



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

(Public)

TUESDAY, 16 OCTOBER 2012

CANBERRA

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee.
It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

[PROOF COPY]

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfo.aph.gov.au>

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Tuesday, 16 October 2012

Members in attendance: Senators Abetz, Back, Colbeck, Edwards, Eggleston, Fawcett, Gallacher, Heffernan, Humphries, Joyce, Ludlam, Ian Macdonald, McKenzie, Milne, Nash, Rhiannon, Ronaldson, Ruston, Sterle, Thorp, Whish-Wilson, Williams, Xenophon.

INFRASTRUCTURE AND TRANSPORT PORTFOLIO

In Attendance

Senator the Hon Kim Carr, Minister for Human Services, representing the Minister for Infrastructure and Transport

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 Jaggers, 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

Ms Emma Buckley, Acting General Manager, Major Infrastructure Projects Office

Surface Transport Policy

Mr Michael Sutton, Acting Executive Director

Mr Andrew Hyles, Acting General Manager, Land Transport Productivity

Mr Robert Hogan, General Manager, Vehicle Safety Standards

Ms Philippa Power, General Manager, Maritime Policy Reform

Mr Marcus James, General Manager, Road Safety and Transport Access

Ms Donna Wieland, General Manager, Surface Transport Regulation Taskforce

Ms Pauline Sullivan, General Manager, Shipping Policy Reform

Australian Maritime Safety Authority

Mr Graham Peachey, Chief Executive Officer

Mr Mick Kinley, Deputy Chief Executive Officer

Mr Allan Schwartz, General Manager, Ship Safety Division

Mr John Young, General Manager, Emergency Response Division

Mr Mal Larsen, General Manager, Corporate Relations Division

Policy and Research

Mr David Williamson, Executive Director

Mr James Collett, General Manager, Policy Development Unit

Dr Gary Dolman, Head of Bureau, BITRE

Mr Stuart Sargent, General Manager, Policy Development Unit

Mr Richard Farmer, General Manager, High Speed Rail

Major Cities Unit

Ms Dorte Ekelund, Executive Director

Office of Transport Security

Mr Paul Retter, Executive Director

Mr David Nockels, General Manager, Analysis and Operational Support

Mr Lachlan Phillips, Acting General Manager, Transport Security Operations

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

Mr Peter Robertson, General Manager, Aviation Security

Ms Karly Pidgeon, General Manager, Supply Chain and Technology

Aviation and Airports

Mr John Doherty, Executive Director

Mr Jim Wolfe, General Manager, Air Traffic Policy

Mr Scott Stone, General Manager, Aviation Environment

Ms Leonie Horrocks, General Manager, Airports

Mr Stephen Borthwick, General Manager, Aviation Industry Policy

Mr Brendan McRandle, General Manager, Sydney Aviation Capacity

Airservices Australia

Mr Andrew Clark, Chief Financial Officer

Mr Jason Harfield, Executive General Manager, Air Traffic Control

Mr Unni Menon, Executive General Manager, Government and Industry 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, Operations

Mr Peter Boyd, Executive Manager, Standards

Mr Greg Hood, Executive Manager, Operations Regulations Implementation

Mr Gerard Campbell, Executive Manager, Safety Education and Promotion

Mr Malcolm McGregor, Acting Executive Manager, Airspace and Aerodrome Regulation

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

Carolyn Hutton, Manager Corporate Relations Branch

Australian Transport Safety Bureau

Mr Martin Dolan, Chief Commissioner

Mr Ian Sangston, General Manager, Aviation Safety Investigations

Mr Joe Hattley, Acting General Manager, Strategic Capability

Mr Peter Foley, General Manager, Surface Safety Investigations

Committee met at 9:01.

CHAIR (Senator Sterle): I declare open this public hearing of the Senate Rural and Regional 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 Friday, 7 December 2012 as the date for the return of answers to questions taken on notice. This deadline is longer than the usual time frame that the committee sets for the return of answers to questions taken on notice. The extension accounts for the time frame for senators to provide written questions to the committee secretariat. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business Friday, 26 October 2012. Under standing order 26, the committee must take all evidence in public session. This includes 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 and 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)

CHAIR: As agreed, I propose to call on the estimates in the order shown on the printed program. I welcome Senator the Hon. Kim Carr, Minister for Human Services, representing the Minister for Infrastructure and Transport; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Transport—bless you; and officers of the department. Minister, do you or Mr Mrdak wish to make an opening statement?

Senator Kim Carr: No.

Mr Mrdak: No, Senator.

CHAIR: We will go to questions to the executive, starting with Corporate Services.

Senator JOYCE: I want to start by saying that the questions we placed on notice last time were rather late getting back. When did the department provide responses to the minister's office for the questions that were placed on notice?

Mr Mrdak: The committee provided 185 questions on notice; 95 were written questions received after the hearing. The department provided 138 draft answers to the minister on Thursday, 12 July. Subsequently, two further batches of draft answers were provided, one on 7 August and a final batch from Airservices Australia on 31 August.

Senator JOYCE: How many of the questions that we received less than a week ago were amended in some way by the minister's office?

Mr Mrdak: I am advised that the minister amended 91 of the draft responses that were provided by the department.

Senator NASH: That was 91 out of how many?

Mr Mrdak: There was a total of 185 answers.

Senator NASH: No wonder it took him so long.

Senator IAN MACDONALD: He was trying to get the spin right.

Senator JOYCE: Given the extended time it has taken for the previous questions on notice to get back to us, is it possible to effect some process where we get them back in a more efficient and timely manner?

Mr Mrdak: We endeavour to meet all time frames. I can only take that matter up again with the minister.

Senator JOYCE: It seems pretty absurd that we are waiting until a week before the next estimates to try and work out where we are going for this estimates. What is the total number of staff employed in the department?

Mr Mrdak: I will get that figure for you: we have 989 full-time equivalent staff.

Senator JOYCE: What is the average wage of the 989?

Mr Mrdak: I do not have that number. I would have to take that on notice. I will just check with Mr Banham. I do not think I can give you an average wage.

Senator JOYCE: Can you also give us the average number of sick days. Do you have the average number of sick days in your department?

Mr Mrdak: We would have that information. We can provide that for you.

CHAIR: As for Mr Wilson, there would not be too many if they were all like him.

Senator JOYCE: What is the total number of ongoing staff recruited for the department?

Mr Mrdak: Recruited over which period?

Senator JOYCE: Over the 2011-12 financial year.

Mr Mrdak: I will get that information for you this morning. I do not have that readily available.

Senator JOYCE: I will keep running through. Can you give me the classification of those staff, as well.

Mr Mrdak: I will just check with Mr Banham, whether he has got that information. We will get you that this morning.

Senator JOYCE: In what divisions or agencies of the department are staff allocated?

Mr Mrdak: We can give you the breakdown by division.

Senator JOYCE: Is the department staffing level expected to increase or decrease in the 2012-13 financial year?

Mr Mrdak: During the course of this year I anticipate the numbers of staff will decrease.

Senator JOYCE: By reason of natural attrition?

Mr Mrdak: Largely, yes: not filling positions as they become vacant. At this stage the department will not be undertaking a redundancy program. We anticipate not filling certain vacancies. I anticipate that we will finish this financial year with a reduction of around 20 to 30 staff on where we currently are.

Senator JOYCE: Twenty to 30 staff from the current 989.

Mr Mrdak: That is right. I can give you that breakdown by division to deal with one of those issues. Of the 989—I will run through the divisions of the department—Aviation and Airports, 118; Corporate Services, 181; executives, seven; Infrastructure Australia, 10; Major Cities Unit, 11; Nation Building-Infrastructure Investment, 104; Office of Transport Security, 363; Policy and Research, 51—that incorporates our bureau—and Surface Transport Policy, 141.

Senator JOYCE: In the executive level, how many are paid above \$500,000 a year?

Mr Mrdak: One.

Senator JOYCE: How many are paid between \$400,000 and \$5,000?

Mr Mrdak: I don't believe there are any.

Senator JOYCE: How many are paid between \$300,000 and \$400,000?

Mr Mrdak: Two.

Senator JOYCE: How many are paid between \$200,000 and \$300,000?

Mr Mrdak: I would have to take that on notice. That would incorporate our SES band 2-level staff, of which we have seven.

Senator JOYCE: How many people have cars? How many cars are held by the department?

Mr Mrdak: The number of cars is relatively small. Each of our SES officers has access, through their salary packaging, to lease vehicles through the leasing process. Not all SES officers take up that option. I do not have the exact figure. I will check with Mr Banham. I think the number of cars the department directly leases is very small.

Mr Banham: The number of SES who use the executive vehicle system is 10. A number of SES officers would also have their own leasing arrangements, for salary sacrifice purposes.

Senator JOYCE: Do you have any bonus structures or policies of bonuses?

Mr Mrdak: No.

Senator JOYCE: Is your sick leave cumulative?

Mr Mrdak: Yes.

Senator JOYCE: You do not have the average days of sick leave taken by the department?

Mr Mrdak: No, but we will get that for you.

Senator JOYCE: How many staff are currently on secondment to other departments?

Mr Mrdak: I think, from recollection, that it is three. I will check that number.

Mr Wilson: Three.

Senator JOYCE: Where are they on secondment to?

Mr Wilson: Give me a second.

Senator JOYCE: Whilst you are at it I will ask you the follow-up: what is the expected length of their secondment?

Mr Wilson: I do not have those details with me.

Senator JOYCE: What is the reason for their secondment in each case?

Mr Mrdak: I think the bulk, if not all, are seconded to Attorney-General's department to work with the national security organisations, which links with our transport security role.

Senator JOYCE: Mr Wilson, you can get back to me on that. I will go onto other things. Do you own any premises in Canberra?

Mr Mrdak: No.

Senator JOYCE: All leased?

Mr Mrdak: All leased.

Senator JOYCE: In the hierarchy of staffing areas, where is the primary place of residence?

Mr Mrdak: The primary place is in Canberra City on Alinga Street, where we have our two main buildings which house the department in Canberra.

Senator JOYCE: How many people are working there?

Mr Mrdak: I think it is of the order of about 800.

Senator JOYCE: When is that leased until?

Mr Mrdak: 2017.

Senator JOYCE: Who is it leased off?

Mr Mrdak: I will check with Mr Banham.

Mr Banham: I will have to take that on notice, because we deal with a management company, so the lease is held further down.

Senator JOYCE: What is the management company you deal through?

Mr Banham: UGL.

Senator JOYCE: What does that stand for.

Mr Banham: United Group Limited, I think. The owner of the main building is Brookfield Multiplex.

Senator JOYCE: Is that fully tenanted now? Is there any spare space in that building?

Mr Banham: Not in the main building.

Senator JOYCE: Let's go to the other buildings. What other buildings do you have?

Mr Banham: In Canberra?

Senator JOYCE: Yes.

Mr Banham: Next door: 62 Northbourne Avenue.

Senator JOYCE: When is the lease to that?

Mr Banham: 2017.

Senator JOYCE: Is that through the same people: UGL?

Mr Banham: It is the same management company. I do not know who owns the building.

Senator JOYCE: The other one is owned by Multiplex; you do not know who owns this one. How many people have you got working there?

Mr Banham: About 150.

Senator JOYCE: Is there any spare space in that?

Mr Banham: One floor. ATSB rent two floors from us. Australian Transport Safety Bureau.

Senator HEFFERNAN: Do you mean to say you do not know who owns the building you lease?

Mr Banham: No, we deal through—

Senator HEFFERNAN: That is not the question. I do not care who you deal through. You do not know—

CHAIR: You asked the question, Senator Heffernan, and Mr Banham answered it.

Senator HEFFERNAN: But he was not going to answer it.

CHAIR: He answered it: he does not know. What part of 'don't know' don't you understand? He answered your question. You might not like the answer. It might not suit your agenda for a newsbreak.

Mr Mrdak: We will get the exact details of the building.

Senator HEFFERNAN: It could be anything. You must know who owns the building you are leasing.

Senator THORP: You missed the first part of the question.

Senator HEFFERNAN: I got the question.

Senator JOYCE: What other buildings have you? You have 62 Northbourne Avenue; what other ones do you have.

Mr Banham: In Canberra we also have three floors in 4 Mort Street.

Senator JOYCE: Seeing you have a spare floor at 62 Northbourne, why don't you take one of the floors from that building? What I am trying to do is work out whether there is the capacity to put people into fewer buildings so that we can start handing some of these leases back.

Mr Mrdak: The reason we have vacant space is that the space was formerly occupied by divisions which now form part of the department of regional Australia, which was formerly collocated with our department. They have now moved to their own dedicated premises, so we have space now available in Mort Street.

Senator JOYCE: So Regional Australia were with you then they moved out to their own dedicated area.

Mr Mrdak: That is correct.

Senator JOYCE: Quickly run past me what other buildings you have after 62 Northbourne Avenue. You have the three floors. Which street are they in?

Mr Banham: The three floors are Mort Street

Senator JOYCE: What else do you have?

Mr Banham: That is it.

Senator HEFFERNAN: Do you have a subletting clause in your lease arrangements?

Mr Banham: Yes we do.

Senator JOYCE: Regional Australia had moved out and gone to their own dedicated area. How many staff were actually in Regional Australia before they moved out?

Mr Mrdak: With us I think it was the regional division of the former department. It was around about 200 staff or of that order.

Senator JOYCE: Okay, so 200 staff left. With the expiry of these leases you cannot go down to two premises instead of three?

Mr Mrdak: We have had our Mort Street property on the market for some time looking for a lessee.

Senator JOYCE: When is it leased to?

Mr Banham: To 2017.

Mr Mrdak: It is on the market and has been for some time since Regional Australia departed.

CHAIR: How long have you been there?

Mr Mrdak: The three buildings are located in the same area. We have been there since the early 1990s.

Senator JOYCE: According to the department's website the 2011-12 annual report is yet to be released. What is the current status of the annual report?

Mr Mrdak: The annual report is currently with the minister for his consideration. We envisage that, once the minister has considered it, he will then arrange for printing of the report and its tabling in the Senate by the end of this month.

Senator JOYCE: End of the month is when it is expected to be released. At the last estimates hearing in May some responses to questions on notice about information in the 2011-12 financial year referred senators to the annual report, yet the annual report has not been released yet. I am going to ask a couple of questions and I know they are in the annual report. Can you list the SES positions you have in DOIT in this financial year to date?

Mr Mrdak: We currently have 46 SES officers in the portfolio. That includes the department as well as Infrastructure Australia officers.

Senator JOYCE: Of those 46, can you identify the different levels and how many of them are permanent positions?

Mr Mrdak: All of them are permanent positions. They range from three categories of SES—SES band 1, SES band 2 and SES band 3 and me as the secretary.

Senator JOYCE: In relation to that Mort Street property you have on the market, what price per square metre have you got it on the market for?

Mr Mrdak: I would have to check if I have that available. I can take that on notice.

Senator JOYCE: There was a question on notice 38/6. The question asked the figures for the total number of staff in the department and agencies in each state and territory. The answers from the department said that staffing details are contained in the annual report. Can you provide the number of staff from the department and agencies in each state and territory?

Mr Mrdak: I will just see if that information is at the table.

Mr Banham: In the ACT, 831; in New South Wales, 51; Northern Territory, five; Queensland, 33; South Australia, 25; Victoria, 29; and Western Australia, 26.

Senator JOYCE: I want to go to departmental vehicles. How many cars are leased by the department in each of its agencies. Did you say 10?

Mr Mrdak: There are 10 vehicles leased by SES officers. We will check how many others. I think it is a small handful of vehicles that the department separately leases for purposes of couriers and the like. It is 12.

Senator JOYCE: So it is 10 plus 12?

Mr Banham: The 10 SES leases are actually personal leases taken out by the SES through the executive vehicle scheme.

Senator JOYCE: Do you have an officer in the Australian Embassy in Bangkok?

Mr Mrdak: Yes, we have a transport consular position. We have two officers in the Australian embassy in Bangkok.

Senator JOYCE: What do they do there?

Mr Mrdak: We have a number of transport security officers throughout the region, and they essentially do work for us on capacity building as part of our security audits and capacity building with governments in the region. We have officers in Papua New Guinea, Indonesia, Thailand, the Philippines and the United Arab Emirates.

Senator JOYCE: These cars you have got, where are they located?

Mr Banham: Predominantly in our state offices. I do not have the exact distribution of the fleet, but each office would have, probably, two vehicles.

Senator JOYCE: And who gets to use them?

Mr Banham: They are just operational vehicles for the staff to use to go to deployments to do their inspections and so on.

Senator JOYCE: Is there any hierarchy or authority? How do you go about using them?

Mr Banham: They would keep a local log book and they would use the vehicles as they see necessary.

Senator JOYCE: How do the leases on those vehicles work? Do you renew them every 40,000 kilometres or two years?

Mr Banham: Usually every two years. It is through the department of finance, through LeasePlan.

Senator JOYCE: What types of cars are they?

Mr Banham: Standard Commonwealth contracts.

Senator JOYCE: I refer to question on notice 32 in relation to corporate credit cards used by the departmental staff. The question asks for a breakdown of each employment classification that has a corporate credit card. The department's response was:

The Department provides credit cards and travel cards to eligible employees.

Who are these eligible employees?

Mr Mrdak: All of our staff who have a requirement to travel are issued with a travel card which enables them to meet the costs of travel and accommodation as necessary.

Senator JOYCE: So every staff member who travels has a credit card?

Mr Banham: There are currently 821 on issue.

Senator JOYCE: What type of credit card are they?

Mr Banham: MasterCard.

Senator JOYCE: How do you go about reconciling these accounts? What processes do you use?

Mr Banham: The actual system we use for tracking transactions is SAP. The acquittal or the approval process is that the supervisor of the cardholder will validate the transactions.

Senator JOYCE: So the eligible employees who are allowed to use credit cards are anybody who is travelling.

Mr Banham: Yes.

Senator JOYCE: Are the credit cards issued to the person or the department?

Mr Banham: It is a departmental card.

Senator JOYCE: How do they sign off on it?

Mr Banham: Again, it is done through the main accounting system.

Senator JOYCE: I need to go to Bangkok. Do I get issued a credit card, and out the door I go?

Mr Banham: You would be issued one, usually, when you commence with the department.

Senator JOYCE: So it is actually issued in my name.

Mr Banham: It is issued in your name.

Senator JOYCE: So every staff member submits their MasterCard statement to the department?

Mr Banham: No, the MasterCard statement comes into the department and it gets pushed to travel.

Senator JOYCE: Sorry?

Mr Banham: It gets pushed to travel. It essentially comes in electronically.

Senator JOYCE: Tell me the process you go through of authorising what is on that card.

Mr Banham: The travellers themselves state that the transactions that are coming in are correct.

Senator JOYCE: Sorry?

Mr Banham: The traveller acquits on the system the transaction and will attach to the transaction or put on file any of the necessary receipts and documentation.

Senator JOYCE: And what are they allowed to spend the money on?

Mr Banham: Reasonable expenses associated with travel.

Senator JOYCE: Give me an example of reasonable expenses—hotels?

Mr Banham: Accommodation.

Senator JOYCE: Up to what value a night?

Mr Banham: That depends on the location. Again, it is a reasonable cost transaction.

Senator JOYCE: How much for food?

Mr Banham: It depends where they are staying.

Senator HEFFERNAN: Could we have a list of what is appropriate if you are going to the various ports? You must be able to make that judgement. What is a fair thing for a feed in Kuala Lumpur—

Mr Mrdak: We would be happy to provide you with our guidelines.

Senator HEFFERNAN: How do we know they are not going to a brothel with the credit card?

Mr Mrdak: I can assure you, Senator—

Senator HEFFERNAN: Can you? But you do not check it; it is self-acquittal.

Mr Mrdak: No, the process Mr Banham is outlining is that the officer is provided with a statement. They then have to acquit that. Their supervisor has to sign off on it. We do closely look at these issues, as you know. We have a very rigorous internal audit process. As the committee has discussed previously, where we have identified problems we have dealt with them. We do have a process of acquittal, as Mr Banham is describing, whereby supervisors have to sign off. We also have an audit process and a process overseen by the finance branch to make sure that those acquittals are correct and meet the criteria. If officers are using inappropriate accommodation or, in our view, utilising services that seem to be overly expensive for a location, we take that up with the officer. That is, I think, very rare in our situation.

Senator JOYCE: Okay, let us go into that. Have you of late had any occurrence that would lead you to question some of these acquittals?

Mr Mrdak: I do not know the details, but I imagine there may be situations where supervisors do question some expenses, and the officers have to acquit those. But I am not aware of any significant issues that we have had. Certainly the audit committee and the internal audit process have not identified any breaches.

Senator JOYCE: What action is taken if a credit card is misused?

Mr Mrdak: We have a series of steps we take, which has included removal of the facility from officers.

Senator JOYCE: So you are saying there has been no discovery of the misuse of any credit cards, to your knowledge?

Mr Mrdak: Not in recent times. I think there was a situation, which the committee discussed with us a year or so ago, through our internal audit processes. But there has been nothing of late that I am aware of.

Senator JOYCE: So there was nothing in the 2011-12 year?

Mr Mrdak: No.

Senator JOYCE: For the property you hold outside of Canberra?

Mr Mrdak: We do not own any property. Again, we lease office space in locations in the cities which Mr Banham has outlined.

Senator JOYCE: You have premises in the centre of Sydney. Is that right?

Mr Mrdak: We do. We have three locations in Sydney. We have our Office of Transport Security, which is located at Rosebery in Sydney, near the airport. We lease a small amount of space with the Department of Family and Community Services—

Senator JOYCE: Whereabouts is that?

Mr Mrdak: It is in the centre of town. We have premises that are occupied by Infrastructure Australia.

Senator JOYCE: Infrastructure Australia—that is the one we were asking questions about last time, wasn't it? Tell me about where Infrastructure Australia's premises are.

Mr Mrdak: They are located in the Deutsche Bank building in the Sydney CBD.

Senator JOYCE: Overlooking the harbour?

Mr Mrdak: They are in the CBD.

Senator HEFFERNAN: How much is that a square metre, and who owns the buildings?

Mr Mrdak: I do not have that information with me.

Senator HEFFERNAN: Perhaps you could provide that on notice.

Mr Mrdak: Certainly. I think we have provided that in the past, but I will provide that again.

CHAIR: It has all been done. Had you paid attention, you would know.

Senator JOYCE: So, you still have 12 or 13 staff there.

Mr Mrdak: We have 12 staff.

Senator JOYCE: Last time I asked if you would inquire as to whether there were cheaper premises that could do the same job. Did you ever follow that up?

Mr Mrdak: We do benchmark our rental rates against the market regularly. I do not know whether we have done that more recently.

Mr Banham: No, not in Sydney.

Mr Mrdak: Not since we last discussed it, Senator.

Senator JOYCE: And how much does that position at the Deutsche Bank building cost a year? It is quite substantial.

Senator HEFFERNAN: How much a square metre?

Mr Banham: I do not have a square metre calculation. The current rent is \$1.1 million a year.

Senator HEFFERNAN: But you can convert that on notice to square metres.

Mr Banham: There are 750 square metres.

Senator JOYCE: Last time I inquired as to whether you would be able to see if there were alternative places that would do a similar job for less money. Obviously we have massive debts, and we have to try to work out how we are going to—

Senator HEFFERNAN: To that end, Barnaby, I have just negotiated in Sydney a reduction of \$200 per square metre in a building with a harbour view, for a party. I would be very interested to know what the square metre price is for all of your attachments, because there is a hole in the market.

Mr Mrdak: We can certainly provide that again.

Senator JOYCE: When does that lease at Deutsche Bank expire?

Mr Banham: In 2016.

Senator JOYCE: That is very close.

Senator Kim Carr: It is very close!

Senator JOYCE: Well, 2013 is next year. You are not going to go right to the end and just walk out the door. You will be making plans now as to what you are going to do—or I would be. Have you started scoping the real estate market in Sydney and elsewhere to see if there are alternative venues?

Mr Banham: We will be doing that.

Senator JOYCE: What is the reason for having 13 staff somewhere that is, to be honest, very expensive?

Mr Mrdak: As the committee has discussed with us and the Infrastructure Australia team previously, government has made a decision to locate Infrastructure Australia outside Canberra in a major location, Sydney. This accommodation was available, it suited our needs and it was available at a very good rate at the time we picked it up some years ago.

Senator IAN MACDONALD: Mr Mrdak, thank you for your information. I am always the first to criticise when answers to questions on notice are late back, so I give the department a bouquet now. As I understand, you had all questions answered by 31 August. Is that correct?

Mr Mrdak: We certainly provided all of the draft answers to the minister by that date.

Senator IAN MACDONALD: The department's work was finished on 31 August, so well done. I do not expect you to give chapter and verse on this, but were the questions returned to you for factual errors? Is it possible to generalise? I think you said 85 answers had been altered.

Mr Mrdak: Ninety one.

Senator IAN MACDONALD: Were they alterations of factual inaccuracy by the department or were they alterations relating to government policy?

Mr Mrdak: The changes reflected the minister's answers. They are the minister's answers to the questions presented.

Senator IAN MACDONALD: Of course, I understand that, but were there factual errors that the minister's office had determined and wanted corrected?

Mr Mrdak: I am not aware that any of the draft answers contained factual errors.

Senator IAN MACDONALD: Thank you, Mr Mrdak, for what your department has done. Minister, as the representative minister here today, would you ascertain for us the reason for the delay. I appreciate ministers are busy and have lots of things to do, but the last lot of answers were delivered by the department on 31 August and I do not think we got them until last week.

Senator HEFFERNAN: I actually made a couple of phone calls to get them and we got them at the end of last week.

Senator IAN MACDONALD: Again I appreciate that the minister cannot drop everything and just answer Senate questions, but would you try to ascertain on notice why it took two months just to deal with some of the questions.

Senator Kim Carr: We will take that on notice.

Senator IAN MACDONALD: If you would try to find out the reasons, that would be appreciated because it is very difficult for the committee.

Senator NASH: I concur with Senator Macdonald in asking for that explanation. I think the committee is fairly relaxed when this happens on occasion, but, for 16 October estimates, we received the answers on 10 October. For 23 May budget estimates, we only received them on 15 May. For 14 February additional estimates, we only received them on 7 February. For 18 October 2011 hearings, we only received them on 12 October. We are pretty easy going in this committee, but that is pathetic.

It is not just a one-off. This is a serial—I cannot even think of the right word. It is just appalling. It is almost contempt of the committee that the minister cannot be bothered. I actually take the point that Senator Macdonald made—well done to the department for getting the questions there. For the minister not to be bothered to treat this committee with enough respect to give us the answers to those questions on notice in a timely manner that we might utilise them is just appalling. Could he please have that response from the minister?

Senator Kim Carr: Senator Nash—

CHAIR: Sorry, Minister. Fair's fair. I sat here in opposition and you cannot put your hand on your heart and say that your national transport ministers were any quicker at getting the answers back. So it is rather hypocritical, Senator Nash. There is a common thread here.

Senator NASH: I tell you what, Chair, if it happens when we are back in government, I will sit there and I will cop it. But from right now that is not on.

CHAIR: Senator Nash, I am not going to get in a screaming argument with you over it because I do not endorse that on this committee. I made it very clear when I was in opposition that we had exactly the same frustration. On that, Senator Edwards does not have any questions. Minister, I am sorry I cut over you.

