your appropriate head of power?

**Mr McCormick:** It is a paradox within a puzzle.

**Senator XENOPHON:** It was not the intention to put it to you in that way.

**Mr McCormick:** Thank you for the question. I think what we are seeing so far—if we talk in general about industrial relations and follow on from the comments of Senator Abetz—is very responsible behaviour by the people who are involved. It is a judgment call. We would look to see something along the lines of a shift in attitude. On the more obvious side—when we are doing enhanced surveillance, as we are doing a bit more now—if we start to see that mistakes are being made at a higher rate than a normal human rate of mistakes you would expect, where we start to see issues of high sickness rates, where we start to see issues where aircraft have flown with, perhaps, inappropriate MEL entry or such like, there are normally safety indicators and many of them. Some are human factors. Some are soft. Some are hard. They tend to form a picture. When that picture is formed we hope that we see that picture with sufficient clarity and foresight to prevent an incident which would confirm what we have already seen.

**Senator XENOPHON:** On high sickness rates I get calls from people. You probably have a clue which airline I am referring to, but I have had calls from one particular airline saying that a number of flights have been postponed or cancelled because there are so many people off work—so many staff who are either sick or exhausted. To what extent—it does not happen that often—can you monitor sickness rates, workers compensation rates and general absenteeism? Those might be indicators, may they not, of some deeper systemic problem that relates to safety.

**Mr McCormick:** Certainly the traditional reporting mechanisms that have been discussed in the past at different committees—the REPCONs, whistleblowers if they come to us and those sorts of issues—are all indicators, and we investigate each and every one of those. As far as monitoring attendance rates et cetera, the way we see when there is attendance perhaps falling off or whatever—I am not saying we have seen this—an indicator would be when flights start being cancelled because there are insufficient crew, engineers, baggage handlers or whatever. That is a commercial reality, and generally that comes out in the commercial world before it even comes to us as a safety issue as such. But we are maintaining surveillance over all the high-capacity airlines

in Australia and we are not applying any different standards. So when we start to see those indicators that the organisation is not sufficiently robust to accept these decreases in services—we have discussed before how we have a minimum acceptable standard of safety and would like to see all our operators operating much above that such that, if they do suffer some other degradation, they do not drop below the minimum safety line and have some resilience in the organisation. That is formed in the picture. We know what it looks like now. We knew what it looked like before there was any hint of any disunity amongst the staff or whatever. We see it as it develops. Now, where is the point? Where is that line? I think we discussed Tiger with Senator Back. Where is that point? In the end it generally comes down to a judgment point, and that judgment point, as long as I am sitting in this chair, will err on the safe side.

**Senator XENOPHON:** I appreciate that. I am grateful to Senator Gallacher for the Qantas annual report, which states that there are nine days per person sick leave annually for the organisation. I am not sure if that is for the Qantas Group. Is it within the power of CASA to request all airlines say what their sickness rates and absenteeism rates are on average for any particular month if it is brought to your attention that there are concerns about staff being exhausted or fatigued?

**Mr McCormick:** Do we have a head of power to demand people tell us their absentee rates and sickness rate? I will defer to one of the lawyers if you do not mind.

**Senator XENOPHON:** You can take it on notice if that could expedite things.

**Mr McCormick:** I think we most probably do under our general power 301 to demand any sort of information we want. Please do not take that literally. In the context of this, we do have a head of power where we can ask for information, yes.

**Senator XENOPHON:** Okay. But that is something you have not done to date.

**Mr McCormick:** I do not know whether Mr Hood has any comments on that. I personally do not know whether we have or not.

**Mr Hood:** No, we have not to my knowledge.

**Senator XENOPHON:** Thank you.

**Mr Hood:** I can talk for minutes or hours depending on how much time you have. The interactions with Jetstar have been protracted and complex since the cabin crew fatigue incident on 22 April 2011. As a result of that incident we commissioned a review team comprising cabin safety inspectors, systems inspectors and human factors specialists, who would go in and have a look at analysing rosters for 28 days of the cabin crew and have a look at the issues associated with that. I have several issues that came out of it, but primarily they boil down to six. One is the time zone changes for the cabin crew that are based west of the Jetstar bases. The second is that Jetstar has now formed their own internal fatigue management working group to review these incidents. The third is concentration on the circadian rhythms, in particular the fatigue model used by the airline and to what extent it caters for circadian rhythms. Jetstar have changed and enhanced their investigation procedure in relation to their own fatigue events. They have changed their operational procedures and their documentation and they are now reviewing their reliance on their initial fatigue model which was based on FAID—I think we discussed this at the last inquiry—to broaden the layers of management in terms of fatigue within the airline.