Senator Kim Carr: Senator Nash, I think your statements are a little over the top.

Senator NASH: I am sure you do.

Senator Kim Carr: The minister does not treat the committee with contempt.

Senator JOYCE: What is the payment range of the staff members you have in Bangkok?

Mr Mrdak: I will get that information for you. It is an executive level 1 officer and an executive level 2 officer.

Senator JOYCE: And the people we have in Papua New Guinea?

Mr Wilson: We have three officers in Papua New Guinea. The head officer is an SES band 1 officer.

Senator JOYCE: And the ones in Indonesia?

Mr Wilson: The head officer is an EL2, an executive level 2. If I can go back to a question that you asked before, Senator, regarding staff that are working in other agencies. We have three staff working in other agencies all of whom are working with the Office of Transport Security. Two officers are located in the Attorney-General's

Department and one officer is located in the Department of the Prime Minister and Cabinet. They provide liaison capacity between us and those agencies in terms of national security issues.

Senator JOYCE: In the 2011-12 year did you put on or take off staff? Did your overall numbers go up or down?

Mr Mrdak: They rose slightly in 2011-12.

Senator JOYCE: You were given an efficiency dividend, weren't you?

Mr Mrdak: Yes.

Senator JOYCE: How did you apply that efficiency dividend? Where did you find your efficiencies?

Mr Mrdak: We essentially do a business planning process, which allocates resources, before the start of each financial year across the divisions based on workload and priorities. Our efficiency dividend in 2011-12 was \$2.7 million. We applied that across the department through savings principally in our costs of administration where we reduced expenditure in areas such as travel, consultancies and advertising, those types of areas. We reduced some of our IT spend. Predominantly we made those savings through administrative savings.

Senator JOYCE: Through consultancies. Can you give me an example of the sorts of consultancies? How do you plan to save on a consultancy?

Mr Mrdak: For instance, in some of our research activities where we may have utilised the opportunity of external research bodies, we will try and do some of that in-house, or we will scale back our research program to no longer undertake that work. We make those sorts of judgements similarly in our line divisions where we may have used external parties for advice or assistance, we sometimes will choose not to to make sure we stay within our budget.

Senator JOYCE: You filled your efficiency dividend?

Mr Mrdak: Yes, we came in with a balanced budget for 2011-12. Similarly we are budgeting for a significantly larger efficiency dividend this year.

Senator JOYCE: What is the intended process of trying to find the efficiency dividend when you are already scaling back for your consultancies, et cetera?

Mr Mrdak: We will, again, look for efficiencies in the way we do travel. We have currently made some changes to our travel arrangements.

Senator JOYCE: How do people travel? Do they travel business, or economy or Tiger? How do they travel?

Mr Mrdak: We use a variety of carriers and a variety of modes. It depends on the destination that is being travelled to. We have scaled back some of the flexibility that is available to fare structures, which comes at some cost because people do not have the flexibility of moving on flights. We have reduced some of that. We have taken advantage of the whole-of-government contracting arrangements that the department of finance has put in place. They negotiated a whole-of-government travel contract in the last few years and also a whole-of-government contract for accommodation, which has yielded some savings.

We have also taken advantage of whole-of-government purchasing arrangements around office equipment, stationery and the like. We will continue to do that. We will continue to use savings that we can find within the organisation. We have done a lot of work that Mr Banham and Ms Prothero have led in making sure that our processes for account payments are streamlined and electronic to try and reduce some of the administrative costs involved in processing material. Most of our systems are now electronic to reduce transaction costs for all of our financial payments, for instance.

Senator JOYCE: But there have been no discussions about reducing the number of premises you are currently located at?

Mr Mrdak: We do try and do that. As I mentioned earlier, we have got our Mort Street premises. As Regional Australia left our primary buildings we moved our staff within the building to make better use of the buildings. We have done that where we can. Where we have vacant office space we have it on the market to try and fill that where we can, recognising that some of the buildings are less attractive than others.

Senator JOYCE: So when the regional development people left and went to a dedicated unit, your staffing number went down by approximately 200 people?

Mr Mrdak: Yes. Essentially the functions that remain with infrastructure and transport after the machinery-of-government changes have not changed significantly since 2010.

Senator JOYCE: When they left and went to their own dedicated unit did they borrow your computer systems? They were cleaved off as a section of your department, so were they basically working with all your systems where they went?

Mr Mrdak: We put in place an arrangement to make sure the machinery-of-government changes worked smoothly for us all. We continued to provide all of the corporate services for the new Department of Regional Australia when it was first established and we continue to provide most of their corporate services now. For instance, we do all the processing of their financial and HR matters. The only change that has happened in the last 12 months has been their relocation to their own dedicated office, and they have taken over those—

Senator JOYCE: So, if they came back, they would be able to dovetail straight back in? It would not be a major drama if they came back in, would it?

Mr Mrdak: It would be an additional cost because they have taken on some of their own functions as a stand-alone. Since they have left us, the Department of Regional Australia has taken on the additional functions of the arts and sport, so it is a much larger unit than it was when it left us. It has also picked up some other activities from across government, so it is a much larger organisation. As I said, the people who left my organisation to go to Regional Australia numbered about 200. Since that time, the department has picked up other functions, so it is a much larger organisation than the one that left us.

Senator JOYCE: These people were actually located in your buildings, went out the door and went to another unit?

Mr Mrdak: Those that were formerly with me, yes.

Senator JOYCE: So it would be quite easy to bring them back in? Whichever side wins the next election—whether it is us or whether it is Labor—is going to be looking at saving costs wherever they can. If there is a capacity to amalgamate departments, bring down the number of departments, reduce our outlays on tenancies and reduce the number of staff by attrition—it is going to be forced on us.

Mr Mrdak: The current leases for accommodation that I have would not accommodate the whole of the Department of Regional Australia as it is now configured. We could only accommodate those who were formerly with us where we were occupying all of our lease space.

Senator JOYCE: When you are assessing how to save money, who turns up—someone from the Department of the Treasury or from the Department of Finance? Do you sit down with people, or is it all done internally? Do you work it out internally and submit it?

Mr Mrdak: We are given our budget for the year ahead—the government provides us with the appropriation for the portfolio. The responsibility for that and for the savings are with me and the executive team. We make decisions as to where we allocate resources across the department based on workload. We look closely at recruitment. We look closely at business planning for each of the divisions, including all of their supplier and employee expenses.

Senator JOYCE: Where does your accountancy expertise come from?

Mr Mrdak: From my chief financial officer and my chief operating officer, who are at the table with me.

Senator JOYCE: How many are in your financial cell?

Ms Prothero: I currently have about 25 staff who are responsible for financial processing and accounting advice and I have another team of around that size managing the financial and HR systems.

Senator JOYCE: You provide your financial figures for consolidation in the overall budget statements. Does anybody else come in from the Department of Finance and or the Treasury to assist you with the compilation of your figures prior to them becoming part of the budget papers?

Ms Prothero: All of our figures are cleared by the Department of Finance. They do not come in and scrutinise our figures as such. From their own systems they review the figures that have come in to ensure that they are consistent with the budget that has been allocated to the department.

Senator JOYCE: And then you check your figures off against what you submitted to them?

Ms Prothero: That is correct, yes

Senator JOYCE: Are there ever any discrepancies?

Ms Prothero: As you are working through the process there may be discrepancies and they are resolved. By the time the budget papers are printed all of those discrepancies have been resolved.

Senator JOYCE: And what is the explanation for those discrepancies?

Ms Prothero: Sometimes it can be just user error. Sometimes it can be a misunderstanding or a late decision that has been entered into the system on one side but not on the other. Those things are resolved.

Senator JOYCE: There is no automated lifting of the figures straight from your department to a consolidated financial—

Ms Prothero: That is automated; it is uploaded into the system automatically. It is just that you put transactions through one at the time and they are checked to ensure that they are consistent. Once they are cleared, it is an automatic process.

Senator JOYCE: Does this consolidation happen weekly, fortnightly, monthly—or just annually?

Ms Prothero: Basically a reconciliation happens on a monthly basis, but there are daily uploads of transactions.

Senator JOYCE: Thank you.

CHAIR: Let us now go to Infrastructure Australia. Welcome, Mr Deegan; good to see you again. Senator Joyce.

Senator JOYCE: I refer to the Infrastructure Australia priority list to COAG released earlier this year. The just want to get your comments in general terms and then ask about a few specific projects. Table 1 of the report summarises the difference between early stage, real potential, threshold and ready-to-proceed projects on the Infrastructure Australia priority list. With regard to assessing where projects sit, does IA based its assessment solely on the submissions it receives from state, territory and local governments and other stakeholders?

Mr Deegan: We receive submissions from a host of players. We undertake a rigorous assessment of those proposals against the criteria set out in the Infrastructure Australia Act and then provide advice to the Infrastructure Australia Council. The council then determines its view and provides advice to government which forms part of its annual reporting to COAG every 12 months.

Senator JOYCE: So really your advice is just combined with the council's advice. Is there generally a large discrepancy between what government proceeds with and what you advise council about?

Mr Deegan: It is a robust discussion around a host of issues, but generally there is consensus on the view forward.

Senator JOYCE: Just so we understand the impetus that IA has in the final government decision and the role of council: as to the premise of the council's decision, what is it based on? What I am saying is: if you are doing all the analysis yourself, why would council have a remarkably different position to yours at times?

Mr Deegan: On occasion there are different backgrounds and experiences. It is a high-value council. They will have a range of issues around the strategic value of particular projects. A couple of council members come and review the detailed work that we have done, page by page. So it is an interactive process with the council. I think the council adds considerable value to the process that we engage in.

Senator JOYCE: Does Infrastructure Australia have the capacity to undertake independent research to assist in appropriately placing projects on the priority list?

Mr Deegan: Yes, we do. You will be aware that last year the Prime Minister released the National Ports Strategy and Minister Albanese has just released the updated National Land Freight Strategy; significant pieces of research to provide a proper framework for the assessment of these projects is an independent piece of work that we had undertaken.

Senator JOYCE: Does IA engage external consultants to conduct this type of research?

Mr Deegan: Generally we engage consultants to assist us in the assessment of individual projects. Occasionally we will use consultants to assist us in the development of that research that you mentioned.

Senator JOYCE: I want to go through a couple of projects. The Toowoomba range crossing: whereabouts is that now?

Mr Deegan: That is a submission this year from the new Queensland government. We are currently preparing advice to the Infrastructure Australia council that meets later this month.

Senator JOYCE: Where did the Queensland government place the Toowoomba range crossing?

Mr Deegan: It is an important project supported by the Queensland government.

Senator JOYCE: 'Important'—does that mean it is up the top, down the bottom, in the middle?

Mr Deegan: It is one of their higher ranking projects.

Senator JOYCE: As to the process by which it could possibly go from a higher ranking project to another sort project: that is if the decision of council is substantially different?

Mr Deegan: As to the process that we are going through at the moment, it is the first detailed submission that we have received on the Toowoomba range—

Senator JOYCE: Do you know how much the Toowoomba range crossing would cost now?

Mr Deegan: I will get you a figure. It is some billions of dollars.

Senator JOYCE: Multiple billions?

Mr Deegan: I will check that for you. It is a significant project. As you know, it is an important part of the economy in that region, so we are giving that serious attention. We will provide draft advice to the council at the end of the month. They will take a view on it. We would then, subject to the council's views, go back to the Queensland government with a draft of our advice so that they can see where the council is sitting and then work through some more of the detail. The purpose of our work is to try and lift as many projects from new projects right through the process to ready-to-proceed, and recommend for a combination of public and private funding.

Senator JOYCE: So if you believe it is a good project, Queensland wants it to be a good project, you submit it to council as a good project and council believe it is a good project then the only reason it would stop is if the federal government does not believe it is a good project.

Mr Deegan: As we have reminded this committee, advisers advise and governments decide. We provide advice and we publish our advice, which is perhaps the major difference from some other programs.

Senator JOYCE: Let us go to the Bruce Highway upgrade. I note that, from the 2012 priority list, the Bruce Highway Cooroy to Curra section A upgrade is listed as an early-stage project. The route for section A has been the subject of public consultation and a final route is expected to be released next year. Why is this project early-stage when it is quite well advanced?

Mr Deegan: In terms of our assessment procedures, there is still some more work to be undertaken by the Queensland government about the Cooroy to Curra section. We receive many, many projects across the nation. We use the same process for each and every one of those projects and, in our view, there is some more work required on the economics around the value of that particular project.

Senator JOYCE: Who is supposed to provide that?

Mr Deegan: We work collaboratively with the Queensland government. So we are engaged in discussions at the moment with the department of main roads and department of state development.

Senator JOYCE: So is more information required on that, as opposed to using Toowoomba Range crossing as another example? Have they provided all the information they needed to provide on the Toowoomba Range crossing?

Mr Deegan: Toowoomba is a new submission. I think a lot more work has been undertaken so far on Cooroy to Curra. But, again, we are keen to work with the Queensland government to move those and other projects forward.

Senator JOYCE: To use an example, which one is further advanced: the Toowoomba range crossing or the—

Mr Deegan: In terms of the background Cooroy to Curra has had more work than Toowoomba, but I think there is a lot of interest in the Toowoomba second range crossing and I would expect that the Queensland government will be putting resources into both projects.

Senator JOYCE: Regarding the Brisbane cross-river rail. This is listed as a ready to proceed project. Is that right?

Mr Deegan: Yes. That was based on a submission from the previous Queensland government. As you would be aware the current Queensland government has undertaken a review of the particular proposal to see whether they can maximise the result at a lower cost. We are working with them on the details.

Senator JOYCE: What was the total cost of that? \$14 billion or something?

Mr Deegan: It was about \$8 to \$9 billion. We think it is a significant project. It will transform Brisbane. But we are working closely with the Queensland government to see what benefits we can get for a lower price.

Senator JOYCE: And Toowoomba range is a couple of billion?

Mr Deegan: That is right.

Senator JOYCE: And Cooroy to Curra?

Mr Deegan: Again, I will get the exact figure that is being asked of us, but it is a significant project, as well.

Senator JOYCE: In the ballpark of \$2 to \$3 billion?

Mr Deegan: In its various stages.

Senator JOYCE: Going back to the Brisbane cross-river rail, the state government has now pushed that back?

Mr Deegan: No, what they have done is given us an alternative proposal, and we are looking at that at the moment. It relates to a range of operational potential changes signalling minor track work and the like, and also a reconsideration of where the tunnels might be required, and what can be done, again on a staged basis, to get some value to the City of Brisbane.

Senator JOYCE: On other rail projects, have you had any further discussions or investigations into the inland rail project?

Mr Deegan: We have identified the inland rail project as an important part on the national land freight strategy. We think that continues to be an important issue. We are in discussion with a range of proponents for the particular various proposals around the inland rail, as I am sure the department are. And we continue to take a very close interest in that project.

Senator JOYCE: By close interest, does that mean we are actually going forward or do we just have people turn up from time to time to talk about it?

Mr Deegan: From my perspective, I am not in the game of sitting around and talking about these things. I would like to see some of these projects happen. We are working with a range of players on that.

Senator JOYCE: We have the route identified. I have seen that. We have had strong interest from some of the logistics providers. What sort of time frame are we looking at before they actually start building something?

Mr Deegan: The department and the Australian Rail Track Corporation may give you further detail. One of our concerns in the previous assessment of the inland rail against the coastal railway route was that in our view there needed to be consideration against the major road networks, as well—consider the Newell Highway, the Pacific Highway and those two rail proposals, or the existing coastal route and the potential inland rail route. So we are comparing apples with apples so we can best determine how quickly the inland rail project could proceed.

Senator JOYCE: Currently we have the coastal rail route, which still requires to go through Sydney, which causes real problems in finding slots, double stacking carriages and having to deal with the suburban rail network. And we still have a maximum speed in some areas south of Sydney of 40 kilometres an hour. That is hardly conducive to a 21st century advanced economy. This is sort of primitive. Surely we should be a little bit more advanced in a route between the second and third biggest cities in our nation—a direct route rather than one that has to go via the biggest city in our nation, which would seem to be total and utter confusion?

Mr Deegan: Indeed, it is why we have nominated it as an important part of a national land freight strategic network.

CHAIR: On that, as per the committee's wish we will now skip the program and jump further. We will keep a timetable on so that we do not miss out on anything with Infrastructure Australia. We will now flick to aviation and airports.

[10:00]

Senator RONALDSON: I want to talk about Avalon Airport, and particularly some comments that were reported in the press recently. So that we are all on the same page about who said what and when, I want to go back a step and clarify where we are at with this issue in relation to it becoming an international terminal. Are you aware of a comment made by the member for Corio in the *Geelong Advertiser* on 31 August? In relation to obtaining international status, Mr Marles said, 'First Avalon needs to attract an international airline. Second, it needs to put in an application that safeguards Geelong's interests. So far this has not happened.' You are also quoted in the *Geelong Advertiser*, on Saturday, 15 September, following, I gather, a forum or something in Melbourne.

Mr Wilson: That is correct.

Senator RONALDSON: You spoke at that?

Mr Wilson: Yes.

Senator RONALDSON: You were asked a question by one of the local councillors?

Mr Wilson: I believe so. I wrote the gentleman's name down but I did not get his title.

Senator RONALDSON: I figured from reports that it was Councillor Rod Macdonald.

Mr Wilson: That is probably correct.

Senator RONALDSON: Can you remember what the gentleman's question was—we will assume it was Councillor Macdonald?

Mr Wilson: To the best of my recollection his question was in the form of: what is the department doing to obtain international services to Avalon?

Senator RONALDSON: In your role you are senior and you have active engagement or at the very least oversight of these sorts of matters?

Mr Wilson: That is correct.

Senator RONALDSON: In the *Geelong Advertiser*, with the question that you were moved to make a clarifying statement on, I just want to make sure—

Mr Wilson: If I may, it was not a clarifying statement. The *Geelong Advertiser* rang me for a comment on their previous day's article. So, whilst they have indicated that it is a clarifying statement, it was at their behest, not at mine.

Senator RONALDSON: Had you had any requests from the minister or Mr Marles to make any further comments in relation to this matter?

Mr Wilson: No.

Senator RONALDSON: So that this quote is correct, you are quoted as saying: 'What I was trying to say at the forum was that the harsh reality of the situation is that the first step in the process is not the department's. Once there is something on the hook we would go through a two-stage process. The first is assessment of the national interest in terms of international allocation to Avalon, something the department would do in consultation around federal bureaucracy. The second part would be processing the availability of the customs and quarantine border protection required.' Is that it?

Mr Wilson: That is a reasonably accurate paraphrasing of what I indicated to the journalist.

Senator RONALDSON: The 'hook' is an airline?

Mr Wilson: Yes. I am not necessarily certain that I used quite that phrase, but it is a nice turn of phrase.

Senator RONALDSON: You are quoted as saying 'something on the hook' so we will assume that for want of a better word—

Mr Wilson: It is a commercial airline. As I indicated in my answer to the CEDA forum in Melbourne the first step in any process for Avalon to proceed to become an international airport is for Avalon to attract an international airline.

Senator RONALDSON: Is it your understanding that the hook, so to speak, has not yet occurred—that an international airline has not been attracted?

Mr Wilson: As far as I am aware they have not signed an agreement with an international airline to fly services to Avalon.

Senator RONALDSON: The department certainly has not received a request to commence this two-stage process on the back of an airline being hooked, I take it?

Mr Wilson: No.

Senator RONALDSON: What is involved in the two-stage process?

Mr Wilson: I will go back one step further. I would just like for the record's sake to ensure that senators are aware that Avalon airport is not an airport that we regulate under the Airports Act. It is leased through the Department of Defence. So the Department of Defence holds the direct commercial relationship between the Commonwealth and Avalon Airport.

The first stage in the process is that Avalon Airport will need to attract a commercial operation wanting to fly into Avalon Airport. They will then need to bring that case to the Commonwealth. We have a set process to assess the viability or otherwise of an international airport, the details of which I could go through, but they are published on our website under the 'new international airport' guidelines. We would go through detailed processes. But in basic terms we would assess the capacity of the airport, the veracity of the business case that underpins it and the effects that has on the provision of border services, such as quarantine, immigration and the like, to determine whether or not there are sufficient resources available within the Victorian system and to determine whether it can be met within existing resources or whether additional resources are required to be presented.

Senator RONALDSON: That is separate from anything that might have been done, particularly last week, with the Department of Defence? They are two different bureaucracies with two different requirements?

Mr Wilson: Two different parts of the process. What was agreed last week was that the Department of Defence and Avalon Airport would negotiate an amendment to the lease to enable Avalon Airport to increase the size of the terminal, without having to go through a major development planning process.

Senator RONALDSON: The viability can revolve around a number of issues: financial, border security, national security and other matters? You will make an assessment on a wide range of things?

Mr Wilson: We will go through the detail of the proposal that Avalon Airport would put forward to us.

Senator RONALDSON: I take it from that that the events last week do not impact on the decision-making processes that you go through to assess viability?

Mr Wilson: They do not go to our processes. They enable Avalon Airport to move forward in terms of the construction of the necessary facilities that would be required to attract an international service into Avalon.

Mr Mrdak: If I may add, where it does impact is that the terminal has to be able to accommodate the border control and police agencies that need to operate to service international flights. So, in that sense, as Mr Wilson has indicated, the ability to have the infrastructure in place is actually a critical decision point as to the ability of the border agencies to provide those services, hence that sequential step that Mr Wilson has outlined.

Mr Wilson: If I can add to that, one of the steps Avalon Airport will be required to go through is actually to negotiate with our border agencies to ensure that any terminal expansion they do construct is designed in such a way that the border agencies can operate, if it is to be used as an international terminal.

Senator RONALDSON: Are you the overseeing agency for those discussions, or are they separate discussions with the border security agencies?

Mr Mrdak: We take a coordination role. We are quite heavily involved with Customs in relation to what is called national facilitation arrangements.

Senator RONALDSON: If there is the hook and this process commences, would you bring together a group to look at this issue?

Mr Mrdak: Yes. Minister Albanese, at the request of Mr Males, has asked the department to take a lead role coordinating the activities across the Commonwealth for the development of Avalon Airport.

Senator RONALDSON: But that presumably is when the hook arrives—the airline?

Mr Mrdak: There have been discussions over many years in relation to the steps, and we have been assisting Avalon Airport over a number of years to progress their business planning.

Senator Kim Carr: Senator Ronaldson, you would have to agree that the changes announced last week are very significant in being able to attract a commercial operator for international flights.

Senator RONALDSON: Absolutely. I do not think I gave any indication that I did anything other than welcome that process. I am not entirely sure why you made a comment, Senator, but I presume it is for political reasons. I am asking some questions about process and I think it is disappointing you have brought politics into it. But that is another issue.

CHAIR: I thought it was lovely having this wonderful congenial position from both sides of the political fence for something that is good for Melbourne.

Senator Kim Carr: It is very good for Geelong.

Senator RONALDSON: To go through the process, at the moment you have not brought a committee together?

Mr Wilson: Not to discuss the issue. It is fair to say that we have had a number of conversations with Avalon Airport in regard to the requirements they will need to satisfy to meet international status. And we will be discussing with Avalon Airport what they need to ensure goes into any future construction of the terminal. But, as yet, we have not commenced a formal process of assessment.

Senator RONALDSON: From past experience—and if you could give me some examples that would be good—what is the normal process time frame for this two-stage, post-hook process, if I could put it that way?

Mr Mrdak: Depending on the nature of the operation and the infrastructure available the process can take somewhere between as short as a few weeks right through to some time. If you look at an airport such as Coolangatta, Gold Coast International Airport, they initially started some limited charter operations in the 1990s. That was done in a matter of weeks. But at that stage the border agencies were able to provide resources and,

through a temporary facility, were able to get the facility up and running. At that stage they started with a very temporary international facility at Coolangatta to handle New Zealand charter flights.

I think at this stage it will very much depend on the ability of the border control agencies, particularly Customs, AQIS and immigration: what their resourcing capacity is in Melbourne to allocate staff from other operations at the port or at Tullamarine Airport to service Avalon. And, as Mr Wilson indicated, there is the question of whether they would need additional staffing and resources. It would also depend on the capability of the Australian Federal Police to provide policing services at an international location. So the process can be very rapid, if the border control agencies are comfortable with the infrastructure they can operate in and have the resources available.

Mr Wilson: If I can just add, part of the determination of that will be the time frames in which Avalon Airport is seeking to operate as an international airport—at what time the flights operate into and out of the airport and the effect that has on the availability of resources.

Senator RONALDSON: Just so I am clear about the process, would there need to be some preliminary discussions that would flow from the nature of the potential aircraft movements from a particular airline, which might determine the nature and extent of Customs et cetera? That is, you will allocate resources to meet a need, and that might determine the facility that is built there? Do you have a process whereby you will provide resources for up to 10 or 15 flights a day and expect infrastructure to be built around that? How do you actually make that allocation determination?

Mr Mrdak: It is done on the basis of the service provision proposal. Obviously it depends on aircraft size, frequency and time of day—that is what really drives the border control agencies—and the capacity of the infrastructure to accommodate that. If, for instance, you are using a wide-bodied international aircraft, you have to be able to move people in and out of an area quite quickly through the processing lines. That obviously dictates the number of staff you need from the border control agencies. Similarly, where you have a certain size of aircraft, that dictates how many people are going to be in the sterile areas. That then plays into the police resources that may be required in that area. Those types of judgements are made on the business case that is put forward by the airport and the airline.

Senator RONALDSON: So you could have infrastructure built to cater to a high level, but there is no guarantee that the resources would be allocated to accommodate that. Is that what you are saying?

Mr Mrdak: Every effort is made to tailor the resources to the size of the operation being contemplated. As I said, in other situations, where we have had greenfields international start-ups in the last decade or so, they have generally started with one or two services a week and moved up from that. So it started with a small base and resources tended to need to be brought in by other locations by the border control agencies or police agencies to handle those. They are not a permanent presence.

Senator RONALDSON: Would the department tick off on international flights with the current infrastructure as it stands? Or would you require the redevelopment of the site?

Mr Wilson: The current terminal configuration is not suitable for international services, and that is the rationale for the renegotiation of the lease to enable Avalon Airport to redevelop an international square metreage to enable provision of appropriate infrastructure.

Senator RONALDSON: So you will need the infrastructure built first, and then you will go through your two-stage process—or part of that two-stage process?

Mr Mrdak: It will be parallel. As they are developing infrastructure, as they are going through the planning process, that is the process we are closely engaged in. At the request of the minister, we have a senior officer in the department who is working with Avalon Airport to make sure we can do as much as that in parallel as we can.

Senator RONALDSON: Does all of that two-stage process take place during construction? Or is there still a part of that process that would be required? Would there be post-infrastructure completion requirements under the two-stage process?

Mr Wilson: The formal part of the process will occur once Avalon Airport has a commercial operation signed up. That will occur depending on how positively the marketplace sees the recent agreement and the changes to the lease. That may occur prior to construction, it may occur during construction or it may occur following construction. I cannot comment as to when that will occur. But from the department's point of view, we will commence the formal process of assessment once they have a commercial operation signed to operate into and out of Avalon.

The informal, or dynamic, conversation will occur as Avalon Airport develops the plans for the proposal to extend the terminal facilities, so that we can ensure that what is constructed at Avalon Airport meets the requirements of the border agencies, so that they do not fall down on that part of the assessment.