**Senator XENOPHON:** All of those reforms that you refer to, all of those matters that have been dealt with by Jetstar, how long have they been in force? Obviously, since 22 April.

**Mr Hood:** I received a draft report this week and I am currently reviewing that with a view to having a look at what our own team said about verifying Jetstar's actions.

**Senator XENOPHON:** You need to verify the actions to see that they will actually make a difference in relation to the fatigue issues?

**Mr Hood:** Once again our role is to trust but verify. The airline will tell us some of the actions they have taken. Our job is to go and verify that they have taken those actions.

**Senator XENOPHON:** Sure, but this relates to cabin crew and flight crew.

**Mr Hood:** This relates to fatigue in general. The specific review that I asked for related to cabin crew. The measures taken relate more broadly, it is my understanding, to the review of fatigue practices within the airline.

**Senator XENOPHON:** I do not know whether you are in a position to provide any of those documents—

**Mr Hood:** I only have my notes here but I am happy to provide you with a copy of the timelines since 22 April.

**Senator XENOPHON:** I would be very grateful. Thank you for your assistance on that. When a REPCON is received how is it handled in broad terms. What is the expected time frame for the handling of a REPCON.

**Mr Hood:** REPCONs are obviously received by the ATSB. The process for the ATSB—and I know that they are following and watching closely—is that they then will seek the operator's comment in relation to the REPCON and then they will come to the regulator after that and seek the regulator's comments. So we get to see the initial REPCON report and then we get to see what the operator's comment is and then we review our own knowledge of any such event in relation to that.

**Senator XENOPHON:** Is there a time frame?

**Mr Hood:** We turn them around as quickly as we possibly can. Obviously the REPCON is received by corporate communication but it needs to be farmed out to the regional office that is responsible for the oversight of that airline.

**Senator XENOPHON:** So it depends on the circumstances.

**Mr Hood:** It does depend on the circumstances.

**Senator XENOPHON:** Ballpark?

**Mr Hood:** Two weeks at the most.

**Senator XENOPHON:** I want to go to the issue of Tiger's suspension. Presumably there would have been a REPCON in relation to Tiger. One of the questions that has been asked in aviation circles and some of the commentary is how did it get to the stage where Tiger was suspended? In other words, were there systems in place to have prevented that suspension from occurring in the first place? It is not a criticism I am just trying to understand how we got to that stage.

**Mr McCormick:** We had issues with Tiger stretching back into last year. They culminated in a show cause notice. As far as we were concerned it was a major step for a high-capacity RPT operator of the standing of Tiger to be served a show cause notice. There were many issues, many of which in all fairness to Tiger I would prefer not to go too far into for commercial reasons, but to pick on one we required a safety manager to be in place. That safety manager is essential to the operation. We went a considerable number of months on assurances that that safety manager would be appointed and eventually a safety manager was appointed but it was some time outside the amount of time that we would expect to see. We would expect a safety manager to be employed virtually the whole time. So with the issues we worked with with Tiger that culminated in a show cause notice regardless of the fact that we had given them sufficient notice, including me speaking personally to the CEO in early December of last year telling him that these issues were starting to mount up and that, particularly on the safety matter, we needed to see someone appointed. By the time we got to the middle of March and issued the show cause notice we thought that the issues that were addressed there would correct Tiger. However, Tiger continued to have issues past the show cause notice, which led us to believe then that we were starting to head towards that tipping point where if we did not take action we were going to be in the position of looking at a major incident or accident.

I cannot say that would have happened, and I cannot say that our interventions have prevented an accident or an incident—personally, I do not ever want to try and work out which one happened—

**Senator XENOPHON:** You never want to test that theory?

**Mr McCormick:** No, we never want to test that theory. Our point was that we reached the point where they were not addressing the show cause notice issues in sufficient detail to us and then they continued to have incidents. The two most highly publicised, of course, were one into Melbourne and the other one into Avalon.