Senator RONALDSON: Will all the viability aspects of this be finished prior to infrastructure completion, or will they only kick in once there is an airline hooked?

Mr Mrdak: We would envisage during the infrastructure construction that most of the issues would be settled in terms of resourcing, but, as Mr Wilson has indicated, it will very much depend on the operator who proposes to operators that the resourcing will have to be tailored to size of aircraft, frequency and the nature of the market being serviced.

Senator RONALDSON: When did Mr Marles and the minister approach you to fast-track this matter?

Mr Mrdak: We have been engaged with Avalon Airport for many years on these issues. I think the formal approach to provide a dedicated contact officer was in 2007.

Senator RONALDSON: The report in the *Geelong Advertiser* quoted Mr Marles as saying: 'The federal bureaucracy is a big organisation. I don't think we should be getting too concerned about the words of one individual. The minister knows he's the one that matters.' That was directed at you. Is there anything that you have said in relation to this matter that is in any way at odds with what the government or Mr Marles has said about it?

Mr Wilson: No, but I think, if you read the two press articles, the first article is not overly complimentary towards my comments.

Senator RONALDSON: You do not have to apologise for Mr Marles.

Mr Wilson: What I indicated at the CEDA conference and what I indicated to the journalist the day following were in accordance with government policies and procedures.

Senator RONALDSON: Thank you.

CHAIR: Senator Ronaldson, thank you for working around our timetable. Mr Wilson, we wish you all the best.

Mr Wilson: I do think the committee for the indulgence to bring the questions forward.

CHAIR: As long as you feel better by Saturday! Welcome back, Mr Deegan.

Senator JOYCE: I refer to the answer to question on notice No. 111, which relates to public Infrastructure Australia project appraisals. I note that in 2011-12 seven project appraisals were released: the Cross River Rail, Darwin Port, Eastern Busway, Victoria managed motorways, Melbourne Metro, Oakajee Court and the Pacific Highway. In answer No. 111 it states that briefs and appraisals are published for those reports that meet the appraisal criteria. What does 'appraisal criteria' mean?

Mr Deegan: We have a range of projects that come to our office for assessment. The ones we publish are those that are more likely to proceed. There are a number of projects that do not fit the criteria under the Infrastructure Australia Act so we do not take those appraisals further at that stage unless the proponent is prepared to change. Basically, we publish the ones that have gone through our complete process and are appropriately geared for that.

Senator JOYCE: Is it true that of the ones I have mentioned there most projects on the priority list do not meet your criteria?

Mr Deegan: No, the projects on the priority list do meet a range of the criteria.

Senator JOYCE: Who establishes the criteria?

Mr Deegan: They are established principally under the Infrastructure Australia Act. We provided to the Infrastructure Australia Council back in 2008 detailed proposed assessment criteria, which they accepted and adopted in line with the major themes that the Infrastructure Australia Council set including national land freight strategy, a view around our internationally competitive gateways and seaports, transforming our cities and the like.

Senator JOYCE: Are these approved by the minister's office?

Mr Deegan: No, Infrastructure Australia is an independent body. The Infrastructure Australia Council provides its advice to government but it determines its criteria as part of its working arrangements.

Senator JOYCE: Can you provide an update on the development of the Indigenous infrastructure policy framework which is being developed.

Mr Deegan: The Infrastructure Australia Council decided in 2008 that one of the gaps in our arrangements as a nation was providing appropriate infrastructure to remote Indigenous communities. We have been working closely with a range of Indigenous communities, state and local governments, and a range of industry players as well in preparing a policy document. Infrastructure Australia Council has considered a range of papers, particularly in the last 12 months, with a separate committee of council members designed to take this forward and we would hope to bring that forward to governments and then the Council of Australian Governments in the New Year.

Senator JOYCE: Is there any chance of you being more specific on when this policy is expected to be finalised?

Mr Deegan: We are hoping for discussion with the federal government by February or March next year.

Senator JOYCE: Who is on the Infrastructure Australia Indigenous subcommittee?

Mr Deegan: Jim Hallion from South Australia, Anthony Kannis, Nicole Kidman and Peter Newman from Western Australia are the members.

Senator JOYCE: Did you say Nicole Kidman?

Mr Deegan: Sorry, she will kill me for that. I meant Nicole Lockwood.

Senator JOYCE: You are just seeing if I am paying attention, aren't you? We are the ones that are supposed to be drifting off, not you!

Mr Deegan: She will be entranced by that proposal.

Senator JOYCE: What else are you thinking about at this point in time? Do you fantasise about any other movie stars? Currently in Australia we only have two roads that are sealed that go east to west. If you want to go on an east to west road you can go right up north or you can go across the Nullarbor. Are there any plans to get a third one?

Mr Deegan: There are two parts to the answer. One of the missing features in our country—what we needed, in the view of the Infrastructure Australia council—was a comprehensive, 50-year view of our national land freight network. We have provided, and the government has released, a National Land Freight Strategy that deals principally with freight movements by rail and road across the country. Hence the discussion about inland rail between Queensland and Victoria through the state of New South Wales, and a host of issues about access to and from our major ports. In a country with 42 ports, 20 of those global in nature, clearly the road and rail linkages to those ports are important for our economy. So that is the focus that we have taken.

We do have a number of proposals from various groups for other sealed road networks, and you would be aware of the inland—

Senator JOYCE: Outback Way.

Mr Deegan: Outback Way proposal that we have still under consideration. But at this stage we think that the major focus for freight movements will be connecting ports and the sources of materials, whether it is export or import.

Senator JOYCE: On the National Infrastructure Construction Schedule website, I refer to question on notice 112, which asked about Infrastructure Australia's involvement in the National Infrastructure Construction Schedule website. The answer states that IA supported the department in this work. What support did IA provide? Please provide further details. This is on the National Infrastructure Construction Schedule website, in response to question on notice 112.

Mr Deegan: The federal minister, Minister Albanese, created with his colleagues the Council of Australian Governments Infrastructure Working Group. That group normally meets in our offices every three to four months. One of the agenda items that was considered some time ago was the creation of the National Infrastructure Construction Schedule, which was about providing a pipeline of projects to industry and, indeed, to potential investors from elsewhere across the nation. The department took carriage of that work and we worked closely with them in the development of that work.

Senator JOYCE: Did expenditure in relation to the creation and promotion of ongoing maintenance of the website come from IA's budget?

Mr Deegan: No. The department has managed the complete process there.

Senator JOYCE: Is Infrastructure Australia providing any ongoing support to the website or its contents?

Mr Deegan: Other than the assessment of the projects that we undertake, and projects that the governments may decide to fund, that is the limit of our future involvement.

Senator JOYCE: My final question is: I have always actually been quite a fan of Beyonce. Have you ever thought about putting her on one of the committees?

Mr Deegan: Thank you, Senator. Given your concerns about international investment, I think we will stick to Nicole Kidman!

Senator JOYCE: We can make an exception for her!

CHAIR: Very good, Senator Joyce. I'll give you that one.

Senator NASH: Mr Deegan, you just raised the issue before of the 42 ports. Whereabouts at the moment in terms of Infrastructure Australia do ports sit on the priority list, and what is being done there?

Mr Deegan: The National Ports Strategy released by the Prime Minister details a range of issues that Infrastructure Australia believe should be undertaken around our ports. The two key elements—and they are missing elements in our country around our ports—are the preparation and development of 50-year plans that considers sea channels, wharf space, the operating port itself and then, most importantly, the land-side connections—road and rail. Of the 20 global ports, Melbourne, Gladstone and Portland have 50-year plans; the Mount Isa to Townsville work, based around the Port of Townsville, has just released its 50-year plan. A substantial amount of work is still required, and we are working with the ports and Ports Australia in that regard and, indeed, the department has, with the agencies in Canberra, created a Commonwealth ports group to deal with the host of issues associated with environmental approvals and others associated with ports.

The second key element in our view is that the ports need to report to their customers, and in a transparent way, about their economic performance. We provided and released some months ago a report prepared by Deloittes about the financial performance of Australia's ports. In many cases, the returns were less than the Commonwealth bond rate and most of those ports were seeking further taxpayers' money. So we think there is an issue around their financial performance that needs to be addressed as part of this consideration.

Clearly we get a range of projects proposed in or around ports—development of major road networks and rail networks: Bunbury, Oakajee, Melbourne, Sydney and the like. There is a host of that work that we also consider as part of that discussion.

Senator NASH: Just very briefly—and I am happy if you want to expand on this by taking it on notice—what are the challenges? What are those road blocks that are in place—sorry about the pun—for ports to try to move to what you have just outlined in terms of those 50-year plans and that greater transparency?

Mr Deegan: It is a cultural issue, and I am pleased you have raised it. The House of Representative committee on infrastructure has also taking a great interest in our ports. The cultural issue has been that the ports have typically acted within their boundaries and looked out to sea. We are starting to see a cultural change for our ports to go to an international best-in-class approach, which is to think of all the elements that move in and out of the port—both road and rail connections, linkages with their customers on the land side, and any issues that will be affected on the sea side as well. That change in culture is starting to occur. I think the national port strategy and the leadership of the federal government will assist in that process.

Senator IAN MACDONALD: I have a few very quick questions. On the Outback Way, perhaps you could remind me if you or the board have ever had a session with the Outback Way council.

Mr Deegan: We have had a number of sessions, including in Alice Springs.

Senator IAN MACDONALD: Excellent—and thanks for your ongoing interest there. I ask you this every time, but I will do it again. Your main role is to list for governments—plural—priorities for infrastructure in Australia. Is that correct?

Mr Deegan: That is certainly one of the main priorities set out under the Infrastructure Australia Act. The act requires us to provide advice on a range of infrastructure issues, including projects.

Senator IAN MACDONALD: Is there a fluid list that I can access somewhere?

Mr Deegan: We publish the report every 12 months. That list is updated. We are currently looking at 67 projects; 43 of those are new projects.

Senator IAN MACDONALD: Are they prioritised from 1 to 67?

Mr Deegan: Certainly we put them into different elements—early stage, projects we think have real potential, those that are at the threshold of moving into the final stage of ready to proceed. That is all set out and published each year. I will get you a personal copy, Senator.

Senator IAN MACDONALD: Thank you. And I will not ask you where NBN is on that list! I will not embarrass you and ask you that. Again very briefly, there has been, it seems, some activity on the Mount Isa-Townsville rail project. Have you been involved in that?

Mr Deegan: Yes. We were heavily involved in the development of the 50-year plan—although, as we have discussed before, the credit best goes to those directly involved, those people in the port, the road and the rail network. As you are aware, all the mayors were involved through MITEZ, and industry was very heavily involved. As a consequence of the development of that 50-year plan, the federal minister approved the allocation of, I think, \$1.1 or \$1.6 million to the creation of a freight logistics coordination team, which will look at that whole 1,200-kilometre supply chain and deal with the issues as they arise and try to implement some of the 50-year plan. A committee has been announced between the Commonwealth and the Queensland government and chaired by the chief executive of Mount Isa Mines, Steve de Kruijff.

Senator IAN MACDONALD: I want to ask some more questions on that, but that might come under nation building—for you, Mr Mrdak. Would that be right?

Mr Mrdak: Yes.

Senator IAN MACDONALD: Okay. Has the Cairns port come to your attention in recent times? There is proposed dredging work there.

Mr Deegan: Yes. Both Cairns and the Savannah gulf have been in contact and are seeking to undertake a similar process to that undertaken between Mount Isa and Townsville. We are in discussions with them about how those processes might be managed. I think the dredging issue has been dealt with directly at this stage by the Queensland government, but it would be part of an ongoing discussion we have with the Port of Cairns.

Senator IAN MACDONALD: I will leave it there, on the basis that I think Senator Back will probably ask you about Oakajee.

CHAIR: Do the states actually put a wish list out of what they would like to see in terms of Infrastructure Australia spending?

Mr Deegan: There is a range of approaches from the states. A number of the states publish the submissions they provide to Infrastructure Australia. Some are concerned about commercial-in-confidence issues, so they occasionally limit the detail. Some states choose to deal directly with us during the process. Whatever the position of the state governments, we publish our advice annually so it is transparent.

CHAIR: Has there been any discussion with Infrastructure Australia on the widening of the North West Coastal Highway between Carnarvon and the old Barradale Roadhouse?

Mr Deegan: The Minister for Transport in Western Australia, Mr Buswell, wrote to Infrastructure Australia in our consideration of the National Land Freight Strategy. We agreed with his position that the North West Coastal Highway should be part of the national land freight network, and we have provided that advice to the federal government. They will, of course, consider that in due course.

Senator BACK: I want to start off by asking you what is the status with the Oakajee Port, north of Geraldton, at the moment.

Mr Deegan: The proponents are still considering their position.

Senator BACK: So the Commonwealth's funds are still earmarked.

Mr Deegan: Still held, still earmarked, yes.

Senator BACK: In your report to COAG last year you indicated there were four main areas of concern. I am just wondering if you can advise us what, if any, progress has been made in the areas you had identified. The first was establishing the right strategic settings in the infrastructure sector. Can you report to us whether there has been any progress made in that area, that you can identify?

Mr Deegan: There is a range of issues. First is this national planning process. While planning should only be directed to outcomes, it has been one of the weaknesses that Infrastructure Australia has identified. That is improving, as shown during the questions asked by Senator Nash and Senator Macdonald relating to both ports and freights, and, indeed, the questions from Senator Joyce about the inland rail network. In our cities, that planning is improving as well. There is still a host of issues to do with regulation in our road networks and, indeed, the governance issues around roads and pricing generally, particularly in water and our road system.

Senator BACK: Your second and third both related to financing reform, particularly, quoting what you said here, developing practical options to secure additional private funds for necessary investment infrastructure and,

in the same line, expanding the infrastructure pipeline with an emphasis on projects that could be privately funded. Can you give us examples of where the progress has been made in those areas that you identified?

Mr Deegan: In the state of New South Wales there is a range of private sector proponents carefully looking at a range of both road and rail projects. Similarly, in Queensland and Victoria there are discussions around both the east-west road network and the Melbourne metro. There is private sector interest. There is substantial private sector investment in a number of railways—both the inland rail you mentioned earlier, potentially Melbourne to Dunbarton—and similar opportunities that will arise in Western Australia and South Australia. Discussions in Tasmania are more around the regulatory framework that might ensue to give the private sector the opportunity to invest.

Senator BACK: Going forward again, in the report you have presented you identify four key infrastructure related challenges, the first of which—and you provided a graph supporting it, comparing our performance with other countries—is the decline in the rate of national productivity growth and the uncertain prospects for future improvements in productivity, obviously in your instance as it relates to infrastructure. Again, can you identify areas there where you believe we can achieve improvements?

Mr Deegan: Our primary focus around providing advice to governments on infrastructure spends is related to a direct relationship to where there is an improvement in productivity. We do get a range of projects that are perhaps more in the wish list category. Our interest is in those that will substantially lift our productivity. Hence we have a great interest in the financial and economic performance of our ports and our freight system. We are interested in the efficiency and, indeed, all the issues that go with it—moving people in and out of workplaces, again road and rail and the like, and indeed the planning systems that relate to that. We see those as a host of areas that, properly managed, can lift the national productivity.

Indeed, I am aware at, for example, the port of Brisbane there has been a dramatic lift in productivity based on its financial performance. If that were replicated around the country, our port system would be doing much better.

Senator BACK: During the estimates in May, I discussed with you one of the pieces of evidence to a Senate committee that I chaired with regard to engineering and related skills, and I think we quoted from Engineers Australia, who believe that in infrastructure projects alone there was a loss of some \$6 billion a year because of either poor documenting, poor tender preparation or allocation or performance under the projects, or, indeed, going back and redoing the work afterwards. I asked you to look at that because, at that time, I think you were not aware of that evidence. Would you share with the committee whether or not you think that that figure is an accurate figure and what action in fact could be taken to limit it, given the fact that a significant proportion of infrastructure projects are publicly funded?

Mr Deegan: I did go back and read that material, and I thank you for that. Infrastructure Australia has recently released a report on benchmarking the procurement process within governments and the sorts of issues that you and, indeed, Engineers Australia have raised about the quality of our assessment of proposals put before procuring agencies across the Commonwealth and the states and local government. That report, which is available publicly and through our website, identifies a host of issues which, if there were changes in the procurement approach, could dramatically improve our financial performance in those areas.

Proceedings suspended from 10:46 to 11:00

CHAIR: Welcome back. We are questioning Mr Deegan of Infrastructure Australia. Senator Back is in continuation.

Senator BACK: Before the break we spoke of the figure of the \$6 billion indicated by engineering Australia with regard to projects. I thank you for your answer. Subsequent to that I have had discussions with industry representatives who have also said to me that the estimated cost of litigation between the parties over the last 12 months relating to disputes in infrastructure projects, either complete or not, is also \$6 billion a year, which seems to me to be a remarkable and horrific figure. I wonder: is it also a sign that there is a fundamental fault or error in the whole process if the parties are budgeting for and expending six thousand million dollars going through legal processes that you would have thought could have been either avoided, prevented or action taken at the beginning to ensure we do not see waste of that type?

Mr Deegan: I am not aware of the \$6 billion figure for litigation, but there are substantial commercial disputes that do arise. We see those both in design and construct, PPPs, alliances and the like, often to do with the relationships first established on the commercial principles. It is I think beholding on all of us, particularly those of us within government, to get their procurement frameworks set up properly at the commencement to make sure we have the right governance structures in those arrangements and ensure that where disputes arise they are dealt with expeditiously.

Senator BACK: Have we got examples in Australia where that in fact is happening and which could actually be used to benchmark others to try and minimise this cost?

Mr Deegan: In the report we have released about benchmarking infrastructure procurement there are a range of examples where things worked very well and some other examples of another nature. We think that report, which has been widely welcomed by both industry and governments, hopefully will be another starting point in those relationships.

Senator BACK: So that is publicly available?

Mr Deegan: It is, Senator, and we will get you a copy.

Senator BACK: Thank you. I appreciate that.

Senator LUDLAM: In May I asked about Infrastructure Australia funding that has been awarded to support extractive industries as opposed to funding that has been awarded to support, for example, passenger rail or passenger transport initiatives. We had a bit of an exchange about that. I asked you for a more detailed breakup of the projects that received funding. The response that I got back was pretty unedifying. What you put back to me was that you recommend projects that provide economic benefits and grow wealth for all Australians. Can we dig into this a little bit? How to define or quantify economic benefits? How do you make a judgement call between the economic benefits of the light rail project that you assisted funding in the Gold Coast and a railway line for a coal port?

Mr Deegan: I am not aware we have recommended funding for any railway lines to coal ports. We have recommended funding for light rail. The economic assessment is undertaken on the same basis for all projects that are submitted to us. Our answer to your question on notice is it is based around ensuring there is genuine improvement in the national wealth.

Senator LUDLAM: I am not sure how you would distinguish between infrastructure for the use by the mining industry and something like passenger rail initiatives. I am not taking a shot because you have funded passenger rail.

Mr Deegan: Indeed, Senator, we take the same approach. What are the economic benefits of these particular projects?

Senator LUDLAM: I do not understand what methodology you would use to weigh those up. Are you able to provide us then with some data on how many projects you have recommended the funding for that were primarily for the use of the resources sector.

Mr Deegan: I would give you the same answer we provided on notice—that is, we look at projects that build for the national wealth.

Senator LUDLAM: That is really general.

Mr Deegan: We get projects across all spheres. We get passenger transport projects, water projects, telecommunications proposals, energy and the like. The assessment is based on how it builds national productivity and economic wealth. Hence there are a range of projects we have recommended, for example, light rail on the Gold Coast. That was a substantial congestion issue. The problem of moving people is severe on the Gold Coast. The options provided included alternatives about heavy rail, buses, more roadway space. The proponent recommended the light rail project. We considered that very carefully and indeed recommended that to government and it was subsequently funded on the basis that it would provide economic wealth to the nation.

Senator LUDLAM: I am hoping, and I am sure the chair would agree with me, to get a project of just that nature from the Western Australian government on your desk so you can assess that. It has not happened yet.

Mr Deegan: We do have a light rail proposal for Perth from the Western Australian government.

Senator LUDLAM: Will there be anything further beyond the \$4 million you funded to assist with the feasibility work?

Mr Deegan: We have taken that to the next step and we currently have the proposal before us that we are considering.

Senator LUDLAM: That is very interesting. Can you please describe for us what that proposal is. Is it a full scope for project funding?

Mr Deegan: I would have to check that for you. We are only in the process of providing draft advice to the council, so I would have to check the detail of that for you.

Senator LUDLAM: But can you confirm for us here that the state government has gone beyond the very welcome funding that was budgeted in the last—

Mr Deegan: I would need to confirm that. I can tell you that it has put a proposal to us for a light rail in Perth.

Senator LUDLAM: I am trying to make the distinction between a study and a project.

Mr Deegan: Yes, it is for a project.

Senator LUDLAM: Thank you, it is very much appreciated. I did ask last time and maybe it got lost in the post whether you could provide for us a breakup of projects. I will ask you again. Could you provide for us a breakup of projects that were primarily for the use of the resources sector as opposed to other projects. Was that not possible to do?

Mr Deegan: I will provide the same answer.

Senator LUDLAM: But you did not provide an answer.

Mr Deegan: We provide an assessment of projects, which we publish—it is transparent and available publicly each year—about the projects and their contribution towards national wealth. We do not do the breakdown you sought.

Senator LUDLAM: You assured me last time in May—

Mr Deegan: Which I took on notice and subsequently provided the answer.

Senator LUDLAM: No, the answer was that you would be happy to provide a breakdown of those.

Mr Deegan: I took it on notice to carefully consider the answer. I provided the answer that was subsequently published.

Senator LUDLAM: You did not. You gave me a paragraph. Are you telling me you are not going to provide me with a breakdown?

CHAIR: The answer has been taken away on notice, as Mr Deegan said. He has provided an answer. It may not be the answer that you desired. Time is tight so I would encourage you that rather than talk in circles, if we could not get bogged down, to move on because I still have questions of Mr Deegan as does Senator Edwards.

Senator LUDLAM: Are you tracking the project that the Commonwealth is undertaking for 100 per cent renewable energy models for the national electricity market?

Mr Deegan: I am aware of it. I am not tracking that directly at the moment.

Senator LUDLAM: This might end up becoming quite an important part of the work that you do if proposals for expansion of the grid into prospective renewable energy areas end up being recommended. Has your advice been sought in the production of that work?

Mr Deegan: We were involved in a general discussion around some of these issues. I expect that in the next 12 months we will be more heavily involved.

Senator LUDLAM: You will be more heavily involved?

Mr Deegan: Yes.

Senator LUDLAM: This is my last question. You will be aware that that study does not incorporate any of the grids in Western Australia or the Northern Territory; it is only handling the east coast integrated network. Could I just invite you not to neglect Western Australia and the Territory when you are involved in those discussions.

Mr Deegan: Certainly. I think Western Australia and the Northern Territory are very important parts of the Commonwealth, and we consider those as you would hope for.

Senator LUDLAM: That is a relief.

CHAIR: Mr Deegan, I have a couple of quotes here; I would like to put them to you. This one was put to the 56th federal council of the Liberal Party meeting or conference on 30 June 2012 by Mr Abbott:

After discussions with Infrastructure Australia and state governments, I—

Mr Abbott—

can announce that the Coalition will commit \$1.5 billion to the East-West Link road tunnel in Melbourne, \$1.5 billion to the M4 East in Sydney, and \$1 billion to the Gateway Motorway upgrade in Brisbane.

Are you aware of that announcement, Mr Deegan?

Mr Deegan: I am aware of the announcement.

CHAIR: And did Mr Abbott actually have discussions with Infrastructure Australia about those projects?

Mr Deegan: While my office has not had discussions with Mr Abbott, it is possible that he may have had discussions with individual council members.

CHAIR: And you do not know who that could have been?

Mr Deegan: No.

CHAIR: In that case, could you take that on notice and get back to us and let us know who may have had that conversation with Mr Abbott? What is the normal procedure if someone is going to have that discussion—say, the leader of a party or an opposition? Do they ring you up and say, 'Michael, do you want to get together for a cuppa and a chat?'

Mr Deegan: There are a range of processes that are engaged with each of the jurisdictions. Sometimes it is done within the public sector. In some jurisdictions it is done by the head of government, typically the premier or the chief minister. On other occasions, it would be the relevant minister—a transport minister or an energy minister. There is a range of processes and discussions we undertake.

CHAIR: Have either of those three states—Victoria, New South Wales or Queensland—made approaches to Infrastructure Australia on these projects?

Mr Deegan: Yes, and the projects to which you refer, and, indeed, Mr Abbott referred, are listed in our report to the Council of Australian Governments 2012. At page 102, two of those projects are listed at 'Real potential' and one at 'Early stage'.

CHAIR: As to those figures that are quoted by Mr Abbott, are they consistent with the approach from the states?

Mr Deegan: Each of those projects is a substantial project in its own right and would be worth many billions of dollars. Again, our role is to advise, and it is for governments then to decide on funding allocation.

CHAIR: There is also another quote, from a doorstep in Melbourne on 1 July, from Mr Abbott, where he says:

... I explicitly discussed this specific project—

East-West Link—

with Infrastructure Australia before making the announcement.

I did ask you earlier, 'Has he had that conversation with you?' But 'explicitly' says to me quite clearly that, make no mistake, the conversation has been had. If there had been a conversation to that degree, would you not have been aware of it at some stage?

Mr Deegan: I was not aware of that.

CHAIR: Is that normal—for announcements to be made by political leaders without you knowing?

Mr Deegan: I do not think political leaders need my permission to make comments. In the normal course of events around these projects there is some discussion, but, again, it may have taken place with an individual council member.

CHAIR: So you will take on notice for the committee—

Mr Deegan: I will seek to gain that information.

CHAIR: who that should be, and we will look forward to getting your reply back, Mr Deegan. Thank you.

Senator IAN MACDONALD: Just on that same matter: Mr Deegan: you would speak with Mr Truss or his office regularly, I assume, would you?

Mr Deegan: Again, it varies. It depends on the issues that arise.

Senator IAN MACDONALD: Yes, and you speak to us across the table, but I was particularly thinking about Mr Truss, who is the infrastructure spokesman. Have you had discussions with him or his office?

Mr Deegan: Not in the course of this role, but in other roles I have certainly had close contact.

Senator IAN MACDONALD: How many members does your board consist of, including the chairman?

Mr Deegan: There are 11 members and the chair—a total of 12.

Senator IAN MACDONALD: And the chair is Mr Eddington?

Mr Deegan: Sir Rod Eddington is the chair.

Senator IAN MACDONALD: You will be seeking some information for Senator Sterle. I suspect that some of your board members may be reticent about disclosing private conversations, but we will see what they say.

CHAIR: On that, the Leader of the Opposition has come out and done a doorstep and he has already said it has been explicitly discussed. As a potential future Prime Minister, I do not think there should be any secrets about who he discussed this with if it relates to forming a policy to take to the next election. So I would not for

one minute accept that there was an in-confidence conversation. It is taxpayer dollars that we are talking about. I do not think Mr Abbott would have any reason to want to silence anyone he had a discussion with.

Senator IAN MACDONALD: No, but the people who pay the bills for Infrastructure Australia, which are the current government, which are the Labor Party, may well be reticent.