We reached that stage—given the fact that what was widely known in the public domain was quite a poor on-time performance, quite poor aircraft reliability performance and issues with crew—where all these things added up. All these things formed that picture again. Could we have prevented it earlier? We could have grounded them earlier, but we did not have sufficient evidence at that stage. We still have to allow due process; we still have to allow people the ability to recover. But it is fair to say that with high-capacity jet operators—regular public transport operators operating on a major trunk route like Melbourne to Sydney—our tolerance is not going to be extremely high. I do not think that anyone here or in the parliament expects our tolerance to be very high.

We were very generous with Tiger, and they did address some of the issues we had. But they were not addressing them in sufficient detail to prevent extra issues happening.

**Senator XENOPHON:** I think that prior to the suspension Tiger was operating in 60 sectors—I think that is the terminology.

**Mr McCormick:** Yes.

**Senator XENOPHON:** Now they are doing 22, so I take it that there is ongoing monitoring for a gradual increase in the number of sectors they are operating in. Is that right?

**Mr McCormick:** Tiger originally proposed to CASA that they would operate in 18 sectors a day, which we approved. We think that is well within the capacity. They have shown that they can do that; as I have said repeatedly that they are operating to a good standard now. When they approached us to operate in 22 sectors, we reviewed their plan and we allowed them to go to 22 sectors. When they approach us with a plan to increase sectors, as I hope that they do, we will review that on its merits. But we will continue enhanced surveillance until we get to the point of completing the conditions which are on their operators certificate. As I think I said earlier to Senator Back, some of those issues run out to the end of this year. For instance, amendments to their safety management system. The basic issue with Tiger is that they went from four aircraft to 10 aircraft in a very short period of time, and the basic support structures did not keep pace with that—their document control system and—

**Senator XENOPHON:** But you are satisfied now that they are complying, and that they are doing everything necessary in terms of—

**Mr McCormick:** We are satisfied that Tiger is operating at the required standards.

**Senator XENOPHON:** Sure. In your evidence to the committee's inquiry into pilot training standards and aviation safety standards on 19 May you talk about cabin crew ratios. You said:

What is required is to meet an acceptable level of safety as a bare minimum. One in 50 does not in my opinion just meet a bare minimum; it exceeds a bare minimum.

That is quoting from what you said. And on 1 June you said:

... the one in 50 will exceed the minimum safety standard.

Is there is any proposal by CASA, or any consideration by CASA, to say that if the one in 50 cabin crew to passenger ratio exceeds the minimum standard that the standard could be increased to, say, one in 60 or one in 70, for instance?

**Mr McCormick:** No.

**Senator XENOPHON:** There is no proposal to go beyond one in 50?

**Mr McCormick:** No, but could I add one thing? When I said that we have general powers to collect information—those section 301 powers—they are not unlimited, as I said. They are limited from the point of view that if we ask for information or to retain information, it is on the basis of a safety issue. That is the caveat on that head of power.

**Senator XENOPHON:** This goes to this issue of receiving upgrades from the airline. I think there was the issue of the chairman's lounge. Back on 26 May I asked:

Senator XENOPHON: Do you see any issue ... for any executives in CASA ... to be receiving upgrades from any airline?

Mr McCormick: No, I do not. Provided it is properly declared, I do not see an issue at all.

Senator XENOPHON: 'Provided it is properly declared', but is a proper declaration something that ought to be public?

You took it on notice and said:

CASA is considering the question of whether, and if so in what circumstances, CASA staff members might properly accept an upgrade, and if it is determined that they may properly, what would constitute a proper disclosure in such circumstances.

I am happy for you to put on notice as to what systems are in place in terms of transparency with respect to upgrades.

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

**Senator XENOPHON:** That, I think, applies to the chairman's lounge as distinct from a frequent-flier lounge, where you get it by virtue of the number of flights you take. Can I go finally to the ICAO guidelines on fatigue management. ICAO released an FRMS guide for both regulators and operators. It ran a Fatigue Risk Management Systems symposium and forum over the period 30 August to 2 September 2011. I am not sure where that forum was. I think it was overseas.

**Mr McCormick:** Yes, I think it was in Montreal.

**Senator XENOPHON:** Did CASA send anyone over to that?

**Mr McCormick:** Yes, we did.

**Senator XENOPHON:** What processes will take place now in terms of adopting these guidelines into Australian regulations?

**Mr McCormick:** On 15 July we received notification of amendment to the ICAO Annex material on Fatigue Risk Management Systems. In August 2011 we reactivated a standards development project dealing with fatigue management for aviation personnel. Phase 1 of the project will address fatigue management for flight crew. As we have said in this place before, we will do the flight crew first before moving on to the cabin crew. CASA has called for industry nominations to form a project team to work with CASA, with subject matter experts to develop standards and guidelines for FRMS as well as revised prescriptive flight time limitations. The first project team meeting is scheduled for 19 to 20 October, where the ICAO standards and guidance material will be reviewed.

**CHAIR:** I was thinking we need a symposium on fatigue management here in Parliament House!

**Senator XENOPHON:** Chair, I will make you a Milo if that is going to help. My last question is about Article 11 of the Chicago Convention. These are things that constituents have put to me. The Chicago Convention, with regard to foreign operators flying into Australia, covers operational matters but does not include licensing, flight experience or duty time for pilots. Does that mean that you are limited in terms of how deeply you can delve into the experience of pilots from a foreign operator?

**Mr McCormick:** I would ask Dr Aleck.

**Dr Aleck:** I think you are referring to section 11 of the Civil Aviation Act.

**Senator XENOPHON:** Article 11 of the Chicago Convention, or have I got it wrong?

**Dr Aleck:** Section 11 of our act requires us to not act inconsistently with the Chicago Convention, and the Chicago Convention sets minimum standards for all of those things that you mentioned. We must recognise that a contracting state to the convention that operates in accordance with those standards is meeting the minimum standards, and we cannot prevent them from operating on that basis. We do have the power to make inquiries of any applicant or holder of a foreign aircraft AOC to ascertain that they are, in fact, complying with those requirements, and if we have any reason to believe that they are falling well afoul of those we have, since 2009, additional provisions in our act to enable us to probe those issues a little further.

**Senator XENOPHON:** That is very useful. I might put some questions on notice about MPLs, but that can wait.

**CHAIR:** Mr McCormick, thank you very much to you and your crew.

**Mr McCormick:** Thank you.

**CHAIR:** We will now get the Australian Transport Safety Bureau and Mr Dolan to come to the table.

#### **Australian Transport Safety Bureau**

[21:34]

**CHAIR:** Welcome, Mr Dolan; sorry to keep you waiting. Senator Edwards.

**Senator EDWARDS:** Mr Dolan, I am 3½ months into this job, so if you could just bear with me. I am interested in the independent, no-blame investigation of transport accidents. Is that a new thing?

**Mr Dolan:** No, Senator. In one form or another, it is of long standing both in aviation and in the maritime sector. It is, comparatively, a more recent development in the rail sector. But the doctrine and approach have become clearer over time. So something of the nature of the no-blame aviation investigation function has been around, certainly, for decades. It is something that has been around for a considerable period.

**Senator EDWARDS:** It has not been present in rail but it has been in maritime and air services?

**Mr Dolan:** Yes.

**Senator EDWARDS:** Okay—and I have no agenda; there are no bombs or anything like that in here. I am just seeking the information. What is the number of people you have employed as investigators, the team?

**Mr Dolan:** At present, we have approximately 120 staff, of whom about 60 are trained and qualified investigators.

**Senator EDWARDS:** Okay. I am just having a look at your budget for this year and, over the forward estimates, you have a 130 per cent increase in revenue for 'sales of goods and rendered services'. Can you give me some idea of what that is and why it has gone from \$370,000 last year to \$900,000? As I say, I am just interested. And then it just stays at that figure, going forward.

**Mr Dolan:** The revenue reflects, essentially, the funding we receive as overseas aid to support the Indonesian investigation authority and the Papua New Guinean investigation authority.

**Senator EDWARDS:** From the Australian government?

**Mr Dolan:** Yes.

**Senator EDWARDS:** Okay. So that is, by another name, appropriation revenue.

**Mr Dolan:** From another organisation, effectively, for a defined set of services to support that international outreach.

**Senator EDWARDS:** I just had a look at your deliverables going forward and I notice that you are going to get busier and busier. Okay?

**Mr Dolan:** Yes, Senator.

**Senator EDWARDS:** But I do not see that reflected here in your budget going forward. You are looking to decrease your reporting times and increase the number of incident investigations, yet I do not see that reflected here. How achievable do you think this budget is going to be, going forward?