Senator Kim Carr: If I can follow the line of inquiry, the normal procedure for members of the opposition who wish to contact departmental officers is to seek a briefing from the minister's office. I am not aware, and the department is not aware, that that has been done. It is a serious breach of protocol for there to be approaches directly to officers in regard to information of the type that you are suggesting. But it would appear from what Mr Deegan has said that there have been no approaches to the officers directly.

Mr Deegan: That is right.

Senator Kim Carr: If there has been, there has been a serious breach of protocol.

CHAIR: I am sorry, Mr Deegan. I just took it from your answer that this may happen quite regularly. I interpreted that wrongly. So it is not the case that anyone can just pick up the phone and say, 'Hey, we need to have a chat,' without following the proper procedure?

Mr Deegan: The procedure identified by the minister is correct. There is a slight nuance in this in that my appointment is as a statutory authority. My arrangements are slightly different. But I can confirm that I have not had an approach from Mr Abbott or his office on this matter.

CHAIR: To the best of your knowledge, have there been any other announcements made on behalf of Infrastructure Australia that you had not had any knowledge of?

Mr Deegan: We provide an annual report. Our work is transparent. The reports are clearly identified. That is the proper protocol that we follow.

CHAIR: I got all excited—I was going to rush out to the west and say I had had a chat with you in the hallway and we were going to get the widening of the road between Carnarvon and—

Mr Deegan: I could not do that.

Senator Kim Carr: My understanding of the protocol is that for statutory authorities it applies as well. Certainly in my case, I have never refused a briefing. I understood it was actually the practice of the government to follow that course of action. But there is quite a serious issue here about the way in which the Public Service is approached by the opposition.

Mr Deegan: In any event, it did not occur. I think that is the nub of this.

CHAIR: There was absolutely no conversation with Infrastructure Australia. Mr Abbott has made this up on the run, I take it. I do not expect you to comment on that. That is my take on it. I will clearly say that it is quite frightening if the Leader of the Opposition can go out and do a doorstep using the words: 'I explicitly discussed 'I explicitly discussed this specific project'—being the East West Link—' when, as we have found out, that is not the case.

Senator WILLIAMS: Chair, didn't Mr Deegan say that he had not spoken to Mr Abbott but someone else from his committee or his board may have? Are you going to find that out?

CHAIR: We have established that it is against protocols to even contemplate doing that. As far as Infrastructure Australia is concerned, Mr Deegan is the head, it has not happened, and if it has there has been a serious breach of protocol.

Senator LUDLAM: Should we ask Mr Deegan to take on notice whether other officers have done so?

CHAIR: Mr Deegan has taken that on notice.

Senator EDWARDS: It has already been asked; you have already asked that.

CHAIR: That is correct; Mr Deegan has taken that on notice.

Senator EDWARDS: Earlier this year I was in Tasmania on a food-processing inquiry and I had been preceded by Infrastructure Australia, who were down there reviewing the freight differentials. We are looking to come up with something for industry in Tasmania to do with the problems that we have with freight. It did come up at the last estimates, but do you know where that project, of trying to re-enfranchise Australia with the rest of Australia, the mainland, is at?

Mr Deegan: I published a report to Minister Albanese on issues associated with freight to and from Tasmania. In parts of Tasmania, that was considered reasonably controversial, as I suggested that there should be a proper consideration of the amount of subsidy provided. That report is publicly available.

Senator RHIANNON: Have you considered the assessment that Mr Ron Christie, former head of state rail and the roads and traffic authority in New South Wales, made of the approach of Infrastructure New South Wales to fund completion of motorways with no plan to improve public transport services? He made the interesting comment:

That example indicates that without other measures, just taking a roads approach to the problem is doomed to fail. It is back to the 1950s. It is a real LA-type solution.

Has Infrastructure Australia considered his comments? What is IA doing to overcome the bias towards roads for transport infrastructure spending on passenger commuter services?

Mr Deegan: We have the Long Term Transport Master Plan developed in draft form by the New South Wales government and we have a major report from Infrastructure New South Wales on a host of infrastructure issues including transport. We have been engaged in both of those processes. We have agreed to undertake a process to work through with Infrastructure New South Wales the range of recommendations and considerations that they have made. In particular, I understand that a copy of the first submission on the WestConnex project will be provided to my office today, but, obviously, we are yet to undertake any assessment of that project.

Senator RHIANNON: Do you give feedback to states with regard to the balance between public transport and roads?

Mr Deegan: What we try to do—and, indeed, I come to another piece of work that we are undertaking at the moment—is look at the projects within the holistic view of the city or the state, or, indeed, the nation with some of the work around freight. As part of that, we had commenced some work on a national public transport strategy. That work is well advanced. I think it would be fair to say that the Infrastructure Australia council would like to see how that relates to roads so that the two major transport approaches are considered together. Certainly, the report from Infrastructure New South Wales gives a lot of time and effort to the opportunities and cost-benefits of using more buses, and that is something that we would certainly welcome in terms of using the road asset in a more efficient and effective manner.

Senator RHIANNON: So Infrastructure New South Wales argues that most journeys in Sydney are by car and, therefore, the city needs more motorways before new public transport projects. Do you have a view on the priority for infrastructure spending in Sydney? Do you have a way to judge what comes before you from Infrastructure New South Wales?

Mr Deegan: Again, we would look at both the document prepared for Minister Berejiklian about the Long Term Transport Master Plan and the report provided through Mr Greiner to the Premier on the proposal. So we have two major documents that we will work through as part of our assessment.

Senator RHIANNON: Would you outline the process that will now occur with the WestConnex proposal that comes before you.

Mr Deegan: Certainly. Indeed, in public comments earlier this year I provided a report to the federal government on a range of issues associated with the M5 in particular and the potential upgrade. We have a couple of key interests in that discussion, but certainly the major one is the effectiveness of moving freight to and from Port Botany. I am not sure that necessarily all in the community in Sydney understand that we are moving from a relatively moderate sized port of two million containers to potentially eight million containers, which is the size of Hamburg, which is a very, very large port. So the freight issues associated with these developments are quite important.

As we look at the Infrastructure NSW report and the long-term transport master plan provided by New South Wales, our particular initial interest will be in understanding how those freight movements will be made effective, whether by road or rail or a combination, and then deal with a host of passenger transport issues that come under that.

CHAIR: I will get you to ask your last question and then we will put the rest on notice and move on.

Senator RHIANNON: Could you take on notice the actual process: when you give feedback on New South Wales and when you will be making decisions on aspects of freight and the other details we have put before you.

Mr Deegan: Certainly, but, in short, we receive the proposal, do an assessment, the draft goes to Infrastructure Australia council, they consider that and once that consideration is taken we give our draft assessment back to the New South Wales government—or the relative government in most cases—and then take our process forward from there.

Senator RHIANNON: Can you give us a timeline when that is likely to happen?

Mr Deegan: The end of this month to the council, back to the New South Wales government within the next month, formal advice back to Infrastructure Australia Council in about February and then formal advice on the stage that we might recommend, if at all, in the lead up to the budget. Then we publish all of our work annually in June.

Senator RHIANNON: Thank you.

CHAIR: We will now call officers from National Building--Infrastructure Investment.

Senator WILLIAMS: Could you update me on the planning for the Scone level-crossing. Mr Foulds told me last time that cost estimates were expected at around this time.

Mr Foulds: The five options are being considered by the major project review committee at the end of this month. Then a public display of options will commence on 12 November, and will be open until 30 November. This is advice from RMS, yesterday. A community workshop will be held during this period, including a value management workshop in the first week of December. That the report will be completed by the end of December is the advice I have at the moment.

Senator WILLIAMS: Until that report is completed on which way it is going to be tackled, there will be no costing, I imagine.

Mr Foulds: There will be no costings until then but there will be five options that will canvassed. There will ultimately be a preferred option, and there will be costs available associated with that option.

Senator WILLIAMS: Can you briefly give me those five options, please.

Mr Foulds: There is one which is a New England bypass to the west of town.

Senator WILLIAMS: Is that a bypass right around the town?

Mr Foulds: South of Scone. There is a realignment with the New England Highway to Muffet Street, north of Scone; a road over a rail bridge at Kelly Street rail crossing; and a rail realignment option and railway station. That is the broad scope that is being addressed and will be available for public comment in November.

Senator WILLIAMS: Hopefully by the end of December we might have some direction on which one of the five options will be taken. Will it then require state funding as well as federal funding or, being the New England Highway, will that just be a federal responsibility?

Mr Foulds: That will be a decision for government.

Mr Mrdak: The government position though is that the government will start seeking 50-50 funding on nation-building projects. So we would be seeking a state contribution, most likely, to any project.

Senator WILLIAMS: Fifty-fifty.

Mr Mrdak: Yes.

Senator WILLIAMS: With this period of consultation about which option of the five to take, you will obviously consult with, for example, the trucking industry—the Australian Trucking Association and groups like that—or is it just with the council there at Scone? Who is involved in that consultation period and on which option?

Mr Foulds: The consultation or public display is a public display and it is run under the aegis of RMS. Specific details I do not have at hand.

Senator WILLIAMS: Has the heavy vehicle safety and productivity program been audited to ensure it is delivering good outcomes?

Mr Mrdak: Yes, an audit of the program was undertaken as required by the legislation. I am advised that it has been tabled, and we would be happy to provide an additional copy for you.

Senator WILLIAMS: Has the audit identified any shortcomings?

Mr Mrdak: It has certainly identified some areas of improvement which have been picked up in the guidelines for the new rounds 3 and 4, which the government is now progressing with, particularly in relation to how we identify projects in consultation with industry and also setting quite early some performance benchmarks for the program so that we can do a much clearer evaluation of the benefits of the projects. Those recommendations which have been set out in the report have largely been adopted by the government and are built into the guidelines for the next two stages of the program.

Senator WILLIAMS: Did the audit identify any shortcomings, any places where there is room for improvement?

Mr Mrdak: It certainly identified some of the targeting of projects. I think it is fair to say we needed to improve some of the process of consultation with industry.

Mr Jagers: The review recommended programs similar to the first two rounds of the heavy vehicle safety productivity program to continue to focus on safety related projects but that the break up of funding should be focused on projects which deliver the greatest benefit. It also recommended that jurisdictional road authorities should conduct more detailed industry stakeholder consultations to identify and determine the proportion of the priority areas in need of road infrastructure investment and also to improve the planning and design of future projects. So we have tried to build those aspects of industry consultation into the third round of the heavy vehicle program.

Ms O'Connell: It should be said, though, that the report also identified that the program delivered the outcomes sought under the program.

Senator WILLIAMS: As I said last time, I think the government is short-changing the transport industry with the road user charge increasing and carbon tax on diesel fuel—but that is another issue—and only \$140 million set aside for rest stops over the next seven years. Can you give us clarification on the transport rest stops? Has there being any increase in the amount of funding being directed towards truck stops?

Mr Mrdak: As you said, the government has committed \$140 million to the heavy vehicle safety program and also an additional \$10 million to improve the safety of trucking operations in relation to livestock saleyards and holding facilities. The program has now been rolled out and the guidelines are now out. Proposals are being developed by the heavy vehicle industry with state and local government. Project proposals are due to us by the end of this month, which will enable the government to take some decisions on the allocation of the next two rounds. So that issue of truck stops will be picked up in the next two rounds of the heavy vehicle safety program.

Senator WILLIAMS: Can you give us some clarification on the livestock transport industry projects? What are the criteria for applications? Can local governments apply for them?

Mr Mrdak: Yes. In the guidelines we make it clear that, while we are seeking the applications to come through the respective state governments, it is open to local governments to bring those forward. We have asked the state governments to work with local government, agricultural groups, livestock associations and the like to make sure we get a full range of projects coming forward in relation to saleyards and livestock infrastructure.

Senator WILLIAMS: If, for example, the council area that I live in wanted to apply for a grant for safety projects for livestock transport, whether it be an area to unhook trailers, or livestock ramps or whatever, do they apply to the state government or to the federal government?

Mr Mrdak: We have asked them to apply to the state government and to send the application to us at the same time. They will come through the state government.

Senator WILLIAMS: How much funding has been set aside for livestock transport industry projects in the next financial year?

Mr Jagers: Round 3 of the heavy vehicle safety productivity program over 2012-13 and 2013-14 is \$50 million, and livestock projects—

Senator WILLIAMS: Is that per year or for the two years?

Mr Jagers: That is over two years. And then it is \$20 million per year after that.

Senator WILLIAMS: It is \$25 million for the first years and \$20 billion after that.

Mr Jagers: We have run the program in rounds. We select projects for funding over a two-year period. That is how we did rounds 1 and 2 and it is how we are rolling out round 3. That \$50 million is for the whole program and we would expect a number of livestock projects within the envelope.

Senator NASH: I want to refer to an answer to my question on notice No. 114, which was around the contingency reserve. I think you said at the time that you thought there might have been around 20 projects in the contingency reserve fund, but, when the list was released, there were only nine projects listed. So there are definitely only nine projects in the contingency reserve fund?

Mr Jagers: That is correct.

Senator NASH: And that has not changed since the answer to the question on notice?

Mr Jagers: That is correct.

Senator NASH: Can we just run through them very quickly. Can you advise the current status of each project and why it is in the contingency reserve fund. Firstly, can you tell me about inland rail reconstruction.

Mr Mrdak: All of these projects are government commitments for Nation Building 2. The program commences in 2014-15—that is the first year of the program. That is why, at the moment, they sit within the contingency reserve—because some of them go well beyond the forward estimates. So each of these is a commitment of funds that will be in the next Nation Building program—from 2014-15 to 2018-19.

Senator NASH: I take it they all have exactly the same status?

Mr Mrdak: That is right. They are government commitments to projects that will be in the Nation Building 2 program.

Senator NASH: Has funding for each of those projects been allocated out of the contingency reserve even though it is sitting there against each of those projects?

Mr Mrdak: It is a government commitment at this point, sitting in the forward estimates.

Senator NASH: I will quickly run through them. Please correct me if my understanding is wrong. Inland rail reconstruction—\$300 million.

Mr Mrdak: That is correct.

Senator NASH: Parramatta to Epping rail link—\$2.08 billion.

Mr Mrdak: That is correct.

Senator NASH: Moreton Bay rail link—\$742 million.

Mr Jaggers: Yes, that is correct. The funding for the project is partly in Nation Building 1 and partly in Nation Building 2.

Senator NASH: Which part is in Nation Building 1?

Mr Jaggers: There is a \$550 million in Nation Building 2 and the remainder sits in Nation Building 1.

Senator NASH: Richmond Bridge—\$18 million.

Mr Jaggers: Yes, that is correct. There is also \$2 million in Nation Building 1 for that project.

Senator NASH: Princes Highway West—\$257.5 million.

Mr Mrdak: That is correct.

Senator NASH: Great Eastern Highway—\$60 million.

Mr Mrdak: Nation Building 2, yes.

Senator NASH: Tasman Highway—\$13 million.

Mr Mrdak: Yes.

Senator NASH: Legacy Way Northern Link Tunnel—\$500 million.

Mr Mrdak: Yes, with \$400 million in Nation Building 2.

Senator NASH: F3 to Sydney Orbital—\$150 million.

Mr Mrdak: Yes.

Senator NASH: Just to clarify, I think you said the funding would be available for each of those in 2014.

Mr Mrdak: From 2014-15—as part of Nation Building 2.

Senator NASH: Is there any greater definition of the availability of that funding apart from just 2014, or is that it?

Mr Mrdak: Some of it is profile, but not all. It depends on the receipt of project proposals from the jurisdictions. As I said, some of those amounts also include some funds which were expended in the last years of Nation Building 1.

Senator IAN MACDONALD: Last time, I asked you to give me a schematic or a dot-point update on how much of the \$52 million and \$32 million which was to be spent on remote roads in the Northern Territory and Cape York respectively had been spent and how far we were from completion of the work. Mr Jaggers said you would take that on notice. I cannot see an answer to that. Was there an answer to that?

Mr Jaggers: There was an answer to that question.

Senator IAN MACDONALD: Perhaps you could repeat the answer.

Mr Jaggers: I do not have it in front of me, but we can get it for you.

Ms O'Connell: Senator, do you have the question number?

Senator IAN MACDONALD: No. It was page 113 in the last estimates—that is all I can tell you.

Mr Mrdak: I think the committee secretariat has it, so they should be able to provide it for you. But we are happy to follow that up.

Senator IAN MACDONALD: Okay, I will have a look at that.

Senator RHIANNON: I have some questions about the Connecting People component of the Nation Building 2 package. What proportion will be available for the Connecting People component of the program?

Mr Mrdak: The government have yet to reach any decisions in relation to the funding categories. They have announced in this year's budget the framework for Nation Building 2 around four key themes, one of which is Connecting People. Decisions on individual projects, beyond the ones we have just discussed with Senator Nash, are yet to be taken by government and future commitments are yet to be made.

Senator RHIANNON: I am also interested in the percentage that would be available for Urban Living. Do you mean the decision has not been made on specific projects, or that you do not have guidelines on how to make those decisions yet?

Mr Mrdak: The government has set out the program structure and the way it will operate in this year's budget. Decisions on the funding envelope and individual projects are yet to be made. They will be made in future budgets.

Senator RHIANNON: So what has been communicated to the states? Do the states know what proportion will go into these different areas?

Mr Mrdak: No. We have simply sought project proposals from jurisdictions based around those themes and priorities. We have not set funding envelopes or the like around individual elements of those for items.

Senator RHIANNON: So they do not have advice on how much they can apply for?

Mr Mrdak: No. They will be future decisions taken by the government in the budget.

Senator RHIANNON: And when will those future decisions be made?

Mr Mrdak: We anticipate decisions in next year's budget.

Senator RHIANNON: So nothing will be available until next—

Mr Mrdak: These are matters for future budget allocations by the government. As the government has made clear, these are obviously difficult fiscal times. The government will make resourcing allocations to infrastructure as part of its budget allocation across the whole of the forward estimates.

Senator RHIANNON: So this is really all on hold—the Connecting People aspect and all aspects of the package—until next—

Mr Mrdak: No, it is not on hold. There is quite a considerable piece of work no going on—and Mr Deegan mentioned some of it. Essentially we have sought project proposals from the jurisdiction around those priority areas for the Commonwealth around future funding and future arrangements. We have received project proposals from the jurisdictions for projects over \$100 million and also for projects below \$100 million out over the next five-year program. We are currently assessing those, along with Infrastructure Australia, and we are providing advice to the government. We anticipate that the government will consider the future of the program in the forthcoming budget process.

Senator RHIANNON: Could you share with the committee any information you have about the Connecting People component of the program.

Mr Mrdak: At this stage what is available is the material that was released in this year's budget in relation to the sorts of projects we are seeking. As I said, we are now working through project proposals that have been put forward by state governments against the Connecting People theme.

Senator RHIANNON: I understand that state governments have already submitted Nation Building 2 proposals to the federal government. Can you outline how it is that they can submit a proposal when the guidelines are still to be released?

Mr Mrdak: The program guidelines, as I said, were set out in this year's budget. They have submitted project proposals for the five-year program.

Senator RHIANNON: Have the guidelines been set out for the Connecting People component of the program?

Mr Mrdak: We sought projects that will fit under that in terms of the guidance that have been given so far.

Senator RHIANNON: So there are guidelines for the Connecting People part?

Mr Mrdak: Yes, which were announced in the budget this year.

Senator RHIANNON: When did they come out?

Mr Mrdak: On budget night this year.

Senator RHIANNON: Of the proposals received by the states, what percentage are devoted to the Connecting People part of the program and Urban Living?

Mr Mrdak: It would vary across individual jurisdictions. I would have to take that on notice.

Senator RHIANNON: You mean that it varies from state to state?

Mr Mrdak: Yes.

Senator RHIANNON: Okay, you can take that on notice. Thank you. What sort of community consultation would you expect the states to undertake in order to put in their submissions for the Connecting People funding?

Mr Mrdak: Again it varies among the jurisdictions. Some of them have been through quite detailed planning and community consultation processes. Other projects, I think it is fair to say, are at the more strategic planning level. I do not think there is a clear indication of which projects have been through detailed consultation and which ones have not.

Ms O'Connell: I also think in relation to that aspect that it is very much project dependent—the nature of the particular projects that the state has—in terms of the priorities.

Senator RHIANNON: The question was about what you expect the states to do. I understand that the states often vary it, but do you have any level of expectation with regard to community consultation?

Mr Mrdak: It will depend on the stage the project is at. Some projects have been through planning and environmental assessment processes, which do involve consultation. The bulk of the projects, though, are more likely to be at the stage of strategic planning. The information we are seeking is largely around the economic and connectivity benefits of the projects, which enables Infrastructure Australia and us to do an assessment of the project, rather than projects that have necessarily been through more detailed community consultation.

Senator RHIANNON: Could you outline the process for the Maldon to Dombarton rail link, particularly given that specialist engineers and environmental advisers are being sought to make the assessments.

Mr Wood: As you would be aware, last year the Prime Minister committed \$25.5 million for detailed planning work on the Maldon to Dombarton study. The minister approved earlier this year a proposal by New South Wales to take that forward, and they are currently undertaking the procurement for the services which you described. I understand those tenders close this Friday.

Senator RHIANNON: How soon after that will you be making a decision on which tender is successful?

Mr Wood: We do not make that decision; it will be a matter for the New South Wales government. We sit on the project steering committee and associated governance, but we do not make the decision on the tender; that is something New South Wales does. As to the specific timing of that, it would typically be a small number of months. So I would expect it would be either late next year or early next year, but I do not have a specific timetable for that.

Senator EDWARDS: I want to take you to question on notice No. 138. I asked a series of six questions and your answer was that the Australian and South Australian governments are continuing discussions on this matter. I would like to revisit that if you would not mind. It is to do with the Gawler line modernisation project, for which the state government suspended its funding. How much of the \$293.5 million committed under the Building Australia Fund has been expended so far?

Mr Mrdak: My understanding is that \$41 million is already with the South Australian government this year, and \$35 million is due to be paid next financial year on the project. The balance has been expended.

Senator EDWARDS: How was the original federal funding agreement affected by the South Australian government's decision to suspend the project?

Mr Mrdak: The Australian government's position is that the money is only available for that project. Were that project not to be completed in accordance with the project proposal, the Australian government would be seeking a return of its funds.

Senator EDWARDS: Okay, we will come back to that. Specifically which components of the project has the Commonwealth funding been spent on which will not be used as a consequence of the South Australia government suspension?

Ms O'Connell: The project—and I will ask Mr Wood to talk in more detail—involved the electrification of the line to Gawler. Following the South Australian government decision not to continue to fund the project, and

relevant milestones related to that aspect of the project, we would not make that payment and seek to recoup the funds involved. We are going through a process of reconciliation at the moment with South Australian officials.

Senator EDWARDS: Are you able to provide the committee with the original application for funding to the Building Australia Fund for the Gawler line modernisation project?

Mr Mrdak: We can take that on notice. We do not have it with us but are happy to take it on notice.

Senator EDWARDS: If the South Australian government had not intended to electrify the Gawler line—this is not a tough question because you have actually had this on notice for some time—would the project still have met the eligibility criteria under the original application?

Mr Mrdak: No, the Commonwealth funding was for the electrification of the Gawler line.

Senator EDWARDS: So it would not meet the eligibility criteria?

Mr Mrdak: The advice from Infrastructure Australia and the government's decision to fund this project was premised on the electrification of the line to Gawler.

Senator EDWARDS: So how come you have not asked for the money back, now? Clearly it has not filled the charter, has it?

Mr Mrdak: The South Australian government, in their budget, announced their position in relation to the line. We have been engaged in discussions recently. I had a discussion with the chief executive officer of the South Australian department on Friday which made it clear to him that, were South Australia to continue their current position, the Australian government will require a refund of its moneys.

Senator EDWARDS: That is a lot of money, isn't it?

Mr Mrdak: It certainly is, Senator.

Senator EDWARDS: Are they robust discussions?

Mr Mrdak: As two transport infrastructure officials we have a common goal which is to complete the project. We recognise that the South Australian government has fiscal pressures. They are cordial but firm discussions and I think the South Australian officials are well aware of the Commonwealth's position.

Senator EDWARDS: Do you reckon you been duped?

Mr Mrdak: No, Senator.

Senator EDWARDS: So, there was no provision in the original contract and the original provision of funds. Is this a gentleman's agreement or is there a provision you are relying on in the original funding agreement that says they have to give the money back? Did it state when they had to give it back or was that not omnipresent in the document?

Mr Mrdak: It was always an expectation. The project scope is set out in the funding agreement. Our expectation has been made clear to them. If the project does not continue to the scope to which the Commonwealth has agreed, or to an alternative which the Commonwealth will agree to, then the expectation is that the funds will be returned. That is where we are currently at.

Senator EDWARDS: When do you expect them? When do you expect the money back? In last Friday's discussion with your equivalent in South Australia, when did he indicate that the government would be able to provide you with your money back?

Mr Mrdak: He has not given me an indication of that at this point. That is a subject that will continue. I will formalise our conversation in a more detailed letter shortly.

Senator EDWARDS: So, they have not got the money to pay it back?

Mr Mrdak: That is not a matter for me; it is a matter for the South Australian government.

Senator EDWARDS: Everybody has a dose of the shorts. We are all trying to balance the budget. I am feeling for your minister here. He is probably trying to balance his.

Senator Kim Carr: I can assure you that is outside the standing orders to ask the officer for an opinion. He has given you an answer to the question.

Senator EDWARDS: There is a lot of money at stake here, Minister.

Senator Kim Carr: Yes, there is.

Senator EDWARDS: I am not trying to create mischief here. There seems to be a big disconnect in what was represented to happen and what did not happen. You blokes have spent a load of money—blokes collectively speaking in the unisex way. You have to be careful, Chair—and you have no idea when you are going to get the

money back because it seems as clear as night and day that they have not done what they were supposed to do to fill the criteria.

Senator Kim Carr: The secretary has indicated that the conversation is ongoing and I do not think we can take it much further than that.

Senator EDWARDS: I just want to know when you reckon you would be able to come back and say that the minister from South Australia has committed to give me back all these tens of millions of dollars by the next financial round or whatever. It is hard to lay your hands on tens of millions of dollars in any government budget. It is not unfair of you to get some repayment plan. My bank manager requires a repayment plan. I am sure that you are going, 'Well, you've stiffed us here, you blokes. You didn't do what you said you were going to do and when are you going to pay us back?'

Mr Mrdak: South Australia is looking at alternative proposals to put to us for the project. That discussion is ongoing. I think that is discussions were held some weeks ago.

Ms O'Connell: About three or four weeks ago we had detailed discussions.

Mr Mrdak: And, as I said, my discussion with the chief executive on Friday made it clear that, in the absence of an acceptable plan of works which met our original project scope, we expect a repayment. The timing of that is yet to be settled, but I would anticipate it to be very shortly. That would be the Commonwealth's expectation.

Senator BACK: You are not suggesting to us that prior to the actual contract being agreed and work commencing that the Commonwealth paid its moneys across? The funds would remain with the Commonwealth or they would remain in escrow, wouldn't they? They would not actually have been allocated to a state government.

Mr Mrdak: Some funds were paid, and—

Senator BACK: Some may have been, for scoping works, but not for the contract.

Mr Mrdak: Some funds have been paid, for which the works are yet to be completed, and that would be money that we would be seeking reimbursement of if the works do not proceed. It is a sum of around \$41 million.