**Mr Dolan:** We have tried to match our expected standards to the budget, as we understand that to be available to us. To take the key dimensions of this, the way we increase the number of investigations while at the same time aiming to decrease the length of time for investigations is driven largely by a greater emphasis on what we call short-form investigations. That is where an initial assessment shows that this is something that is reasonably clear on its facts and not much analysis or further work is required. So we have a way of assessing the 8,000-odd occurrences we are aware of each year and saying, 'These are the ones we give attention to; some of them require a comparatively limited amount of attention, some require extensive attention,' whereas previously we tended to treat a number of our investigations at about the same level of intensity. So we are shifting attention and focusing it, and that is the key for investigations. That is our key mechanism for getting the focus.

On the matter of the expected number of notifications, which is one of the other dimensions that is growing, essentially we have built a very efficient set of practices and a good system to support that function, and we just expect to get more efficient at doing the job over time.

**Senator EDWARDS:** Okay. So am I accurate in my assessment of what I am seeing, going forward?

**Mr Dolan:** Certainly, there is the normal effect of efficiency dividends and the expectation of government over time that we become more efficient, and we have an expectation of ourselves that we will be able to deliver more. The thing that is less clear from the shape of the numbers is what happens after 2013 as we grow as expected in rail and potentially also grow in the maritime side of our business. We are currently negotiating with the states about what the funding arrangements will be for the future there. In the outyears, particularly the last year of the forward estimates, looks like there is a major drop off. We are currently negotiating to get that into a more even revenue stream.

**Senator EDWARDS:** Only one thing worries me in all of that. You say that you have changed the way in which you are processing your incidents, which kind of raises a flag. You are changing your processing but are you cutting corners?

**Mr Dolan:** Certainly my view is that we are not cutting corners. We are giving each occurrence the level of attention that we professionally think it requires. We publish the reports of each of our investigations so others can judge us by the quality of those reports. We find that the short form reports are one of the most highly valued products we have because they are sharp and say, 'This is the occurrence.' Someone who can read that can relate the occurrence quite particularly to their circumstances without there being a major piece of analysis to go with it. So, in terms of getting safety messages out, we think they are good.

**Senator EDWARDS:** The peer review you talk about would have to be international because there is no other group like you here.

**Mr Dolan:** In surface transport there are two state based investigators—in New South Wales and Victoria—but for aviation, yes, we would have to look to our international peers.

**Senator EDWARDS:** And you tick all the boxes with all your international peers? You benchmark with them the quality of delivery, timing and everything?

**Mr Dolan:** We did a major benchmarking exercise shortly before we got our independent status. That has given us a baseline. We will shortly have to do another. The key organisations we interact with are: the National Transportation Safety Board in the United States, the Transportation Safety Board of Canada, the Bureau d'Enquêtes et d'Analyses in France, the Air Accidents Investigation Branch in the UK and so on. We are well regarded by them in terms of both the timeliness and the quality of our work. So, without being complacent, we think we match up pretty well internationally.

**Senator EDWARDS:** Thank you very much, Mr Dolan.

**Senator FAWCETT:** I would like some clarification on that previous discussion. Do you benchmark with DDAAFS at all?

**Mr Dolan:** Not benchmarking as such. We have regular interactions. We bring DDAAFS staff into our investigations where that is possible. We have sharing of information and a memorandum of understanding about how we work together, but the nature of a defence investigation is not sufficiently like what we do that you can do direct benchmarking.

**Senator FAWCETT:** Undoubtedly, you have been following the proceedings for the last couple of hours—

**Mr Dolan:** I have.

**Senator FAWCETT:** so you probably know exactly where I am heading. Your name has been taken in vain around Archerfield and the concern around runway 28 right there. With your report 38 of 2008 you did great work in identifying discrepancies in needing to move forward. I have a few questions to try to get some details on the table. Your report has been used to essentially say there was a discrepancy and that is being addressed but there is no safety issue. NOTAM C250/07, which was mentioned in your report, requires a reduction in the TORA and TODA for runway 28 right for IFR departures from 1,400 to 1,095 metres. If there was only a discrepancy and there was no issue, why was a NOTAM necessary?