Senator BACK: These are funds for works completed, I think I heard you say—is that right?

Mr Mrdak: Works committed, not completed as yet. If South Australia does not complete the works then our expectation is that those funds will be returned.

Senator EDWARDS: But they have announced that they are not even going to commence them.

Senator BACK: But they would be holding those funds in an escrow account, wouldn't they?

Mr Mrdak: They hold them, yes.

Senator BACK: In an escrow account? They would not go into their general revenue account.

Mr Mrdak: I do not know how South Australia is holding the funds.

Senator BACK: But, in general terms, if the Commonwealth makes an allocation of funds to a state or a territory from this particular vote, then those funds would not freely go into the general revenue accounts of that state or territory prior to works either commencing or being undertaken?

Mr Mrdak: We would expect that the funds are being held against this project, yes.

Senator EDWARDS: They should be back with you, those funds. As Senator Back rightly points out, those funds are sitting there. They should be saying, 'No problem; clear breach; we'll send the cheque back.'

Mr Mrdak: As I said, I am not as familiar with how the South Australian government is handling the funds.

Senator BACK: Perhaps you could take that on notice for us, if you would not mind. I would also be interested in knowing what happens to the interest that sits in those funds. They would be considerable sums of money. The interest might have helped in offsetting Commonwealth debt.

Mr Mrdak: We have standard provisions in relation to funds payable whereby interest earned is allocated back to the project with our agreement.

Senator EDWARDS: It came as a great shock to the people of northern Adelaide when the state government reneged on this, because it had essentially secured all the funding from the Commonwealth—from the minister. Everything was flowing along until the shock announcement, and now we find that they are dodging you on repaying the money.

Mr Mrdak: They have put to us alternative project proposals for utilisation of the Commonwealth money. At this point that has not met our requirements, and in the absence of them continuing—

Senator EDWARDS: That is very diplomatic, Mr Mrdak. They are rushing around trying to find another project to say that they can keep the money—I am just paraphrasing.

Mr Mrdak: I think what they are looking to do is to find ways to keep the project moving which meet the objectives of electrification as far as funds will allow at this point. I will just check: I think that is a fair description, Lyn, of where they are at?

Ms O'Connell: That is correct.

CHAIR: Senator Edwards, I am not keen to cut you off, but bear in mind that there are still another three speakers—

Senator EDWARDS: It is a big issue.

CHAIR: I am not keen to cut you off, but there are still another three senators, who have 20 minutes, plus Senator Macdonald did flick to the other side of the table. So I would just ask you to be mindful, and if you do want to continue asking I will just have to take it off one of your coalition colleagues.

Senator EDWARDS: I will come to a conclusion.

Mr Mrdak: Perhaps I could add something here. My colleague in South Australia gave some evidence to a parliamentary committee in South Australia last week, which has been reported somewhat in the media. He makes it clear in his evidence that the Commonwealth's expectation for the money is that the project will be completed, and they are working with us to see if there are alternative proposals. He is quite clear that if the proposals do not meet our requirements for the project then the money will need to be returned.

Senator EDWARDS: In the spirit of concluding, are you able to confirm to us that that is the message you have sent to them and also when you will expect that repayment? I will put the rest on notice.

Senator LUDLAM: The Commonwealth has made a contribution to widening the Great Eastern Highway in Perth. I put some questions to you last time. This is a \$686 million Commonwealth allocation.

Around traffic projections, you told us that with the volume of traffic forecast to 2031 the upgraded highway will be operating at its full capacity—in other words, we will have the same congestion we have today; it will just be wider. Can you tell us—and I will race through this pretty quickly and probably get to you to take some of this on notice—how many vehicles are expected to use the Great Eastern Highway by 2031 or provide the traffic modelling on those?

Senator Kim Carr: Before you go on we just need to correct the record on how you have summarised an answer.

Senator LUDLAM: Part of it was summarising, and some of it was editorial.

Senator Kim Carr: It was a bit of editorial. The officer would like to correct the record.

Senator LUDLAM: Go ahead.

Mr Pittar: I believe our answer to your question on notice 129 from last time said: 'With the volume of traffic forecast for 2031, the upgraded highway will be operating below its full capacity.'

Senator LUDLAM: I have 'at its full capacity'. There is an interesting typo. I will chase that. Thanks for that correction, if that is the case. Could you provide us with the traffic modelling on notice and give us an idea of how many vehicles are expected to be using that highway by 2031?

Mr Mrdak: We can certainly take that on notice.

Senator LUDLAM: Thank you. Was any demand management, whether that be better public transport, better cycling infrastructure or behaviour change, used at all for that modelling, either by the state or by you guys?

Mr Pittar: We will take that on notice. We would expect so.

Mr Mrdak: We expect it would. We normally require in our project proposals the evaluation of alternative options to be considered, so I am happy to take that on notice and come back to you in detail.

Senator LUDLAM: It has made an awful mess, but I recognise that these things do make a bit of a mess. Was there any consideration given, either in this project in others, to embedding NBN infrastructure as you go? If you are going to tear up a freeway—and I am interested in this in a more general sense than just Great Eastern Highway—or a bit of road, if it is a project that is being funded by the Commonwealth, do you contact NBN Co. and let them know that there are major works underway?

Mr Mrdak: Normally the project scheduling and the works proposals are with the states and territories, but I know NBN Co. does work pretty closely with most state jurisdictions. Obviously if there is an opportunity to joint trench they will do it. I am not familiar with the circumstances in this case, but I can ask that question.

Mr Jagers: I think in these case utilities were moved, so substantial work had to be done to move utilities, and the state government would have contacted all those utility owners and potential utility owners around that. That is usually managed by the state or territory government that is delivering the project.

Senator LUDLAM: So in the instance of this you are reasonably confident NBN Co. would have been contacted and advised?

Mr Jagers: I am saying that utilities were definitely moved, and the state government would have contacted relevant utility holders.

Senator LUDLAM: You used the words 'potential utility'.

Mr Jagers: That is what they do, yes. I do not know in this particular case whether NBN Co. was contacted, but we can take that on notice.

Senator LUDLAM: That is great—much appreciated. On that Perth light rail project, we heard some welcome news from Mr Deegan a short while ago that the WA government has actually submitted a project of some form to Infrastructure Australia. Do you have any visibility of that or are you just engaged at the moment on the feasibility study?

Mr Mrdak: We are certainly aware of the project proposal. Some states have sent us copies of their project proposals. I think we are still in the early stages of looking at that.

Senator LUDLAM: Are you able to table that proposal for the committee?

Ms O'Connell: We would have to check that the Western Australia government was comfortable in making these proposals public, but we can certainly take it on notice and check.

Mr Jagers: The government have not released any of the applications or submissions that have come in from jurisdictions, but we do know some jurisdictions have made public their proposals. But my understanding is that this one has not been made public.

Senator LUDLAM: That is my understanding as well. I am also somewhat concerned—and maybe this goes more to the feasibility work than the project proposal—that for the WA government's light rail network, as far as we have seen, indicative costs run to about \$50 million per kilometre. That is significantly more than our peer-reviewed study and analysis of local and international studies of the per kilometre cost of light rail, including electrical equipment, maintenance facilities and so on. Do you do any studies or do you try and validate when those sorts of costs come through the door, as to why it would be so expensive?

Mr Jagers: We do do work around the costings of each project, moving towards potential funding. We have not done any cost analysis of this project yet.

Senator LUDLAM: Would you be expected to do so at some point?

Mr Jagers: We would expect to do so, yes.

Senator LUDLAM: When would you expect that to be undertaken? We have already funded \$4 million of Commonwealth money towards this project. Would that analysis or peer review of the estimated project costs be part of that work?

Mr Jagers: Not part of the study. The study that we are putting money into is the study that is managed by the Western Australian government. So they are doing all of the scoping and alignment activity and planning work for the project. When they make a submission to the Commonwealth we would then do analysis of those costings that are provided.

Senator LUDLAM: We heard from Mr Deegan a few moments ago that actually a submission has been made so we are in the present tense now. Will you be undertaking analysis?

Mr Jagers: We will be, yes.

Senator LUDLAM: Are you able to tell us whether the project proposal that has come forward from the Barnett government departs in any significant way from the feasibility work that was being done?

Mr Jagers: I understand that the WA government announced the broad scope of the project about five or six weeks ago. It has had a number of phases. Originally there was a draft transport plan that had light rail alignments in it. This updates the draft plan so there are couple of phases that are proposed by the WA government. We would expect further work to come out of the study that is underway at the moment.

Senator LUDLAM: Do you have an estimated start date and an estimated completion date for phase 1 of the project?

Mr Jagers: I do not. I think that will be coming in the study.

Senator BACK: Could you give us an idea as to how the allocations are made state to state and territory to territory for Roads to Recovery and black spot funding. Are they made based on submissions by the states? Are they made based on the physical size of the road network or on the number of kilometres? In the case of black spots, are they made on the representations? Can you give us a comprehension of just how the allocations are made between the states and territories?

Mr Mrdak: I will open up on Roads to Recovery, which has been consistently done on a formula based on road length and jurisdiction size. There is a process for the Black Spots funding and I will get my colleagues to describe that. Certainly Roads to Recovery is done on a formula basis that has been consistent since the establishment of the program. We could get you some details of that.

Senator BACK: I am keen to know how that formula is worked out.

Mr Foulds: The Black Spots program is run in a process whereby applications are made—and any individual can make an application for Black Spots funding—on a document available on our website and it is submitted to the jurisdiction in which the person or council or entity wants to make that application. It is then assessed by that state jurisdiction, RMS, Main Roads WA or whoever. In line with another process, it goes to the black spot consultative committee, which exists in each state and territory. That one, in the case of Western Australia, has Western Australia Local Government Association, RAC of Western Australia, the transport forum, Western Australia Office of Road Safety, state minister for transport's office and Main Roads Western Australia on it. Essentially, that group then prioritises the applications that have been made on the advice of Main Roads Western Australia as to the constructability of them. Each project has to meet a set of requirements—that is, three casualty crashes at that place in the last five years. It also must have a benefit cost ratio of at least two and/or be recommended as a result of a road safety audit.

Senator BACK: Because of shortness of time and out of respect for my colleagues, I wonder if it would be possible to be provided on notice the actual formula state to state. You have been kind enough to tell me how the allocations are made within a state. I am interested in knowing particularly what that formula is for Roads to Recovery and for Black Spots between states.

Mr Mrdak: I would be happy to provide that.

Senator WHISH-WILSON: My questions relate to the Three Capes Track construction in Tasmania. The proposed budget for this dating back to November 2010 was \$33.1 million with \$12.5 million to be funded by the Commonwealth government, \$12.8 million to be funded by the Tasmanian government and an expectation of \$8 to be funded by private sector contribution. It has been nearly two years now since construction started. Are there any updates on a potential private investor in that project?

Mr Pittar: The project is being managed by Tasmanian Parks and Wildlife Service, as you might be aware. We understand it is continuing to try and arrange for private sector involvement, particularly as the project moves into its next phases where new track will be constructed.

The intention, too, with that project is for overnight huts and that sort of thing to be constructed, so the Tasmanian government is pursuing that angle.

Senator WHISH-WILSON: Have there been any discussions with the Tasmanian government on topping up that \$8 million if they cannot find a private investor?

Mr Pittar: Topping up from where?

Senator WHISH-WILSON: That is the question. If the \$8 million is not forthcoming from private sector investment, has the Tasmanian government approached you about putting in more money?

Mr Pittar: The Commonwealth is not in a position to contribute more money to that particular project. Any issues would centre then around the scope of the project.

Senator WHISH-WILSON: So potentially just the eastern half of the track will be completed by 2015 but not the whole scope of the project.

Mr Pittar: That is likely to be the case. On that eastern part of the track, Tasmania currently has that out to tender. When those tenders close, and I believe that will happen around the middle of this month, the Tasmanian government will be in a far more certain position around the likely cost of construction of that eastern part of the track.

Senator WHISH-WILSON: Are you aware of any interest from potential investors in your discussions with the Tasmanian government?

Mr Pittar: I am not, but, as I say, those discussions and those negotiations are happening very much at the state government level.

Senator WHISH-WILSON: Were you involved with the modelling of the project? Did you look at the modelling and the assumptions behind the modelling? I am only asking that because, as you are probably aware, the tourism industry is in a bit of strife in Tasmania at the moment with the high dollar and tourism numbers dropping off. The assumptions include three to five per cent growth in tourism numbers every year and achieving 10,000 walkers on a new track, when our numbers are down only 3,000 for the Overland Track, for example, which is one of the world's great tracks. If you have not walked it, you should—it is fantastic. I am just wondering if you had questioned the assumptions for the modelling to underpin the economics of this project.

Mr Pittar: The modelling was undertaken by the Tasmanian government when the project was originally considered for funding under the Infrastructure Employment Projects program. So that would have been undertaken in the order of two or three years ago. In addition to that, under the program for projects that the department provided advice to the minister on, we also undertook independent viability assessments of the project. So this project would have been subject to a level of independent viability assessment prior to the project being considered and recommended for funding.

Senator WHISH-WILSON: Are those independent viability assessments available?

Mr Pittar: I would have to take that on notice.

Senator WHISH-WILSON: I am wondering if any other projects were considered. I am sure you are aware that there are lots of people asking for money in the sector at the moment, particularly for upgrading existing tracks such as the South Coast Track, which is one of the world's 10 best walks. Was there any discussion about opportunity costs, perhaps, of putting money into Three Capes or directly into other projects?

Mr Pittar: This project was essentially the project that came forward. It predates my time, I would have to say, but this was the project that came forward from Tasmania. It was supported by the Tasmanian government and I think in your question you outlined the finding that the Tasmanian government is providing towards it. That is, I guess, a pretty good proxy of the Tasmanian government's view of the importance of this project vis-a-vis other potential projects.

Senator WHISH-WILSON: Were there any goals or benchmarks that you entered into in terms of funding or, the funding having been provided, in terms of completion of the project?

Mr Pittar: Our funding for this project and for other projects under the IEP program is based on milestones. We pay on the achievement of milestones.

Senator WHISH-WILSON: Would they be available as well?

Mr Pittar: I believe so, but I can take that on notice.

Senator WHISH-WILSON: Are you optimistic that it might be finished by 2015, based on what you—

Mr Pittar: We are optimistic that the project that we have funded will be completed—we expect to pay out our last payment for the project during the course of this financial year. In terms of the longer term and the western side, that is a bit of an unknown at this stage.

Senator IAN MACDONALD: In some answers to questions I asked last time about the seawalls in the Torres Strait I was told that \$12 million had been announced on 4 June for repair and upgrade of Torres Strait seawalls. On notice can you tell me if question No. 11 is one of the questions where the department's answer was amended by the minister's officers?

Mr Mrdak: Senator, I do not know if that answer was ours. Torres Strait seawall is with Regional Australia, I think.

Senator IAN MACDONALD: That is fine. It is not part of the infrastructure area?

Mr Mrdak: No, it is one for tonight with Regional Australia.

Ms O'Connell: Senator, you asked earlier about question No. 116 and seeking the answer to that.

Senator IAN MACDONALD: Yes, I have that, thank you. The Prime Minister announced on 11 July that \$6 billion would be made available for infrastructure works and that this would be done through Infrastructure Australia. It is out of the Regional Infrastructure Fund. Is that something you manage or is that something the regional department manages?

Mr Mrdak: The Regional Infrastructure Fund is with this portfolio, Senator, apart from the component of the fund which is administered by Minister Crean under the regional program arrangements, which I think is of the order of \$573 million. The balance of the fund is with this portfolio.

Senator IAN MACDONALD: Have any funds been allocated through this portfolio to date?

Mr Mrdak: Yes, there have been announcements of commitments to a number of projects and also there have been four planning projects which have been committed to. I will ask Mr Jagers to take you through them.

Senator IAN MACDONALD: Very quickly, but I would appreciate that.

Mr Jagers: There is the Peak Downs Highway safety works which is a \$120 million project; the Gladstone Port access road stages 2 and 3 which is a \$50 million project; the Warrego Highway and Brisbane Valley Highway interchange, which is the Blacksoil Interchange, which is a \$54 million contribution from the Australian government; the Townsville Ring Road section 4, which the Shore Road in the Mount Low area, which is a \$160 million commitment; the Yeppen Lagoon bridge and roundabout which is a \$68 million project; and also Gateway WA which is a \$480 million contribution from the Regional Infrastructure Fund.

Senator IAN MACDONALD: Are there many more on the list?

Mr Jagers: That is the construction projects. There are two studies and four planning projects.

Senator IAN MACDONALD: Could you give them to me on notice, please. All of those that you have mentioned, verbally, are all committed and the funds are set aside and locked in?

Mr Mrdak: Yes.

Senator IAN MACDONALD: And the work has started?

Mr Jagers: Work has started on a number of those projects.

Senator IAN MACDONALD: How many are for the current financial year and how many for the forward years?

Mr Jagers: There are four projects with funding this financial year.

Senator IAN MACDONALD: And the others?

Mr Jagers: The others are funding in future years.

Senator IAN MACDONALD: Where could I find when the commitments are made to those projects in forward funding?

Mr Jagers: I believe there is information on the departmental website, but we are happy to provide that.

Senator IAN MACDONALD: Okay, could you do that. I also asked last time some questions about the Horn Island Airport. Have you had any applications for upgrading the airport? I understand there was some money made available for security screening but I think that came through the aviation sector. There is a desperate need for a new facility or an upgraded facility to house the very expensive screening material at the Horn Island Airport. Have you had any applications for assistance for funding of any upgrades of any type at the Horn Island Airport?

Mr Mrdak: I think we have. Senator, if I could come back to you. I do not have my aviation security team here at the moment. I will come back to you through the course of today, if that is okay.

Senator IAN MACDONALD: If there were funding for infrastructure development at Horn Island airport, would that be done through the aviation area and not through the infrastructure area?

Mr Mrdak: Yes. We have our regional airport program in our aviation group, and I can have that detail for you this afternoon.

Senator IAN MACDONALD: That would be great. Is that part of the \$6 billion funding?

Mr Mrdak: No.

Senator IAN MACDONALD: Where does funding for that come from?

Mr Mrdak: It sits in two programs. We have the Regional Aviation Access Program, which brings together a range of funding programs for small, remote aerodromes as well as other regional access, and, separately, we have some programs under the transport security programs which deal with upgrades to security, particularly in the light of recent changes requiring screening for larger aircraft.

Senator THORP: Infrastructure Australia advised earlier today that they had made recommendations regarding the M5 and F3, to end two road projects in Sydney. What was the Australian government's response to that report?

Mr Mrdak: The Australian government is waiting for further advice from Infrastructure Australia in relation to the M4 WestConnex project which Mr Deegan discussed earlier. In relation to the M2-F3, the Australian government has a commitment of \$150 million in the forward estimates for that project, once that is brought to market. Also, the Australian government, in the budget this year, allocated \$25 million to New South Wales for, effectively, a special purpose vehicle to bring those roads effectively to market for private investment. Those are

the three commitments we have at this point. So there is money against the M4 project for future planning, there is money against F3-M2 for work, and there is \$25 million this financial year for a special purpose vehicle to bring the toll road projects to market.

Senator THORP: What communication has there been with the New South Wales government over this?

Mr Mrdak: As to the New South Wales government, there have been extensive discussions over the last few months in relation to this, as to how we bring it forward. Certainly the minister has been in discussion with his New South Wales colleague, Minister Gay, on how these projects progress.

Senator THORP: Has there been any formal correspondence between the two governments?

Ms O'Connell: There was a budget night letter. At the conclusion of the budget night process, there was communication with the New South Wales government setting out the budget announcements as they related to the New South Wales government.

Senator THORP: So, basically, the communication has gone to the New South Wales government offering \$25 million in matched funding?

Ms O'Connell: That is correct—a special-purpose vehicle.

Senator THORP: So when would that communication have been received by the New South Wales government?

Mr Mrdak: It would have been received on budget night. We are awaiting the New South Wales proposal for taking up that funding.

Senator THORP: So an offer was made to the New South Wales government in May of this year—

Mr Mrdak: That is correct.

Senator THORP: offering \$25 million towards an important road project, and we are here in October and we still have not had a response—is that correct?

Mr Mrdak: We have not had a formal response in relation to how they would take that up and how they would structure the special purpose vehicle; that is correct.

[12:22]

CHAIR: On that, thank you to the officers of Nation Building, and we now move to Surface Transport Policy. Hang on, Senator Williams, we have not got the officials yet.

Senator WILLIAMS: The boss is there; he is the main one! Mr Mrdak, updating this issue about the national regulator, how many states and territories have legislated to clear the pathway for the National Heavy Vehicle Regulator, do you know?

Mr Mrdak: As yet, no jurisdiction has legislated. We are still waiting for legislation to clear the Queensland Parliament.

Ms O'Connell: The first set of legislation, to establish the body of the regulator, has passed the Queensland Parliament. The second piece of legislation, the detailed enabling act for the regulations, is yet to go through the Queensland Parliament. And only upon passage through the Queensland Parliament can the relevant state jurisdictions pass their applying law.

Senator WILLIAMS: As to the feedback you are getting, have all states verbally agreed to go ahead with a national regulator, or are there stumbling blocks?

Ms O'Connell: All states signed the COAG intergovernmental agreement in August last year to establish the regulator.

Senator WILLIAMS: All bar Western Australia.

Mr Mrdak: Western Australia is the only jurisdiction—

Senator WILLIAMS: Who were parallel, I believe, anyway, weren't they?

Mr Mrdak: They proposed mirror legislation—that is correct—which will pick it up, but it is less clear when that will happen.

Senator WILLIAMS: It was due to be legislated by 1 January next year and start on 1 July next year—is that correct?

Mr Mrdak: No. The intention is that the national regulator will operate from 1 January. The details Ms O'Connell has indicated. The scope of regulatory functions may well be somewhat limited in January through to

July because of the passage of legislation by jurisdictions, but our intention remains that the national regulator will open in January next year.

Senator WILLIAMS: Is industry still on board with the program?

Mr Mrdak: Yes. I think industry is pressing, quite rightly, very hard for this reform to be put in place by January.

Senator WILLIAMS: So the ATA and trucking organisations all support the national regulator?

Mr Mrdak: They do.

Ms O'Connell: They do, and there are a number of industry representatives on the project board to help establish the regulator.

Senator WILLIAMS: Good. Yesterday, New South Wales minister for roads Duncan Gay announced that, in New South Wales, a B-double carrying livestock will be able to operate at up to 68 tonnes, which is an increase from the current 62.5 tonnes for general mass limits. This is the sort of reform the livestock industry has been looking for for many years. No doubt the Heavy Vehicle Regulator will be consulting on these types of reforms?

Mr Mrdak: That is our intention. We would hope to see a broader application of those volume loading approaches across other jurisdictions.

Senator WILLIAMS: So you would see them as looking for the same regulation right through?

Mr Mrdak: We have two primary objectives: one is to improve safety across the system by having uniform national laws; the other, as importantly, is to increase productivity—

Senator WILLIAMS: Exactly.

Mr Mrdak: by getting efficiencies. We have seen the disconnects that have happened where some jurisdictions have put in place productivity measures which have not been matched elsewhere, and you know, Senator, better than any of us, the problems that creates for drivers and owners to do that.

Senator WILLIAMS: Exactly. They bring cattle down from Queensland to the Inverell abattoirs in a B-double volume loaded, and they get to the border and have to unload 20 head or whatever.

Mr Mrdak: Hence we very much welcome the New South Wales government's decision to move to align with Queensland.

Ms O'Connell: I think one of the early key features of the national regulator is the ability to provide a one-stop shop for access applications, and that is particularly important for cross-border traffic.

Senator WILLIAMS: Good luck with it. Just on the national regulator: how many staff are employed by the National Heavy Vehicle Regulator?

Ms O'Connell: At the moment, the regulator per se is not up and running.

Senator WILLIAMS: It will start on 1 January?

Ms O'Connell: It will start on 1 January.

Senator WILLIAMS: Do you know how many people will be employed then?

Ms O'Connell: There is at the moment a project office, which is doing the necessary work to create the laws and the rules and regulations. I will just ask Ms Wieland—

Senator WILLIAMS: You have staff now working, obviously?

Ms O'Connell: Well, there are staff; they are not Commonwealth officers, but they are staff in the Queensland office of the national project office, and there will be staff in the national regulator come 1 January. I will just ask my colleague Ms Wieland if there is an estimated staffing figure for the January establishment of the regulator.

Ms Wieland: As to the project office, the Commonwealth, for this financial year, is currently providing 35 per cent of those costs, and that is \$1 million for this year. The states and territories fund the other 65 per cent. That level of staffing, which is currently of the order of 30—I do not have a precise figure in front of me—will transition across for the first six months into next year as we transition from state based regulation through to the National Heavy Vehicle Regulator. The board for the NHVR has been established. It was appointed formally by Queensland earlier this month, and the staffing of the regulator will follow once the board appoints the chief executive officer. There will be a gradual ramp-up of staff until all of the states have passed the laws.

Senator WILLIAMS: It seems to be travelling a bit slower than we perhaps had hoped, but I suppose with a change in the government of Queensland they perhaps had some other priorities in the process. What is the budget of the National Heavy Vehicle Regulator? If it starts 1 January, obviously it has to be in this budget this year. What is that budget?

Ms Wieland: The budget for the regulator has not been approved yet by ministers. As I said earlier, we are looking at the transition arrangements once the other jurisdictions have passed all the laws.

Senator WILLIAMS: So the budget has not been approved yet? But it would have had to be in this year's budget for forward estimates, surely?

Ms Wieland: The budget is not funded by the Commonwealth.

Senator WILLIAMS: None of it?

Ms Wieland: No. We funded the establishment costs—the hard costs of setting up the property and the IT—

Senator WILLIAMS: Yes, 35 per cent.

Ms Wieland: and those have been provided from the budget.

Mr Mrdak: Sorry, we are funding all of the establishment costs as well as 35 per cent of the project office. So the Commonwealth in this year's budget committed \$23.1 million to fund all of the fit-out, all of the IT and the establishment of the regulator. The Commonwealth and the states will share the operating costs to establish it, but we are meeting all of the establishment costs.

Senator WILLIAMS: So once it is up and running it will then be financed by the states?

Mr Mrdak: It will be financed through industry registration charges coming through the registration system.

Ms O'Connell: That is the current method of funding regulation on a state-by-state basis—albeit state regulators. It is the same method.

Senator WILLIAMS: Are you confident that the outstanding issues can be dealt with in the second bill, when passed through the Queensland parliament?

Mr Mrdak: We are. We think the second bill will address most of the issues. Clearly, industry would like to see further changes, and I think the ministers have asked the regulator to adopt a work program which takes productivity enhancements further in the future, but we believe bill 2 does provide all the major changes that industry wants. As Ms O'Connell has indicated, the industry leaders who are on the reference board have agreed to bill 2 being passed, as is introduced into the Queensland parliament.

Senator WILLIAMS: Do you see it up and running by 1 July next year?

Mr Mrdak: Yes.

Senator WILLIAMS: You reckon it will be, with all the states and territories—besides Western Australia of course—

Mr Mrdak: Yes. We are determined to open the doors, maybe not on 1 January, but certainly 2 January. The doors will open and the full regulatory suite will be in operation by July.

Senator WILLIAMS: Aren't you going to work New Years Day?