**Mr Dolan:** There was a potential safety issue in terms of the location of the hangar which led to the intervention in terms of the shortening of the usable runway. Perhaps it is worth taking a step back. You have clearly read the report. The terms of reference that were set were limited. The questions we were trying to address were: first of all, was there a problem with the obstacle limitation surface as it was in place following adjustments in the light of the construction of the hangar? Secondly, there was the problem of the actual design of the departure. We still take the view that at the time we were looking at it, the obstacle limitations surfaces and how they operated for the airport were safe. If one were doing this from zero, one would probably not have constructed the hangar where it is, but we were satisfied that the steps that had been taken to ensure safety operated well and that the instrument departure design was sound in itself but did very much highlight a problem with the ICAO standards and a need for clarification.

The reason we limited it to that was that we have received through our confidential reporting system some quite specific concerns about those issues. I want to make clear, the limits were placed for good reasons on what was available to us at the time. I understand that other issues have been raised since, but they had not been raised with us.

**Senator FAWCETT:** So noting the limited terms of reference and constraints put on you and just coming to the actual report then, one of the mitigating circumstances was obviously a reduction in the length of the runway. That NOTAM has subsequently been rescinded and the notes that were on the airfield charts have been removed. Other than the ERSAs supplement which still identifies that restriction, a lot of the other things that would normally be required under the MOS, such as 'distance to run available' type signage, are not present at Archerfield. Do you consider that is still a safety issue?

**Mr Dolan:** I would have to say that since the completion of that report we have not done any further review. This sort of investigation is at the margins of what we would normally do. The issues in play here are essentially regulatory. We have not had any occurrences reported to us that I am aware of—and Mr Walsh may correct me on that. We have got no basis in terms of our normal system of getting information about safety occurrences in the system to say that something needs another look.

**Senator FAWCETT:** I understand and accept that. The problem that we are facing is that it is a case of following the bouncing ball, and the bouncing ball tends to rest with the ATSB report, and people say that there is no problem because ATSB said so. I guess I am just trying to extract all the information I can about the basis of your report limitations if you report perceptions of people who may have contributed to the report, because that informs us where we perhaps need to look elsewhere.

The mitigation that was put in place in terms of CASA's compromise, as they called it, to say that as long as the hangar was visible during the first part of a takeoff that was acceptable, clearly does not apply to somebody who is on approach to land and has a bolt landing perhaps due to a heavy rain shower such that the pilot is low-level. If you actually look at the IFR flyover clearance requirements, we are talking very flat, clear requirements in that scenario and the hangar is clearly in the space where that is going to become an issue. From the ATSB's perspective, did you consider that as part of your report?

**Mr Dolan:** No, we did not, Senator. As I say, the information available to us at the time was focused on departure not on approach. There is nothing in our report that would cast light on that issue you have raised.

**Senator FAWCETT:** My last question before the chair moves me on is talking around departures. I notice on page 3 of your report, where you talk about the turn initiation area, you describe in the PANS-OPS terms things like the obstacle identification surface and 150 metres which is normally the inner edge running along. Under the

old MOS 139 it was table 7-1 and under the new one it is table 10-1. Table 10-2 applies to take-offs whereas table 10-1 applies to landings. The figure of 150 is relevant for approach runway considerations for a code 3 runway. For a code 3 runway for departures it is actually 180 metres. Would you care to comment on that discrepancy, given that, as you said, your investigation focused on departures as opposed to arrivals?

**Mr Dolan:** On the basis of what I have in front of me, I do not think I am in a position to comment.

**Senator FAWCETT:** Please take that on notice and whether whoever worked on that area of the report could explain the different numbers between the various versions of MOS. He could explain whichever one he wishes to use.

**Mr Dolan:** I would be very happy to take that on notice. There are two things to come back to this committee based on the view we come to on that consideration. It is always open to us, if additional information comes to light, to reopen one of our investigations if that is necessary. I am not undertaking to do that, but I am certainly undertaking to consider it if necessary.

**Senator FAWCETT:** Thank you.

**CHAIR:** Mr Mrdak, thank you and your officers very much. You have set the bar extremely high. As Senator Macdonald would relish, if one question is not answered by the time we get back, look out. Well done Mr Mrdak, Ms O'Connell and all your crew. I thank the committee secretariat, Lauren and Derek and the crew, as well as Hansard and Broadcasting.

**Committee adjourned at 21:51**