Mr Mrdak: I thought I might try and have that day off but we will be on deck on the 2nd.

Senator WILLIAMS: Good on you! It is the Inverell Cup that day! Does anyone else have questions on the trucking industry?

CHAIR: I have one. If the minister in New South Wales is a mate of yours, Senator Williams, can you give him a call and tell him to pull his finger out. There is a big heap of funding waiting there, mate, in this special purpose vehicle.

Senator WILLIAMS: Good-oh. He is a very good—

CHAIR: Just make a call and see if he is awake there in New South Wales. Maybe it was the match funding that has spooked them.

There are other questions. Senator Colbeck, you wished to ask a few on surface transport policy.

Senator COLBECK: I do. I have some questions around Tasmanian freight schemes. If we go back to last estimates in May, we had a conversation around the allocation of \$20 million—part of the conversation on one day and part of it the next morning. The allocation of that funding in respect of the \$14.5 million: where are we at with that, and how is that to be applied?

Mr Mrdak: The Commonwealth has paid those funds across to Tasmania. I will ask Mr Sutton to give an update of where Tasmania has reached.

Senator COLBECK: We need to be relatively quick because we only have about six or seven minutes to go.

Mr Sutton: As the secretary has indicated, the Commonwealth paid the \$20 million to Tasmania pursuant to a project agreement which I think was finalised on 31 May this year. Of that amount \$14½ million was to be used

by the Tasmanian government for assistance for exporters impacted by the cessation of direct international services from Bell Bay. My understanding is that the Tasmanian government has certainly held funding rounds for that money. I am not sure if the money has been paid to the exporters, but certainly the Tasmanian government had processes in train to allocate that \$14.5 million.

Senator COLBECK: Are we having any oversight of that process or are we just leaving it to the Tasmanian government for allocation? What is our engagement in that process or is it just to hand the money over?

Mr Sutton: The \$20 was paid pursuant to a project agreement which was signed by Minister Albanese and Minister O'Byrne. Under that there are reporting requirements for the Tasmanian government. The project agreement specifies the three main uses for the money and puts in place reporting requirements. Unless I am mistaken the project agreement is available on a web site in the Treasury portfolio.

Senator COLBECK: Okay. Is there any particular reporting on how that \$14.5 million is allocated? Are you getting any reports on that?

Mr Sutton: We will get the reporting that is required under the project agreement. We are not getting any specific ongoing reporting about the progress with that because that is not a requirement under the funding agreement.

Senator COLBECK: I will have a look at the project agreement. There was \$4 million to the Burnie port. I think it is understood where that is going. What role is the Commonwealth having in the establishment of the expert group, which I think \$1.5 million is going to fund? The expert group is looking at longer-term issues. So what is our engagement in that process? I understand Minister Albanese might have announced the chair or something recently when he was in Tasmania.

Mr Sutton: That is correct. It is one of the three components of the \$20 million that is specified in the project agreement, which identifies, in a general sense, the role and functions of that money. Minister Albanese issued a media release on 3 October with Tasmanian Minister O'Byrne, indicating that applications were sought for membership of that freight logistics coordination team.

Senator COLBECK: Is there a timeframe around the reporting of that group?

Mr Sutton: Not that I am aware of.

Senator COLBECK: Could you take that on notice and find out what the timeframe is around the activities of that particular group, or if we are imposing or asking for anything—or is it just being managed by the Tasmanian government?

Mr James: They are intending to finalise membership shortly and have their first meeting before the end of the year. We will have to come back to you on the remainder of their work program.

Senator COLBECK: Fine. That is good. I asked question on notice 172 in relation to advice being prepared in relation to the scope of the Tasmanian Freight Equalisation Scheme. And it refers to one of the recommendations of the Deegan review, which is the extension of the Freight Equalisation Scheme across Bass Strait to all north- and south-bound freight. You have indicated to me in your response that you are providing advice to the minister in relation to that recommendation. Have you done any cost calculations around what it might cost to extend the scheme to all north- and south-bound freight?

Mr Sutton: The short answer to that is, no, we have not done that sort of calculation.

Senator COLBECK: Wouldn't that be fairly fundamental to providing advice to the minister, because surely that is part of the deal?

Mr Sutton: The previous answer indicated we were providing advice to the minister. The minister has now responded to Mr Deegan's report, and in that response it was indicated that there would be no changes to the current way that the Tasmanian Freight Equalisation Scheme operates.

Senator COLBECK: Can you give me the date of that advice and where I might find it? Can you direct me to it?

Mr Sutton: I will have to check.

Senator COLBECK: Is it a public response?

Mr Sutton: It was in advice provided to Mr Deegan. I am not sure if it is a public response at this point in time but we can take it on notice.

Senator COLBECK: Part of it is public now, because you have just told me.

Mr Sutton: Indeed.

Senator COLBECK: That answers one question.

Mr Mrdak: I think the Prime Minister and the minister made comments on this issue during the recent community cabinet in Launceston. We can certainly see what is on the public record and take that on notice.

Senator COLBECK: Okay. Effectively, the response to Mr Deegan is that the operations of the scheme will remain as they are.

Mr Sutton: Correct.

Senator COLBECK: I asked you, again on notice, at the last estimates about a cycle for the next parameter review of the TFES and you said that was a matter for government. Have there been any decisions made around another parameter review for the TFES?

Mr Sutton: Yes. Under the ministerial directions the Bureau of Infrastructure, Transport and Regional Economics conducts regular reviews of the parameters. It is anticipated that the next parameter review will start in this financial year.

Senator COLBECK: Before 30 June 2013?

Mr Sutton: It will commence in 2012-13, yes.

Senator COLBECK: You indicated to me at the last estimates that the rate that was being paid under the TFES at that point in time was a bit above the actual cost differentials.

Ms O'Connell: That is correct, Senator.

Senator COLBECK: I think the number was about 20 per cent. Where does that sit at the moment? Is there any fluctuation in and around that, or is that something that will come out of the parameter review?

Mr Sutton: That is something that will come out of the next parameter review—correct.

Senator COLBECK: What was the date of that? Was that out of the previous parameter review?

Ms O'Connell: That is correct.

Senator COLBECK: And that is a public document?

Mr Sutton: Yes, it is. It has been published.

Senator COLBECK: Can you give me the date of that?

Ms O'Connell: We would have to take that on notice and get that to you.

Senator COLBECK: Okay. I am a bit cautious about taking questions on notice. It is a very innocuous question, but Minister Albanese's record is not flash.

CHAIR: Senator Colbeck, you are above that!

Senator COLBECK: No, I'm not.

CHAIR: I would expect that from maybe one or two of your other colleagues, but not you.

Senator COLBECK: Given that we only got the questions back last Thursday—

Senator KIM CARR: We have been over this.

CHAIR: Sorry, Senator Colbeck. Mr Mrdak?

Mr Mrdak: We will endeavour to get it over the lunch break.

Senator COLBECK: That would be absolutely sensational. Thank you for your help in relation to that.

CHAIR: Are you going to take that back now, Senator Colbeck?

Senator COLBECK: No; I am delighted that Minister Albanese is not involved—

CHAIR: We have run out of time—fancy that! Would you like to put any further questions on notice?

Senator COLBECK: I would like to put some questions on notice.

Ms O'Connell: Senators, the last parameter review was published in October 2011.

Senator COLBECK: Thank you.

[12:43]

Australian Maritime Safety Authority

CHAIR: I welcome the new witnesses. Senator Abetz?

Senator ABETZ: Would it be fair to say the shipping industry reform package, however we describe it, was a contested package in the parliament?

Mr Mrdak: Yes. There was agreement around a lot of elements of the package but there was certainly strenuous debate in the parliament in relation to elements of it.

Senator ABETZ: What about the shipping industry—what was its attitude to the reform package?

Mr Mrdak: I think on the whole the shipping industry was very supportive of the package. There are elements of the package that some parts of the industry liked more than others, but I think overall sense the shipping industry—certainly judging by the discussions I have had since the passing of the legislation—has been very supportive of key elements of it. Obviously different parties like some bits more than others.

Senator ABETZ: We are under time pressure so, rather than asking a lot of questions, I will make a comment for the consideration of the department. Avid reader as I am of matters trade union, I got the special commemorative booklet from the Maritime Union of Australia entitled *Kept Australia afloat: shipping reform and the national interest*.

In that we have published a whole lot of commentary from departmental officials congratulating the Maritime Union of Australia on their activities et cetera. I am just wondering whether you would have sent notes of commiseration to those who were on the other side of the debate in this. I suppose all I am saying is that I personally do not think it is a good look for departments, when matters are hotly contested, to be sending congratulatory notes—

Senator Kim Carr: Could we have a copy of this document?

Senator ABETZ: I have just indicated what it is called: it is a special commemorative booklet called *Kept Australia afloat: shipping reform and the national interest*.

Senator Kim Carr: You have said that the officers are quoted.

Senator ABETZ: Yes, on page 17. I do not want to gratuitously put people's names into *Hansard*. Some people higher up than AMSA—I will be discreet as to that—have been published saying, 'Well done to all involved', 'Thanks and congratulations' and things of that nature. One day you might have to be acting for a government, potentially, that might have a differing view, pursuing a different policy. I am just wondering about the appropriateness of it. I will leave it at that; other colleagues have questions. But I just wanted to make that point.

Mr Mrdak: Certainly I am not aware of the publication or the comments in it. I am happy to take it on notice.

Senator ABETZ: You can see this document. It came across my desk, and I was surprised that some very high-level officials had what I assume were email communications published which would suggest that they were all partisan participants in the debate, where the coalition clearly had a differing view. I will not take it further than that.

Mr Mrdak: I am not aware of any such comments by myself or my officials, and I will have a close look at that.

Senator ABETZ: Mr Mrdak, you are at the top of the tree, and you were quoted as well, saying: 'Paddy, thanks and congratulations. Well done to all involved. Looking forward to catching up.' With respect, I just do not think it is a good look.

CHAIR: Senator Abetz, are you tabling that?

Senator Kim Carr: No, he said he did not want to table it.

Senator ABETZ: No, I did not say that. I am more than happy to go back to my office and have it photocopied and brought up here for Mr Mrdak. I do not want to take the matter further. I am sure it was all done innocently, but I do not think it is a good look for the future. That is all.

CHAIR: Mr Mrdak, do you wish to respond to Senator Abetz's line of questioning?

Mr Mrdak: As I said, I will have a look at the document. I am not aware of it or of any comments I have made along those lines. But I am certainly aware that we constantly have contact with all levels of the industry. I will have a look at the context in which those comments have been published.

CHAIR: No worries.

Senator WILLIAMS: Mr Kinley, I am just looking back to last time you were here—on 23 May. I asked:

What will happen to the electrical training component of a maritime engineer's training if their total training and sea service is compressed from three years down to one year?

You answered:

There is no proposal to compress that from three years to one year.

Isn't it the case that when you answered that question it was the case that AMSA's consultation draft MO3(7) proposed to delete the current MO3(6), requirement for the three years marine engineer's training for a cadet engineer to achieve Watchkeeper?

Mr Kinley: There was a proposal to not spell out any specific time frame for achieving those competencies.

Senator WILLIAMS: But wasn't there a case that issue 7 was looking at compressing that down from three years to one?

Mr Kinley: No.

Senator WILLIAMS: That was not the case?

Mr Kinley: No, it was not the case.

Mr Peachey: I think what you are referring to is a debate we have had about the merits of a time-serving approach to get qualified, versus a competency based approach. Competency based standards and approaches in training overtook that other arrangement many, many times several years ago, and that is the basis from which we put that consultation draft out.

Mr Kinley: I would also add that the sea-time component alone, as required under the international conventions, would be nine months. The academic component alone is six months, which takes you past 12 months without even considering the other practical training and skill sets that are required. So under no circumstances was there any proposal for 12 months.

Senator WILLIAMS: Mr Peachey, on your media release dated 30 May 2012 you said:

Consequently I do not intend to make a new issue of Marine Order 3 to come into force on 1 July 2012.

What was involved in that new issue of marine order 3 to come into force on 1 July?

Mr Peachey: We canvassed a whole suite of possibilities. Our overall aim was to ensure that the qualification arrangements for all seafarers were contemporary, reflected international standards and delivered the safety requirements that you and I and the industry expect. We had gone through a fairly lengthy consultation process. We had received, I think, 202 submissions from all those affected, most of them from the engineers trade union that you are reflecting the views of, and we have been going through them ever since.

Senator WILLIAMS: I can reflect the views of anyone. There is nothing wrong with that, is there?

Mr Peachey: No.

Senator WILLIAMS: Go on.

Mr Peachey: We had a number of submissions that we received, and that process is still continuing.

Senator WILLIAMS: How many submissions did you receive?

Mr Peachey: Two hundred and two.

Senator WILLIAMS: So you are saying there was never a plan to reduce the basic apprenticeship from three years down to one?

Mr Peachey: That is correct.

Senator WILLIAMS: It was never mentioned or referred to in draft issue 7?

Mr Kinley: No.

Senator WILLIAMS: So there has never been any case or proposal from AMSA to squash that training period, apprenticeship or whatever you want to call it for cadet engineers from three years down to one?

Mr Kinley: No.

Senator WILLIAMS: And it will remain at three years?

Mr Peachey: It will depend on the wording of the final marine order. That decision has not been made.

Senator WILLIAMS: Who makes that decision?

Mr Peachey: I do.

Senator WILLIAMS: You make the decision on the final marine order?

Mr Peachey: Yes.

Senator WILLIAMS: You are saying that the final marine order that stipulates whether the time for that apprenticeship is squashed down is your call?

Mr Peachey: The requirements of the marine order are made after extensive consultations. We publish it and I make the order that brings it into effect.

Senator WILLIAMS: So it is your call.

Mr Peachey: That is right.

Senator WILLIAMS: When do you intend to make that call?

Mr Peachey: It is hard to say. We are still getting approached for further meetings.

Senator WILLIAMS: Meetings with whom?

Mr Peachey: The engineers trade union, for one.

Senator WILLIAMS: Anyone else?

Mr Peachey: There has been interest around the place about where we are up to, but specific requests for meetings have come from the AIMPE.

Mr Kinley: We are also doing further work on, for example, the electrical trades officer competencies. While we had a lot of people who recommended that we introduce those into the marine order, it is not just a simple matter of introducing that qualification; you actually have to go away and look at what the training package would be that would support that qualification. That came out of the last consultation and is something that we have been working on further internally while we prepare for further consultation, as we agreed.

Mr Peachey: Like you, Senator, we would like to get this issue resolved. It has been outstanding for a while. What we are dealing with is 1,895 engineers in Australia. It is an age group on the wrong side of 50. I think in the last count we made something like 18 per cent of that group was 60 years old and over, so it is in our interests to make sure that the qualifications suit the needs of the future and get some movement on this whole issue.

Senator WILLIAMS: Taking that very issue of the average age of the engineers on our ships, obviously they play a hugely important role for safety and maintenance and seeing that the ships do not break down. What are you doing to ensure that more apprentices—I will call them apprentices; they go through a three-year apprenticeship learning the trade—in Australia do take on that very trade?

Mr Peachey: There are a couple of issues that you raise. Our role is not to promote employment opportunities, as you would appreciate, but we are certainly very active in the industry promoting the benefits to the industry and the attractiveness of it. But it is not our role to actually—

Senator WILLIAMS: Do you see a serious problem ahead? If so many of these engineers are past the age of 50, how are we going to have engineers on our ships in time to come? Will they be brought in from overseas or will we be training Australian engineers? Do you have any idea?

Mr Peachey: Part of the issue, as we have attempted to address through the marine order part 3 discussions, is to create and develop and get acceptance of a contemporary qualification regime for the future that satisfies the safety requirements, is consistent with international standards and is attractive to people, school leavers, to engage in the industry in that sector.

Mr Kinley: A part of that is changing the trades that we recognise to allow people to enter the stream. Making that list contemporary gives us the flexibility to recognise a much bigger range of trades than are currently in the order now to provide a pathway for engineers who are currently qualified to operate in the near coastal sector to be able to come into that blue water fleet and further their qualifications. The draft marine order had a whole range of means put in place to provide alternative pathways and more streamlined pathways for people that went to that profession.

Senator WILLIAMS: I want to take you to a media release from 2 October titled *AMSA prepares for a year of reform*. The Maritime Standards Division will become the Navigation Safety and International Division, which adopts international convention standards for Australia. Do you therefore intend to delete the current MO3 standards for an engineer for 36 months? Is that one of the options you could take when you adopt this year of reform?

Mr Peachey: That media release was signalling to the industry that there have been some changes within the organisation. We are getting prepared for some major reform activity next year. You will see that we created a new division to more effectively engage with our constituents generally. There have been some name changes to more accurately reflect the purpose of those divisions and activities they do. I cannot see any link between what we have done there to the progress of the M03.

Senator WILLIAMS: The release also says that a corporate relations division will be established consolidating AMSAs communication, media, industry, government and parliamentary support functions. I presume that means a situation where you can discuss issues with the minister and lobby the minister. Would that be part of it?

Mr Peachey: There are routine discussions between all our stakeholders including the minister's office.

Senator WILLIAMS: And Minister Albanese himself?

Mr Peachey: From time to time. Personally, I have not met Mr Albanese formally for a while. Certainly we need to keep the minister's office posted. We routinely talk to the staff.

Senator WILLIAMS: Is Mr Malcolm Larsen, who was acting general manager, also part of this lobbying process, talking with minister's staff and the minister's office?

Mr Peachey: Senator, I take exception to the terminology you use. We do not lobby anyone. But he is certainly—

Senator WILLIAMS: I will remove the word 'lobby' and say working in conjunction. You are in a very powerful position because you can basically deliver the changes to the industry, correct? You write the MO.

Mr Peachey: As they affect safety measures, yes.

Senator WILLIAMS: When you, in this position, can bring out a new MO and determine all the safety positions, surely you talk to the minister's office or they would talk to you about what you are preparing to do?

Mr Peachey: From time to time, I meet with the office and talk about a whole range of things. It is my decision, as a person authorised under our legislation to make that decision, and I make that independently of what you are suggesting.

Senator WILLIAMS: I am not suggesting anything. I am saying in your powerful position of delivering these reforms—and you have got your media release *AMSA prepares for a year of reform*—surely you would work in conjunction with Minister Albanese, the federal minister, on many of these issues. Surely you would not go out and do something without him overseeing it?

Mr Peachey: There is a close connection between us and the portfolio generally. The reforms we are referring to here do not go to MO3. The reforms go to the more significant reforms that have been considered in parliament: the creation of a single national jurisdiction in particular, the international shipping register, the onset of the Maritime Labour Convention. There is a string of issues and they will have a profound effect on how we are positioned with the industry across Australia. All we are doing here is preparing the organisation for those sorts of reforms to come into place. Of course there are other issues that are picked up along the way but that is part of our day-to-day business. The MO3 one is a classic one. They will continue as they always have.

CHAIR: Senator Williams, would you like to ask your last question now and put the rest on notice, because it is nearing one o'clock.

Senator WILLIAMS: Mr Kinley, do you have discussions with ministerial staff from the minister's office?

Mr Kinley: Yes.

Senator WILLIAMS: On these proposals?

Mr Kinley: Yes, I do have discussions with the minister's office.

Senator WILLIAMS: Does Mr Larsen assist you in those discussions? Has he ever assisted you in those discussions?

Mr Kinley: Yes, he has participated in those discussions with me.

Senator WILLIAMS: He used to work for the minister as well, I believe. That is just a point I want to make. Back to you, Chair.

CHAIR: Thank you, Senator Williams. Mr Mrdak.

Mr Mrdak: Senator Abetz raised the issue of a MUA publication and I would just like to clarify. I will come back to Senator Abetz on notice, but just to clarify that my comments and those of the officers were responses to letters from the MUA thanking my staff for the hard work they had done in facilitating the work on the legislation. I will come back on notice clarifying, but those comments reflect our responses to those letters thanking our staff for their hard work and should not be taken as anything other than that.

CHAIR: Okay, Mr Mrdak, you have made that very clear. On that, it is one o'clock and I thank the officers from AMSA. We will now go to a one-hour lunch break. We will recommence at two o'clock with policy and research.

Proceedings suspended from 13:00 to 14:01

CHAIR: We will turn to questions on policy and research.

Senator EDWARDS: When will the government publish its revised peak oil report, BITRE 117, which Minister Carr said in February 2012 hearings was not up to scratch?

Mr Williamson: There is no intention to republish that report that you are referring to. I think we discussed at the last hearing that a lot of the work that went into that report has manifested in a variety of other pieces of work the bureau has done, and we have provided a list of those. But there is no specific intention to republish that report.

Senator EDWARDS: Is that when you sent it out to all these other organisations—the German Federal Institute for Geosciences and Natural Resources and a number of other government departments?

Mr Williamson: No, in the process of that work being undertaken, some of the consultation that was done on that report.

Senator EDWARDS: It has been a controversial report, hasn't it. Can their feedback be provided, on notice?

Mr Williamson: I would have to check, but I think we provided an answer—again, this might be several hearings ago—that actually outlined the feedback we got.

Senator EDWARDS: I am not sure you have.

Mr Williamson: I will take it on notice and check.

Senator EDWARDS: We will both check. Does the department agree with some of the assertions that the following impacts are examples of Australia's increasing energy insecurity and wider energy vulnerability in the region? The suggested impacts so far are: Qantas moves hub from Singapore to Dubai as jet fuel supply there is assumed to be more reliable; Sydney's Shell refinery is closing; Australia's fuel import vulnerability increases as Sydney's Clyde refinery is closing; Sydney's Caltex refinery to close in 2014; after Sydney's refinery closure, Caltex to import fuel from Chevron's shrinking sales; BHP shelves Olympic Dam mine expansion in a series of controversy; other issues such as high diesel prices for removal of huge quantities of overburden; BHP Billiton's Australian oil reserves in long-term decline; and high diesel prices also impact on trucking companies because government has failed to implement the proactive transition to gas as transport fuel. In the context of all of those issues does the department agree with some assertions that those impacts are leading to energy insecurity?

Mr Mrdak: I do not think it is for us to comment on energy matters. The government will, I understand, shortly be releasing its final energy white paper. That sets out the government's position in relation to Australia's energy security and supply. I think a number of the instances you have cited there do not relate to energy security issues. The one I am more familiar with is the Qantas decision to form a partnership with Emirates. I do not think I have heard that it is being driven by energy security issues but rather that it reflects the commercial reality of the international aviation market.

Senator EDWARDS: That is some of the commentary out there.

Mr Mrdak: I certainly do not think that piece of commentary is correct. I cannot really comment on the others. That would be a matter for the energy and resources portfolio.

Senator EDWARDS: That would be an opinion. Thanks, they are rare! How many million barrels of oil and millions of tonnes of coal and billions of square metres of gas are needed to run Australia's cities in the next 10 years? What is the absorption capacity of the atmosphere when burning these fossil fuels? The director-general of New South Wales answered this question in a seminar by saying, 'That question is too hard.' So I am going to give you the opportunity to provide that on notice.

Mr Mrdak: I am happy to take that on notice. If I can assist, I will see what we can do.

CHAIR: Is that relevant to your portfolio?

Senator EDWARDS: We have to have a policy on energy sustainability. Western Australia has a policy, I believe, on holding back gas reserves.

Senator Kim Carr: We can presume that so much of that is being humorous, but this is now a bit of a giggle on this side of the table. You really ought to go to the right committee if you want these questions pursued.

Senator EDWARDS: This is policy and research, Minister, isn't it?

Senator Kim Carr: Yes, but you have to get the right policy, the right research and the right portfolio.

Senator EDWARDS: So we have not got the right research here in this one?

Senator Kim Carr: It is what you have been told several times now.

Senator EDWARDS: Some state that Queensland plans to export more than 10 times the gas New South Wales—

Senator Kim Carr: But it is an energy question, Senator.

Senator EDWARDS: Isn't it a question of policy, Minister?

Senator Kim Carr: It is not every policy. This is not a department that handles whole-of-government policy analysis. You are going to have to go to the right committee.

Senator EDWARDS: Which committee do you suggest I go to?

Senator Kim Carr: I would try the energy committee. I would suggest that this is Minister Martin Ferguson's portfolio—it is resources and energy.

Senator NASH: On local road bridges, has there been any research done on the state of the local state and federally controlled bridges across Australia?

Dr Dolman: Our bureau has not done such work.

Senator NASH: Have you done anything at all in relation to bridges?

Dr Dolman: Not directly. ARRB—the Australian Road Research Board is its former name—do some work for the state governments. I imagine they have done some work on bridges.

Senator NASH: Are there any statistics available through BITRE on perhaps the local, state and federally owned numbers of what is where?

Dr Dolman: The number of bridges?

Senator NASH: Yes.

Dr Dolman: No, we do not collect statistics on that.

Senator NASH: Have you considered doing any work on bridges?

Dr Dolman: No.

Senator NASH: Will you consider doing any work on bridges?

Mr Mrdak: Ausroads and ARRB, as Dr Dolman said, are the research bodies for the state governments. We also participate. We are happy to take on notice what work they have done and come back to you in relation to that.

Senator NASH: That would be good. It is serious. It is a huge issue in regional Australia. There is a whole lot of buck passing about who should be doing what and where. I am just trying to identify where there might be a body of work where we can start—

Mr Mrdak: In areas like the heavy vehicle safety program we have been quite heavily focused on this issue of productivity, which often includes remediation of some of these payments. So it is an area we are interested in. We will get for you what has happened across the Australian research and come back to you with that.

Senator NASH: That would be useful.

Senator BACK: I have a question on the high-speed rail. Can the officers brief us on any progress or the status of any studies being undertaken on the high-speed rail project?

Mr Mrdak: I will ask Mr Farmer and Mr Williamson.

Mr Williamson: The study that the government commissioned following the last election is not far from completion. It is being done in two phases. The first phase report was published in August last year and is available on the website. The second phase is due to be finished around the end of the year. The second phase is essentially to take the findings of the first phase and explore them further. So it is looking at a preferred alignment; it is looking at cost issues; it is looking at how you might stage high-speed rail if you were to proceed with construction; and it is looking at patronage issues and demand forecasting. It is quite a comprehensive study and we are expecting it to be finished around the end of the year.

Senator BACK: Cost benefit?

Mr Williamson: Indeed.

Senator BACK: The final will be released afterwards.

Mr Williamson: Yes, I think the minister has indicated that once the government has considered the report it will be publicly released.

Senator BACK: In the event that it was favourable, what sort of time frame would you envisage before something would be physically on the ground?

Mr Williamson: Obviously it is a matter for the government to consider what to do with it—

Senator BACK: I am not suggesting what calendar date. I am suggesting that after approval was given what would you be talking: five years?

Mr Williamson: Mr Farmer may correct me, but I think international experience is that it is around seven to 10 years post decision. That is the international experience. Obviously it would be different here. That is as close as we have at the moment.

CHAIR: As we have a few moments and there are no further questions, I might just use this opportunity—1) because I am a decent bloke, 2) because I am fair and 3) because we have time—to raise something. In all the excitement of asking questions of Mr Deegan of Infrastructure Australia on what may have been said at the Liberal Party state or federal conference, I want to raise a couple of things with you, Mr Mrdak, to do with the Pacific Highway.

Mr Mrdak: Certainly.

CHAIR: In regard to the Pacific Highway, could you let us know what the cost is for completing the full duplication?

Mr Mrdak: Our latest advice from the New South Wales officials, which I think is advice from late last year, is that the cost to complete the duplication is now well over \$7 billion.

CHAIR: Do you have a completion date on the basis of that cost?

Mr Mrdak: The Australian government retains its target completion date of 2016. As you know the Australian government in the budget this year committed an additional \$3.56 billion, which is 50 per cent of the cost of completion of the highway. That is to achieve the target of completion in 2016. That remains the Australian government's position and those costings are based on completion in 2016.

CHAIR: What happens if we do not meet the completion date of 2016, as a nation?

Mr Mrdak: There are a number of effects. One is the ongoing cost both in productivity and safety from the current condition of the Pacific Highway. Also, as we know, even on conservative estimates the cost of the project will increase over time as the project is further pushed out. We have done some initial indicative estimates based on very conservative estimates. We would estimate that if the completion was pushed out to, say, 2020, it would be at least an \$800 million additional cost in today's dollars. If the completion was pushed out beyond 2020 to, say, 2024, our estimate is that in today's dollars it would be something in the order of \$1.2 to \$1.3 billion in additional costs on the current estimate for completion.

CHAIR: On that, how are we looking at the moment in terms of moving along and meeting that date?

Mr Mrdak: At the moment the New South Wales government's position is that they are not prepared to meet the Australian government's funding condition of 50-50 to provide the full amount for the duplication. The New South Wales government argues that the funding split should be 80-20. In their recent budget the New South Wales government allocated only \$1.5 billion in response to the Australian government's offer of \$3.5 billion. That is not enough to complete the project by 2016. We await further advice from New South Wales on their position. At this stage the Australian government's position is that it will only release additional funding on the basis of a 50-50 contribution from both governments.

CHAIR: Was there any indication from the New South Wales government that they were going to stall or renege?

Mr Mrdak: I think it is fair to say we await their advice. Their position at this stage remains that they will fund only 20 per cent of the work.

Ms O'Connell: We understand they are considering the matter.

CHAIR: Do you have any questions, Senator Edwards, given that you had shown an interest in similar situations elsewhere?

Senator EDWARDS: The evidence given makes it very clear as to what is going on. I hope it does not turn out like the electrification of the Elizabeth to Gawler line in Adelaide.

CHAIR: So you have no questions. Thank you for your evidence, Mr Mrdak. We will now call the Major Cities Unit.

Major Cities Unit

[14:16]

Senator NASH: I have some issues around the staffing. What is the current staffing in the MCU?

Ms Ekelund: It is 10.

Senator NASH: Is that expected to increase or decrease over the next 12 months?

Ms Ekelund: It will not increase. It will either stay the same or decline.

Senator NASH: On what basis?

Ms Ekelund: Natural attrition and budget limitations.

Senator NASH: So if someone is going to retire they will let them go.

Ms Ekelund: Potentially, or we may replace with a more junior person.

Mr Mrdak: As I indicated earlier it is likely we will not fill positions that fall vacant through the remainder of the year, because of the fiscal constraints on the department.

Senator NASH: If you replace with a more junior person, will they be doing the same job? What would be the reconfiguration? Obviously if you needed somebody at a certain level to do a job now and you replace them with a junior person is that job going to be done at the same level?

Ms Ekelund: Our work changes over time. Certainly we would expect a more junior person not to do the same type of work as a more senior person.

Senator NASH: Can we just run through what the 10 do?

Ms Ekelund: I manage the staff of nine. The main task we are doing at the moment is—

Senator NASH: I meant each individual person.

Ms Ekelund: I have an EL2 in Sydney who manages the Sydney office as well as undertaking policy work and coordination and consultation with our stakeholders. Likewise I have an EL2 who manages the Canberra office. Each of those deputise when I am unable to be present. So they manage the two offices, work across government on policy issues and provide input into the work of other portfolios that are relevant to cities. Likewise, they liaise with other parts of this portfolio on various policy issues that are of relevance to cities.

They have an active role in the production of our publications, and they supervise the staff who work for them.

Senator NASH: Are you able to give us a salary range for those?

Mr Mrdak: We could take it on notice.

Senator NASH: Thank you. If you could take that on notice for all of them after we have run through, that would be great.

Mr Mrdak: We can give you a description of the task of the unit and their salary ranges.

Senator NASH: That would be great. Perhaps you could just run through the actual tasks now.

Ms Ekelund: It is mainly policy advice.

Senator NASH: The other seven are all policy advice?

Ms Ekelund: Yes. I have one administrative person, who is my executive assistant, but all the others undertake policy work.

Senator NASH: And are they separately tasked in different policy areas?

Ms Ekelund: There is some differentiation between the main work that the Sydney office does and the work the Canberra office does, but they all contribute to the State of Australian Cities reporting annually. We run, pretty closely, a matrix management approach rather than a hierarchical approach. People contribute to the work across both offices.

Senator NASH: So it is just Sydney and Canberra—just the two offices?

Ms Ekelund: Yes.

Senator NASH: Why the need for an office in Sydney as well as Canberra?

Ms Ekelund: The Major Cities Unit was established at a similar time to Infrastructure Australia.

Senator NASH: Is it in the Deutsche Bank building?

Ms Ekelund: No, it is not. It was, but it no longer is.

Senator NASH: Was it? Sorry—I was just kidding! When was it in the Deutsche Bank building?

Ms Ekelund: When it was originally established.

Senator NASH: How long was it housed there?

Ms Ekelund: It was there for a couple of years. I cannot remember exactly. After the last election there were some changes to the reporting arrangements for the Major Cities Unit. We used to report through Infrastructure Australia; now we report directly as a division into the department. Therefore I operate more actively as part of the executive of the department. After those changes we established an office in Canberra as well.

Senator NASH: If you would not mind, perhaps you could take on notice the period of time you were in the Deutsche Bank building and where you have moved to since. So, having had it established in Sydney, why then the need for a Canberra office?

Ms Ekelund: As I mentioned, I operate much more closely as part of the executive of the department, and therefore I try to be at our weekly executive meetings. It also enables me to work much more closely with the rest of the portfolio and also work across different government agencies.

Senator NASH: The Canberra office makes much more sense.

Ms Ekelund: Yes.

Mr Mrdak: One of the critical agendas coming out of the national urban policy that the government released was the role of the Major Cities Unit in coordinating Commonwealth activities on urban development in cities. Hence the need for the expansion of the office to take up the role across the Commonwealth. I chair the Commonwealth cities group, and Ms Ekelund and her team support me in that role. So being based in Canberra assists in dealing with other portfolio agencies.

Senator NASH: Yes, it makes it more practical, absolutely. When there was the change in the reporting arrangements and you were no longer reporting to Infrastructure Australia, why didn't you just move out of there and come back to Canberra and have one office? Why set up another office in Sydney?

Mr Mrdak: We had a number of specialist staff who were recruited in Sydney.

Senator NASH: They did not want to move?

Mr Mrdak: It was not just that. It was also that a lot of the relationship—

Senator NASH: So that was part of it?

Mr Mrdak: That was part of it. A number of our specialist urban staff were recruited in Sydney.

Senator NASH: And they did not want to go to Canberra.

Mr Mrdak: We would have lost a number of them had they been moved to Canberra; hence the decision to retain them. We operate out of a small space in the Department of Family and Community Services in Sydney, and that has enabled us to retain those specialist staff.

Senator NASH: Is there any analysis of the cost of keeping those staff in Sydney? I understand that you obviously want to keep expert staff where you can. But has there been any analysis of the cost of keeping those staff in Sydney because they did not want to move, as opposed to if they had been prepared to move to Canberra and just be in the one building? Isn't it duplication of resources—because they did not want to move to Canberra?

Mr Mrdak: It is a relatively small cost to us. As I said, we take a sublease of a space with the Department of Family and Community Services in Sydney. The marginal cost of having that office in Sydney is not large.

Senator NASH: How much is 'not large'?

Mr Mrdak: I would have to take on notice what the rent is. It is not a huge amount. It is essentially facilities for three staff.

Ms O'Connell: Yes, we are talking about three staff in Sydney, who are using facilities from another government department, so the rent is a marginal cost. Were they to be relocated to Canberra, there would be a cost in that relocation as well.

Senator NASH: What sorts of jobs are they doing?

Ms Ekelund: They are doing policy development. It was the Sydney staff who developed the urban design protocol and also the Sydney staff who predominantly have done the work on the active travel report.

Senator NASH: So, seriously, there is nobody else with those qualifications or expertise who could have been located in Canberra?

Mr Mrdak: Well, we had high-quality staff, and we had the opportunity to retain them, and I took the decision to retain them in Sydney.

Senator NASH: Are the two EL2s based in Canberra or Sydney?

Ms Ekelund: There is one in each office.

Senator NASH: Okay, so if you could take all those things on notice for me, that would be very useful. In terms of the budget over the four financial years—2012-13 to 2015-16—can you give us an indication of what that is for the MCU?

Mr Mrdak: For the Major Cities Unit the budget this year is around \$1.4 million.

Ms Ekelund: \$1.48 million.

Mr Mrdak: Yes, \$1.48 million, which is a reduction on last year. Essentially in the forward years you can anticipate a further reduction in the budget—as we can across all the divisions of the department. I cannot give you the quantum. Basically we work on the basis of the forward estimates of funding of around \$1.3 to \$1.4 million per annum.

Senator NASH: So you are working with rough figures that may well be adjusted as necessary.

Mr Mrdak: If there are further reductions in the department's budget then we will make further reductions to individual division budgets.

Senator NASH: Of the \$1.48 million, how much is staff salary?

Ms Ekelund: Most of it—about \$1.2 or \$1.3 million.

Senator NASH: And what is the remaining \$0.18 million allocated to?

Ms Ekelund: It is general operational. We have a very, very modest consultancy budget. But it is mainly services like proofreading our publications and limited print runs on our publications, as well as some staff development and travel.

Senator NASH: Why do you need a proofreader? Why do you need to outsource for a proofreader?

Ms Ekelund: It is a standard approach. We have an editor who looks at the document to make sure it is of a high professional standard.

Senator NASH: But haven't you retained really, really smart people who did not want to move to Canberra, and they were so good you had to keep them? They cannot proofread?

Mr Mrdak: I think Ms Ekelund is talking more generally about not just proofreading but the whole printing preparation process.

Senator NASH: I understand that, but what component of that goes on proofreading?

Mr Mrdak: A very small component?

Senator NASH: How much is pretty small?

Mr Mrdak: I think it is part of the print-setting for the publication of documents. I will take that on notice, but it is not a large amount, and it is part of the publication—

Mr Mrdak: Any amount is a large amount for the taxpayer, Mr Mrdak.

Mr Mrdak: I appreciate that but, at the same time, we do produce, as you know, very high-quality documents.

Senator NASH: Yes, very high quality.

Mr Mrdak: And we make sure they are properly set.

Senator NASH: Very much so. If you would take that on notice, that would be very useful. Thank you. On the Liveable Cities Program, are you able to give us a breakdown of expenditure for 2012-13 to 2015-16?

Ms Ekelund: The management of the Liveable Cities Program happens under our nation-building division. The Major Cities Unit has provided policy input into the evaluation of the applications, but we do not manage that program.

Senator NASH: Mr Mrdak, can you help me out, given that I have missed nation building?

Mr Mrdak: Certainly. What were you after?

Senator NASH: Just the expenditure for the Liveable Cities Program.

Mr Mrdak: It is \$20 million over two years—2012-13 and 2013-14—for that program.

Senator NASH: Is anything allocated post that time? Or is it just the \$20 million for 2012-13 and 2013-14?

Mr Mrdak: The \$20 million is all that has been allocated to that program. That program is due to cease after that two years. It was only funded for two years.

Senator NASH: At the moment, how much of that expenditure has already been committed or contracted, and how much still remains?

Mr Mrdak: There is \$13 million for this year and \$7 million for next year. Here are the details of how much has been committed: 25 projects were successful; 13 projects have now had project agreements signed and are underway; two projects have been withdrawn because of the Queensland government's withdrawal of matched funding; and the remainder of the projects that have been announced are subject to further negotiation with proponents to settle funding agreements.

Senator NASH: Are you able, on notice, to give us a list of those projects, the funding allocated to each of those and the expenditure thus far?

Mr Mrdak: Yes, certainly we can do that. And, as I said, there are two projects for which the Queensland government has now advised that it will not provide matching funding, and therefore those projects will be withdrawn.

Senator RHIANNON: I wanted to pick up on the National Smart Managed Motorways Program. What are the benchmarks put in place to assess whether this program is successful in addressing congestions in cities and improving overall efficiency of the transport network?

Ms Ekelund: Again, the Major Cities Unit is not responsible for managing this program. It is nation building.

Ms O'Connell: In terms of the managed motorways program, we can talk about some of the actual projects that have been funded and what they have delivered in terms of improved traffic flow, reduced carbon emissions as a result of traffic running more smoothly, reduced commuter times.

Senator RHIANNON: Could you give me examples of where the motorways are? Are you talking about the motorway projects in Sydney, for example?

Ms O'Connell: I am talking about some of the examples like the managed motorway project in Melbourne, that has delivered some good results, and I am happy to provide you with further information on that, on the results.

Senator RHIANNON: Which motorways have you been working on?

Ms O'Connell: There are a number of proposal projects in terms of managed motorways. Infrastructure Australia has rated it, I think, a project that is ready to proceed in terms of about \$6 billion worth of managed motorways projects. Within each of those projects there is information about what the specific project intends to achieve.

Senator RHIANNON: And how have you determined that this will increase transport efficiency?

Ms O'Connell: That is part of the submissions. The project proposals are about what the individual project will achieve in terms of delivering greater throughput of traffic et cetera.

Senator RHIANNON: Could you supply information? I imagine you are aware that the former head of the Roads and Traffic Authority and state rail in New South Wales has been critical of this motorway emphasis, that it is in fact not bringing the promised results in terms of more efficient transport movements, and that the induce-traffic phenomenon is becoming more real. Is the induce-traffic aspect that goes with motorways something you have looked at?

Mr Mrdak: Can I just clarify. I think the comments you are referring to refer to new motorway projects and whether they are the appropriate choice for the investment in Sydney. What Ms O'Connell is talking about, the managed motorway program, is effectively retrofitting intelligent transport systems into existing motorways to increase flow, as you know. We can certainly have a look at, and provide you with information on notice on, the forecast benefits and also, as Ms O'Connell has indicated, some of the real experience that has already happened on some of the motorways, particularly in Melbourne, where there has been very successful introduction of ITS Technologies such as ramp metering and the like, which has improved traffic flow quite markedly. I think they are separate issues.

Senator RHIANNON: The induce-traffic phenomenon is something that is associated with existing motorways. It is not just something about new motorways. Is that something you have made an assessment of? Yes, it is well known that you get a speed-up of traffic in the early stages of motorways or with motorway upgrades but then in time the congestion comes and then the proposal is, 'Let's add another couple of lanes; let's look at how these ramps are managed.' Have you made the assessment that there is another side of motorways, where the induce-traffic phenomenon just results in more congestion because the message it sends to motorists is, 'Get in your cars and use these motorways'?

Mr Mrdak: The induce-traffic debate is a little bit of an inexact science. The reality is that if we are seeing more traffic on motorways, isn't that a good outcome, in the sense that we are seeing more activity, more development, more economic activity?

Senator RHIANNON: If it is congested, isn't that a problem? We are talking about congestion.

Mr Mrdak: Let's not get carried away with this induce-traffic debate. We build infrastructure to promote growth. People make judgements about the level of capacity and congestion on that. Our job is to ensure that we reduce congestion on all modes of transport to maximise the economic opportunities.

Senator RHIANNON: You spoke about the scientific basis—and, I think, if I interpreted correctly, challenged—of some of the arguments around induced traffic.

Mr Mrdak: I think it is far from an exact science.

Senator RHIANNON: What is the scientific basis that your improvements will actually go on to relieve congestion?

Mr Mrdak: If you look at the experience of managed motorways and the technology that is now available, we are certainly seeing dramatic improvements in traffic flow, certainly in Melbourne and certainly internationally—quite significant improvements. Over time, quite clearly, as growth takes place, there will be new traffic which will enter those systems—and that is a good thing—as it does with every transport mode. So I am not too sure what the point you are making in relation to induce-traffic is.

Senator RHIANNON: You would be aware that there is considerable analysis that induce traffic in time results in motorway flows actually becoming heavily congested, and Sydney motorways are a classic example of that.

Mr Mrdak: You could make the same argument about public transport systems—as you improve the systems, people use them more and they become congested. Sorry, I do not understand your point.

Ms O'Connell: I think, Senator, the application of the intelligent transport system, as in the form of management motorways, allows you to avoid increasing additional lanes on motorways for a period of time, so you are just making more efficient use of the infrastructure you have.

Senator RHIANNON: Yes, but it seems that the message I am hearing from you, Mr Mrdak, is that you reject the induced traffic phenomenon and you are arguing that the issue of congestion can be managed successfully on city motorways.

Mr Mrdak: I do not think I would say I reject it; what I am saying—

CHAIR: Mr Mrdak, I am so sorry to cut in on you; Senator Rhiannon, I will have to make that your last question.

Mr Mrdak: I was saying I do not think I was rejecting induced traffic demand. I am saying it is inexact science and I am not too sure where it takes you as a point of policy.

Senator RHIANNON: So your—

CHAIR: Senator Rhiannon, I have been more than fair. I did put you on notice. I am sorry. It is your colleague you are cutting over.

Senator LUDLAM: Mr Mrdak, maybe we can provide you with some research on the phenomenon of induced traffic. It is a reasonably exact science. I share my colleague's frustration.

Mr Mrdak: I would not share your view.

Senator LUDLAM: I believe you may have just told the committee that more cars equals more activity, which is better for everyone—the more cars on the road the better our economy is.

Mr Mrdak: Certainly more mobility is a good outcome, isn't it?

Senator LUDLAM: Wow—okay. I don't know where to go with that. Ms Ekelund, I would like you to update us on some of the things that we spoke to you about as far back as February. On the Active Transport Strategy there had been some setbacks—other things had been prioritised—but I understand there might have been some movement. I think Senator Rhiannon raised the Nation Building 2 Program, which includes a connecting people strategy around active transport. Is there anything to report there?

Ms Ekelund: In terms of the updated the Active Transport Strategy, I cannot give you a copy, but it is going to print today and it will be launched by Minister Albanese on 29 October.

Senator LUDLAM: Give us the title of that document.

Ms Ekelund: It is the walking, riding and access to public transport draft report from the department.

Senator LUDLAM: That is a draft report from the department but it will be published once the minister has cleared it?

Ms Ekelund: Yes. It will be subject to public consultation over a three-month period.

Senator LUDLAM: I guess you are not going to be able to pre-empt it all that much before it has been tabled. What can you tell us in general terms about how it might impact Commonwealth budget decisions? Is there anything in play at the moment—and, Mr Mrdak, take this on if you will—around a standing appropriation for cycling and active transport?

Mr Mrdak: As I indicated earlier, the government is yet to make commitments in relation to future projects under NB2 beyond those we discussed this morning.

Senator LUDLAM: So there is nothing yet. Presumably the Active Transport Strategy is going to be informing that thinking, though.

Mr Mrdak: It certainly will be, yes.

Senator LUDLAM: Is there anything you can tell us—regrettably, I was not able to ask this this morning because time was too short with IA, infrastructure investments—about the fact that we are putting cycle lanes onto very high-speed, high-capacity roads that are nothing more than basically a painted strip on the road? It is in direct contravention to the way that you are supposed to segregate cycling traffic from high-speed vehicle traffic. Is there anything in your work or in the preparation of this draft that addresses that fact?

Mr Mrdak: I think the discussion paper will contain some very good analysis of some best practice in terms of provision of cycling infrastructure, yes.

Senator LUDLAM: That is good, because we are doing a bit of worst practice at the moment. Ms Ekelund, you said that you would be publishing that later this month?

Ms Ekelund: That is right.

Senator LUDLAM: That is good. The urban design protocol is obviously a very good piece of work. It was released almost a year ago. Can you tell us how it is tracking?

Ms Ekelund: It has in excess of 40 champions who have committed to pursuing the principles inside the protocol. It is now embedded in the Australian Green Infrastructure Council's Infrastructure Sustainability Rating Tool and it is also embedded in the Green Building Council's communities rating tool, which is currently being piloted. It has been referred to in a number of other policy documents of states, territories and local governments. And it has had about 135,000 full downloads.

Senator LUDLAM: That is good; it all sounds very positive. Do you see any role for the principles in that framework to be tied to any stronger regulatory frameworks or standards that are enforceable? What I am trying to say is: is there any area in Commonwealth law where there could be a role for law reform, for example, to embed those principles?

Ms Ekelund: We have encouraged proponents, under liveable cities, to be consistent with the protocol as well as the COAG criteria for cities and the national policy itself. So there would certainly be opportunity. We see it as complementary to the recently announced initiative in Liveable Housing Australia. We are working closely with Liveable Housing Australia to do some cross promotion because the protocol does talk about championing accessibility and universal design as well. There are certainly areas potentially in the housing area or in other parts of government where there may be some benefit in referring to the protocol.

Senator LUDLAM: I would think so. This might seem a bit off-topic but does Infrastructure Australia use those guidelines when making investment decisions or recommendations?

Ms Ekelund: I am not aware of that specifically but if infrastructure proposals are using the Green Infrastructure Council's rating tool then automatically the principles would be considered now. That has been a voluntary tool but the private sector seems to be picking it up at the moment.

Senator NASH: I thought, Mr Mrdak, this morning you said there were 11 FTEs for the major cities unit. I am just clarifying that it is 10.

Mr Mrdak: Ten seems to be the accurate number.

Ms Ekelund: Whether or not you call a person on maternity leave an FTE, we have physically got 10 FTEs at the moment.

Senator NASH: So you have 10 FTEs and one on maternity leave, hence the confusion.

[14:43]

Senator XENOPHON: Adelaide airport has recently changed the arrangements for the dropping off of passengers. Passengers are now dropped off a fair distance from the terminal although passengers can be picked up by taxis downstairs on the ground floor of the terminal. Was that done as a result of a security issue? At Melbourne and Sydney airports passengers can be dropped off right in front of the terminal.

Mr Mrdak: There are increasingly security issues being built into the better design of terminals. I will ask Mr Retter to talk about that because in the design concepts for future terminals we are looking at how we minimise the risk of attack from vehicles being utilised at the front of house.

Mr Retter: As the secretary indicated, there are factors which where possible should be incorporated into the design of airports to mitigate against the threat of an explosion or some sort of device being used at the public area of transport facilities around Australia. In the case of Adelaide airport, one of the many considerations was to look at the issue of stand-off distances. There is a figure, a number of metres, that is recommended where possible and is incorporated in the new design of the Adelaide airport extensions, the car park and the link. That figure was one of the many considerations that Adelaide airport made to redesign the airport.

Senator XENOPHON: Does that mean for Sydney and Melbourne airports, where passengers can be dropped at the front of the terminal, that will also change eventually?

Mr Retter: I think it is the view of the department that where any airport is redesigning or rebuilding its facilities, where we can accommodate an improved security outcome as part of the redesign of the airport we should do that as part of the process, because it is our view that where it is feasible to do it at not an exorbitant cost this is the approach we should take. In other words, we should do it at the front end as opposed to trying to retrofit security in areas—

Senator XENOPHON: Because of time constraints, and I promised the chair, I might get a briefing on this, because it is an issue of great inconvenience to passengers. If we are looking at a terrorist attack, there are still lots of people in the area where they are being dropped off, so—

Mr Mrdak: There has been a lot of work done by the RTS on issues such as areas where there is mass public gathering and what distances are, so—

Senator XENOPHON: Try getting dropped off at Adelaide airport. It is chaos there.

Senator EDWARDS: It is mayhem.

Senator HEFFERNAN: While we are on airports: Wagga Wagga Airport and the new screening arrangements there. It is not a waste of resource, but because they do not screen Rex planes and they only screen Qantas planes, and because there is only three planes a day, how do you figure the cost-benefit analysis of that?

Mr Retter: There are two different aspects to the question you asked but I will come back, if I can, to the cost-benefit issue. I will first deal with the issue of what we are primarily trying to protect at our regional airports in terms of security outcomes. You might recall that as part of the government's work in the white paper in 2009 we did a fair amount of extensive work looking at the whole issue of what would be the basis for the screening of passengers, and their baggage, getting onto aircraft.

We came to a view that a maximum take-off weight approach was the best approach, in part because of the changes that had occurred since the Aviation Transport Security Act and associated regulations had come in, which initially had a very arbitrary approach which meant that if you were in a jet you got screened and if you were in a propeller job you did not. Quite frankly, given the change in the nature—the size and shape—of aircraft that approach was no longer relevant. So we have adopted security screening being applied to aircraft which have a maximum take-off weight of over 20,000 kilograms.

At Wagga Wagga Airport there are a range of aircraft that operate RPT and open-charter aircraft. Some are above the threshold of 20,000 kilos and others are below. That means that some air services will be screened and others will not. However, the airport, if it so wished, could screen all aircraft. That is a decision for the airport operator. Our requirements are that all services over 20,000 kilos are screened.

Senator HEFFERNAN: But if I am flying into Sydney and I want to take a banned device—we will not be too alarmist about this—knowing that, I would get on Rex, wouldn't I?

Mr Retter: If you want to take an item on board that you know would be picked up on security screening in a screen service then, yes, as a caring terrorist you would do that.

Senator HEFFERNAN: Isn't that crazy?

Mr Retter: There has to be a threshold somewhere, otherwise—

Senator HEFFERNAN: But if the guys are there all day and they are standing around—

Mr Retter: My understanding, talking to the management at Wagga Wagga Airport is that they are not there all day. They are there for periods of time during the day—

Senator HEFFERNAN: It must be very inefficient. I bet they are on the payroll all day.

Mr Retter: I think they are there and paid by the hour, and the hours they work depend upon the frequency of the aircraft that need to be screened.

Senator NASH: Is that for certain, or are you guessing?

Mr Retter: My experience is that—

Senator NASH: No, I am asking specifically about Wagga Wagga. Do you know if that is the case in Wagga Wagga?

Mr Retter: I am speaking on the basis of what I understand to be the truth, not the specifics of Wagga Wagga airport.

Senator HEFFERNAN: I asked a couple of pleasant people—and, as you know, I am unpleasant—where they were from and they said they were from Timbuktu. They do not live around Wagga, some of them. I suppose it would take half an hour to one hour, two or three times a day, to do the screening. It seems a bit bizarre that you would screen a Qantas plane for some sort of study on security but not screen the one that is taking off five minutes later.

Mr Retter: This is a decision by the operators that is based on the policy settings that exist and the varying nature of the aircraft and services that exist at those airports.

Senator HEFFERNAN: Qantas and Rex provide a really good service to Wagga. They generally take off within 20 minutes of one another. They sort of line themselves up—and I think Rex has a couple of extra flights over the weekend. On the cost-benefit analysis of security, how the hell do you say that plane-ful there are okay without screening but the other one has to be screened. If it is not imposed by your department and it is just a local decision, that is bizarre.

Mr Retter: The policy settings that have been determined by government have been made after careful consideration of the relative risk that applies to those aircraft. If a local airport for its own reasons wishes to screen throughout the day, that is their call.

Senator HEFFERNAN: Yes, but that is a call that they would not make. I do not know who pays—whether it is the passengers, or Wagga City Council or whoever. I know that parking has gone up a fair bit there now; it used to be free—but good luck to them.

Mr Mrdak: Senator, I think Mr Retter's point is an important one. Previous to this decision to move to a maximum take-off weight limitation, the screening was based on whether they were jet or non-jet planes. It was also difficult where you had a Dash 8 operating to a regional port with a regional jet by another operator.

Senator HEFFERNAN: But any plane that can fly into Mascot is a considerable plane. When I was a young bloke you could fly a light aircraft in there—being an old pilot, it was quite an adventure. I wonder whether we should rethink that.

Mr Mrdak: Certainly on a risk basis those aircraft that are under 20,000 kilograms, if they are going into a port like Sydney, would be screened on arrival if they were entering a sterile area anyway, so we have got risk mitigators if they are mixing with traffic in Sydney. But your point is about the danger of the aircraft. The assessment that was done, which led to the white paper, was the utilisation of a larger aircraft like the Dash 8 or the ATR as a weapon, which is what has driven the screening.

Senator HEFFERNAN: I was not going to go down that path publicly.

Mr Mrdak: As Mr Retter has indicated, there was a great deal of detailed analysis done which led to the white paper decision to go with this.

Senator HEFFERNAN: Anyhow, it befuddles me.

Mr Retter: There is also the issue of operational periods before and after those aircraft that have to be screened. Any service that fits within that period of time is required to be screened by the airport, under existing regulations. Around 96.5 per cent of passengers around Australia are screened today—there is a very small number of passengers that are not screened—and that is a reflection of the current policy settings.

Senator EDWARDS: So we will take the risk with 20 people on a plane which is up to 20 tonnes—we can have that fall out of the sky with somebody taking an explosive on board—but that is the threshold. Is that your point?

Senator HEFFERNAN: Rex would have 35 passengers on board, wouldn't they?

Mr Retter: If I can answer Senator Edwards's inference: the reason that the 20,000 kilogram maximum take-off weight was selected as the threshold for screening is not because of the number of passengers on the aircraft but because of the effect of that particular aircraft being used as a weapon. These sorts of aircraft, these days, can reach all of our capital cities from anywhere in regional Australia without refuelling. That is the basis.

Senator KIM CARR: if you are wondering what the value of these discussions is and why this cannot be part of any Senate estimates process, this may be an area where a private briefing is appropriate.

Senator HEFFERNAN: Yes, somewhere between all of that. It is intriguing for people to go to the Wagga airport to see that lot just walk through.

Senator EDWARDS: We might just take you up on that offer.

Senator HEFFERNAN: That is a good idea. While we are talking about my good friends at Sydney Night Patrol, I noticed in the printed media in the last few weeks some stories about dodgy qualifications for security authorisation—to be a musclebound bloke at the door. They give you the questions but give you the answers. You, Mr Mrdak, will have read of that stuff.

Mr Mrdak: I have seen some of this material.

Senator HEFFERNAN: What assurances can we be given that the people involved in securing airports have not got their security authorisations by that dodgy process, bearing in mind that Sydney Night Patrol at one stage had nearly half their payroll on \$15 an hour and Centrelink payments and—I presented the payroll to the department some years ago, so I suppose I can talk about it now—one of the major providers was a person of interest to our national security people?

Mr Mrdak: As you know, there are two processes here. One is the process to be registered as a security guard. The other is to receive your ASIC and to be able to operate in that environment. I think there is no suggestion that any of our ASIC processes have been in any way breached.

Senator HEFFERNAN: If it would be suitable, I guess it could be a private briefing matter as well.

Mr Retter: As you note, there have been a number of issues with security guard licences and how they are obtained in other security industries or sectors of the industry. We are in fact moving from a requirement to have a security licence. We are actually moving to a competency based regime, as announced in the white paper. We are also working with ASQA, the government's quality assurance regime, to look at which RTOs we will allow to facilitate the appropriate training—in other words, decide on the size and shape of the training program, the names and the organisations and how we will appoint them to not only undertake that training across Australia but also periodically review the performance of those RTOs in terms of the delivery of the courses to guarantee to competencies. On top of that, in terms of the character of the individuals who are being employed, as Mr Mrdak says, there are a range of measures that are taken as part of receiving an ASIC which, in our view, exceed the basic police check.

Senator HEFFERNAN: Being an adventurous type, I often pull up some of those characters, to their alarm, and say, 'Who do you work for?', as I am walking around Sydney airport. They work for a various lot of people. They do not seem to know anything about Sydney Night Patrol. Do we really know who these people are? They are provided by subhire contractors.

Mr Retter: The staff that are required under the regulations to perform the duties of security screening officers require certain competencies—at present, a state based security licence—

Senator HEFFERNAN: Which is the one that can be dodged up.

Mr Retter: Which, as you point out, has been the subject of certain questions in terms of Queensland and how those qualifications are obtained.

Senator HEFFERNAN: Some of those people are back here in New South Wales, having got it.

Mr Retter: And, as I have said, we are moving away from that particular requirement. Having said that, my point is that the regime we are moving to will be far more robust and less onerous in terms of legitimate people working in the industry who will have the right competencies, and there will be a right quality assurance framework around them. In terms of the number of people working at Sydney airport and their employer, there are a range of companies—predominantly SNP—working at Sydney airport. Certainly in my discussions with law enforcement agencies I am not aware of any concerns about where those people have come from.

Senator HEFFERNAN: So if I were to go and get the payroll of portions of Sydney Night Patrol—which I may do, but I will tell you about it after I have done it—would I discover, do you think, that a lot of those people are on Centrelink payments plus so much an hour?

Mr Retter: Senator, unless I am mistaken this is the same conversation you and I have had on a number of occasions. I have referred these matters to the Australian Federal police who, as I understand it, have been in contact with you on these matters.

Senator HEFFERNAN: Righto, I think I shall err on the side of caution.

Senator FAWCETT: Following on from the discussion on ASICs and access to aircraft, can I take it as read that all aircrew would have ASICs? Yes or no will be fine.

Mr Retter: All Australian aircrew have ASICs, yes.

Senator FAWCETT: And aircraft cleaners?

Mr Retter: If they are working airside unescorted, yes they are required to have ASICs.

Senator FAWCETT: And caterers?

Mr Retter: If they are working airside.

Senator FAWCETT: And mechanics?

Mr Retter: Anybody who is working airside unescorted is required to have an ASIC. If they are in the process of getting an ASIC they will have a visitor identity card, a VIC, and they will be supervised during the period when they are waiting for their ASIC to come through.

Senator FAWCETT: Are pilots screened before they get on aircraft at major airports?

Mr Retter: Yes.

Senator FAWCETT: Are cleaners screened before they access aircraft?

Mr Retter: If they are entering the sterile area of the airport they will require to be screened. If they are entering an aircraft via airside—that is, they have gone out onto the tarmac and then up through other arrangements to the aircraft—they will be subject to what are known as 'airside inspection arrangements', which exist at all our major airports.

Senator FAWCETT: So would any cleaner, caterer or LAME who is entering airside be screened 100 per cent?

Mr Retter: That is the intention. We are certainly moving to progressively increase the arrangements that apply to all staff entering airport airside areas via airside inspection arrangements which are being progressively tightened as we move to adhere to the recent decision by ICAO to go down the path of the 100 per cent arrangements.

Senator FAWCETT: What is the gap at the moment?

Mr Retter: A number of physical checks occur, including checking the identity of the person going airside with their ASIC—that occurs 100 per cent—together with the inspection of bags or any other goods that have been taken airside by that individual. In addition to that, we propose to progressively move to something more akin to what you would see at passenger points—acknowledging that our focus here is on looking for things such as explosives on people going airside at the moment.

Senator FAWCETT: Okay, but my question was: what is the gap at the moment? You said you have an aspiration of 100 per cent, but at the moment it is clearly not 100 per cent. What is the gap?

Mr Retter: It is not 100 per cent in relation to where we would like to be, which would be something akin to what a passenger goes through when they get into the sterile area of the airport.

Senator FAWCETT: Does that mean that not every airport has the facility for that kind of screening, or does it mean you do not have the capacity to screen every person?

Mr Retter: The 10 major airports are the focus of our attention in terms of airside inspections.

Senator FAWCETT: That does not actually answer my question. Perhaps I need to take this in a private briefing to understand a bit more how big the gaps are and where they are.

Mr Retter: I think the point here is that over a number of years we have progressively moved to the current regime that I have described. We are in active discussions with each of the airports concerning progressively enhancing what we do now to something more akin to passenger screening for all staff who go airside. That will take time, and we are doing that over the next couple of years.

Senator FAWCETT: The white paper talks about annual certification requirements for screening officers. Where is that up to at the moment?

Mr Retter: As I alluded to when answering a question from Senator Heffernan, we are in the throes of having just confirmed the competencies that aviation screening officers are required to have. We are now in discussions with AQSA to determine the precise arrangements for quality assurance for those delivering the training and the quality assurance arrangements we will put in place for screening officers who have gone through the certificate II process. My advice at this stage is that we should have that process in place by around the middle of next year.

Senator FAWCETT: Is that going to involve an inspector going to a workplace and witnessing somebody on the job or will it involve an employee going to an accreditation centre and undergoing a test. How will that work?

Mr Retter: The precise details have not been worked through yet but my expectation is that it will, in fact, be determined in conjunction with ASQA, precisely how we will undertake the quality assurance regime and what particular tests or demonstrations are required to be undertaken by the screening officer. We have not yet decided on what the exact format of that quality assurance activity might be.

Senator FAWCETT: So this new regulation or standard being brought in by the government, is that going to be a cost-recovery activity that the operator, and therefore the passenger, will wear?

Mr Retter: There has been no discussion of cost recovery at this stage.

Senator FAWCETT: So you are anticipating, at this stage—

Mr Retter: Without deciding where we want to go—that will be a decision for government—at this stage we are working through what the options might be to deliver what outcome the government has asked for us to deliver.

Senator NASH: Just following on the issue of the 20,000 kilogram limit, can I clarify that? You said that there needs to be a cut-off somewhere. Were you saying that it was because of the fuel load? Did I follow that correctly?

Mr Retter: No, it is a combination of factors. You reach a point, as a result of a combination of weight and speed, that generates an energy factor which, if it were to strike a building, would cause an effect. The government determined that at the 20,000 kilo mark the impact of that sort of an event was significant enough to warrant additional measures to be applied to it. In a sense, this analysis was examined by a range of experts. I am being a bit coy about what I say, precisely—

Senator NASH: I understand that.

Mr Retter: but it was not taken lightly in terms of where we set the threshold.

Senator NASH: Thank you. I am sure you are aware that it has created some issues. I specifically want to talk about the small and remote destinations, particularly for tourism. Are you aware of some of the concerns by the charter operators that this has put a real burden on them in terms of going into small towns like Bourke? Is that something that you are aware of?

Mr Retter: I am aware that some months ago we had some active discussions with a number of open charter companies and associated airlines, who propose to fly into unscreened airports—category 6 airports in the Aviation Transport Security Regulations—and we went through an exercise with them to determine an appropriate set of measures that could be put in place that would allow them to continue to operate their tourism activities with minimal impact on both the passengers and the airlines, with the airports that are affected. We have done that. To my knowledge those measures are in place and are working effectively. And for the last three months I have heard nothing, from either the airports affected or the airlines.

Senator NASH: Good. What were the measures? I want you to give me a brief answer and then give me a more detailed answer on notice, if you could.

Mr Retter: If you like, the simple fact is that passengers and their baggage getting off and then subsequently—say, the next day—getting back on an aircraft will be screened. But it is a very basic form of screening and it involves the passengers being subject to hand wand, their baggage being subject to physical examination if it is carry-on baggage, and for a percentage of baggage, the whole baggage being looked at.

Senator NASH: Your understanding is that the operators of those airports and those types of businesses are happy with those arrangements and those measures?

Mr Retter: Talking to the tour operators who organise the tours, the airlines who are working with them, and the airports—in some cases the airports have elected to do this screening and in other cases the tour operator has said he will do that screening—I have heard nothing for three months. As I understand it those tours are occurring, albeit infrequently, to category 6 airports without concern.

Senator NASH: Excellent. If that is the case it is good news. Thank you.

CHAIR: I thank you, Mr Retter, and your crew.

Mr Mrdak: Senator Macdonald asked a question this morning about Horn Island. We might just cover that off, if we can, while we have Mr Retter and Mr Doherty at the table.

CHAIR: Absolutely.

Mr Retter: If I may, I think Senator Macdonald asked a question about what, if any, moneys had been made available to Horn Island. There is a two-part answer. I will cover the first part and then Mr Doherty will cover the second.

In terms of the security infrastructure funding that is available for Horn Island, as a new screened airport it had a total of up to \$410,000 available for infrastructure related improvements that were directly related to the security technology that was being placed in the airport, and we worked prior to 1 July with the airport manager to put new infrastructure in place to support the screening of passengers and their baggage at the airport. There was additional moneys provided to purchase the screening equipment—up to \$650,000 was provided to Horn Island. The rest I will leave to Mr Doherty.

Mr Doherty: We did contribute to the upgrading of the runway and taxiway a couple of years ago. The total project cost was \$9.9 million, with contributions from the Australian government of \$5.09 million, the Queensland government of \$3.55 million and the Torres Shire Council of \$1.26 million. The Australian government component included some funding from the RASP, the Remote Aerodrome Safety Program. Since that work the department has not received any further funding requests for upgrade works at Horn Island Airport under the program as it now stands, the Regional Aviation Access Program. We note that funding for landside activities, such as terminal buildings, would not be eligible under the guidelines for the current program.

CHAIR: Thank you, Mr Doherty. I thank the officers from the Office of Transport Security. We now go to aviation and airports.

Senator HUMPHRIES: Before I ask questions can I ask officers whether they want to correct the record of what was said to the estimates committee on the last occasion, when this agency was examined by it?

Mr Mrdak: Senator I will probably need more information than that if I am to give you an accurate answer.

Senator HUMPHRIES: I asked detailed questions about the National Airports Safeguarding Framework, particularly to adoption of guideline A, which you, Mr Mrdak, and Mr Wilson advised the committee had been adopted by all Australian jurisdictions as the guideline that they would support for proposals affecting airports with respect to the measurement and avoidance of airport noise. Do you recall giving me that evidence? I can quote what you said if you would like?

Mr Mrdak: If you wouldn't mind. I am not sure that the way you prefaced it is an accurate representation of what I said, but I am happy if you would like to read out my answer.

Senator HUMPHRIES: I said:

So guideline A has not been adopted by the ministerial council at this point?

Mr Wilson said:

No. It has been adopted with the provision that it be used for strategic planning. So it has been adopted.

I asked:

You are saying it has been accepted and it now has the same force as the other guidelines?

Mr Wilson said:

Yes.

I will proceed to my questions.

Mr Mrdak: If I can clarify. That is an accurate statement. I have no reason to change that statement. That reflects the minutes of the meeting of the ministerial council, to the best of my knowledge.

Senator HUMPHRIES: Are you aware, then, that a number of ministers and governments seem to have resiled from that position? Are you aware that Mr Hazzard wrote to the chief executive of the Urban Development Institute of Australia on 28 June saying, 'I can confirm the New South Wales government has advised the Commonwealth it generally supports the broader safeguarding framework, with the specific exception of guideline A—measures for managing impacts of aircraft noise.'

Mr Mrdak: I am not familiar with that correspondence. We were not copied in, to my knowledge. If that is a letter from the New South Wales minister to the urban development forum, I would be surprised if we were copied in but I am happy to pursue that with my New South Wales planning colleagues.

Senator HUMPHRIES: Are you aware of the letter by the chief of staff of the Minister for Transport, Housing and Emergency Services of Western Australia in which a person says, 'The minister supports the minister for planning's position not to endorse the Commonwealth's guideline A measures for managing impacts of aircraft noise of the framework while it contains the proposed alternate noise metrics in their current state.' Are you aware of that?

Mr Mrdak: I am not familiar with that correspondence.

Senator HUMPHRIES: Are you aware of Mr Ian Walker, the Assistant Minister for Planning Reform of Queensland, indicating AS2021 standards remain and continue to be the statutory requirements for building within ANEF contours, within ANEF areas?

Mr Mrdak: I am sorry. I have not been copied into the correspondence. It is very difficult for me to comment on correspondence I have not seen. The statement is very accurate. There is no change to a AS2021. That is the Australian standard.

Senator HUMPHRIES: You are in the process of trying to change that though, are you not?

Mr Mrdak: We have sought a review of AS2021, which was supported by the ministerial council as taking place and that is underway.

Senator HUMPHRIES: The ministers seemed to be have a different view to you about what was actually agreed there because they have all indicated in correspondence that they do not accept that guideline A forms part of the decision of that meeting. How would you explain that?

Mr Mrdak: The decision was taken with modifications by the state of Victoria in relation to the role of guideline A. We certainly noted in the minutes of the meeting the reservations expressed by New South Wales. The guideline has been adopted for strategic planning purposes and one of the outcomes of that is the reference to the Australian Standards Association for review of AS2021. That work is underway. I am happy to provide you with the minutes of the SCOTI meeting, which are available.

Senator HUMPHRIES: I think I actually tabled them myself at the last hearing of this committee.

Mr Mrdak: I do not think anything I have heard so far is inconsistent with that.

Senator HUMPHRIES: You are saying that the ministers agreed to guideline A on noise impacts but all these ministers are writing to stakeholders in the sector saying that they have not agreed to guideline A. What is the truth? Are they misleading their correspondents?

Mr Mrdak: I was present at the conversation with ministers. I can refer you to the minutes of the meeting. If ministers in their respective jurisdictions have reached a different view to that decision taken at the standing council, I am sure it is open to jurisdictions to come back to the ministerial council when it next meets. I can only give you the decisions that have been recorded and, to my knowledge, I have only seen one piece of correspondence from a jurisdiction, the state of Western Australia, to me and to my minister raising issues with the discussion but, to my knowledge, not challenging the minutes of the meeting. I am not aware of any other correspondence that you have outlined here today.

Senator HUMPHRIES: I have an email from Councillor Genia McCaffrey, the president of the Australian Local Government Association. ALGA is a full member of SCOTI is it not?

Mr Mrdak: That is correct.

Senator HUMPHRIES: The email to the Mayor of Queanbeyan says, 'We put the strong position at the meeting—that is, the SCOTI meeting—but local government did not support the new noise guidelines as there was no clear scientific evidence that the current guidelines needed to be changed.' Did she put those views to SCOTI?

Mr Mrdak: I would have to go back and check the minutes of the meeting and the recording of the discussion. Certainly I am well aware of the Australian Local Government Association's concerns. I do not know if that is what is reflected in that email but I am happy to go and check the record of the discussion.

Senator HUMPHRIES: It sounds to me as though you have got a very tenuous agreement and that somebody has written the minutes after the meeting was concluded, which do not actually reflect what was decided at that meeting. Have individual jurisdictions formally approved the minutes of the meeting?

Mr Mrdak: The minutes have been circulated. The next meeting of the standing council is on 9 November.

Senator HUMPHRIES: I would expect some fireworks there, if I were you, Mr Mrdak, as a bit of advice.

TheMr Mrdak: I think parties need to understand the issues being discussed. I am very happy to take comments on the minutes and I am sure ministers may wish to have a follow-up discussion on this matter.

Senator HUMPHRIES: No doubt they would.

Ms O'Connell: In addition to the minutes, there was a communique that was released basically straight after the meeting that referenced what the agreements were.

Senator HUMPHRIES: My experience of communiques is they are often written after the meeting has broken up and people have left the building.

Ms O'Connell: No, Senator.

Mr Mrdak: No, not in this situation. All jurisdictions participated in the communique.

Ms O'Connell: The draft communique was put out on the table during the meeting with any opportunity for comments.

Mr Mrdak: I can only reiterate if there are differences of opinion, they have not been drawn to my attention. The correspondence you flagged, not being sent to me, makes it very difficult for me to comment on it.

Senator HUMPHRIES: I accept that you have not been advised of these things. I assume you will take this up at the next meeting of SCOTI in November?

Mr Mrdak: The Commonwealth is comfortable with the position reached by the standing committee. If other jurisdictions have a different view obviously the minister can take those on board.

Senator HUMPHRIES: You mentioned before that you were putting a revision of the standard to the Australian Standards Association. Is that correct?

Mr Mrdak: We have sought that Standards Australia review AS2021, which has been in place for some 30 years or so. It is quite a dated standard. I think that is the process. The Australian Standards Association will now look at that issue.

Senator HUMPHRIES: I am not asking for background. I just want to confirm that you are in fact asking them to look at the issue.

Mr Stone: The department has put a proposal in to Standards Australia to review AS2021.

Senator HUMPHRIES: Has there been a public consultation around the proposal it is putting forward?

Mr Stone: That is right.

Senator HUMPHRIES: I understand Minister Albanese wrote to the planning minister of New South Wales on the 2 May 2011 and said in respect of aircraft noise, 'Where new development would expose future residents to more than six 60-decibel events between the hours of 11 pm and 6 am, it is the government's view that such developments should not be approved.' That element, I understand, is what has gone forward to ASA as the proposed new noise standard. Is that correct?

Mr Stone: Not exactly. There are a number of metrics that have been proposed for consideration by Standards Australia. Standards Australia has been encouraged to take as broad a review as it sees fit.

Senator HUMPHRIES: But you have specifically proposed, what I understand is called in shorthand, N60=6. You put that forward as part of the proposed standard, did you not?

Mr Stone: The agreement from the Commonwealth and state committee, the national airport safeguarding advisory group, was to put a proposal to Standards Australia for a review which included assessment of those particular metrics.

Senator HUMPHRIES: So you proposed that for consideration?

Mr Stone: We proposed that Standards Australia consider all relevant approaches including those metrics.

Senator HUMPHRIES: Mr Albanese flagged this in his correspondence of May last year. It is what has gone in to Standards Australia at the time this was submitted, which I understand was on 30 July. But public consultation on the document, which was being considered as the basis for this new standard, which was issued I understand on 23 February this year, contains no reference to N60=6. It was the Commonwealth's position last May. It has now submitted this proposal with N60=6 to Standards Australia but the public consultation did not actually include that provision. Why?

Mr Stone: That is not correct. The draft was put out for proposal in July.

Senator HUMPHRIES: I have the proposal in front of me. Can you tell me what page it appears on?

Mr Stone: No I cannot but if you have got it in front of you then you might be able to tell me.

Senator HUMPHRIES: I will pass it to you to show me where that particular measure exists.

Mr Stone: I will talk you through the process. The Standards Australia process is to have a draft proposal prepared by the proponent and prepared for consultation. We prepared a draft proposal. The proposal was based on the agreement of the national airport safeguarding advisory group, which comprised Commonwealth, state and territory jurisdictions and ALGA. That was prepared as a draft. We published it on our website for approximately one month. We took submissions. We had 36 submissions to that draft proposal. We incorporated the suggestions that came from the comments and we have submitted another proposal to Standards Australia for assessment and that has also been published on our website.

Senator HUMPHRIES: Did the document you put out for consultation for that month include an explicit reference to N60=6?

Mr Stone: I believe so, the one that was published in July.

Senator HUMPHRIES: The document is in front of you. Can you point to me which page you refer to.

Mr Stone: If it was not published, it is possible that it was an oversight.

Senator HUMPHRIES: You said it was published. Was it published or was it not published?

Mr Stone: I will have to check but what I would say is we published a draft proposal and took comments back from stakeholders. I do have recollection that some stakeholders pointed out that that particular metric may have been omitted from one of the draft proposals and suggested that it should be included.

Senator HUMPHRIES: You just told us it was included. Are you now withdrawing that evidence?

Mr Mrdak: I think it is best if we take this on notice and come back to you. It will give my office an opportunity to look at the document away from the table. We will come back to your question as soon as we can.

CHAIR: Senator Humphries, we are running very short of time. Mr Mrdak, I have not missed anything here. Your integrity was being questioned. I can see the look on your face. I think you have contained yourself very well. Could you table those minutes for this committee because if you are being misrepresented and if there is correspondence going out to other senators that is completely in contrast to the minutes, I think it is important that the committee gets that evidence.

Mr Mrdak: I am very happy to table that.

Senator RONALDSON: Mr Mrdak, back to the Avalon issue very quickly. It is my understanding that Air Asia approached the department in 2008 seeking landing rights for Avalon. Are you aware of that?

Mr Mrdak: Yes. We had discussions with that company some years ago.

Senator RONALDSON: For the record, is that an international airline?

Mr Mrdak: Yes. It is a Malaysian carrier.

Senator RONALDSON: Why did the government at the time deny landing rights to Air Asia? Can you remember?

Mr Mrdak: I do not think we denied rights. I think the capacity was available under the Malaysian air services agreement. I think it was a question for the Malaysian government as to how they allocated that capacity between their carriers. I would have to go back and check my recollection about the way in which the air service agreement negotiations took place at the time.

Senator RONALDSON: If you could just take that on notice for me.

Mr Mrdak: Yes, certainly.

Mr Borthwick: The capacity was available under the air services agreement between Australia and Malaysia but it was up to the Malaysian government whether or not they grant those rights to their carriers. So it is a matter for the Malaysia government.

Senator RONALDSON: That was the reason it did not proceed, was it?

Mr Borthwick: They would have required the agreement of the Malaysian government for those rights. We are aware that Air Asia was in discussions with both Avalon and Melbourne at that time and subsequently chose to operate to Melbourne.

Senator RONALDSON: So it would not be right to say it was knocked back to safeguard Australia's interests or the national interest? It did not get any discussion about that, I presume?

Mr Borthwick: I could not comment on that. I would just say it was a matter of the Malaysian government about allocating rights.

Senator RONALDSON: If you could just take the last question on notice.

CHAIR: Senator Humphries will table his correspondence for the committee as well.

Senator FAWCETT: I will just distribute this map. Mr Mrdak, I am sure you would be disappointed if I did not come back to the issue of leased airports and the lot of operators on airports versus airport use. I will give you a document here which is about pre-lease opportunities for land at Bankstown airport. I have contacted the lease operator at Bankstown airport and he was very prompt and very good about responding, saying that any approval for this land—you can see the hatched land here—covers an area of the airfield, which, for as long as those people can recall, has been an aviation side of the airfield. It is where helicopters take off and land and there are formed

helipads in there. People have invested many hundreds of thousands dollars—it is not millions—in building their businesses adjacent to that land so they can use it. That is an operating part of the airfield. It is now a pre-lease opportunity, which would essentially provide the opportunity to build infrastructure where these people need to operate aircraft to run their business.

The leaseholder has come back and said that anything would be subject to assessment under the controls and building regulations, including consultation with adjacent tenants as required under the regulation of airports building control regulation 96, including approvals from the airport building controller and the airport environment controller. Given the context of NASAG and given the context of the lease conditions, which say that airports are scarce land and they should primarily be for aviation use,—I am happy to take it on notice—but could you respond as to the principles that the department will apply should an application come forward for this land to be developed for non-aviation use or, essentially, a build infrastructure where for decades people have been landing and operating helicopters as part of their businesses at Bankstown Airport?

Mr Mrdak: Certainly, Senator. I will just check with my officers if we are familiar with this proposal. I can just reiterate the government's policy position that in any master plan it would not look favourably upon any reduction in aeronautical activity zoning at an airport like Bankstown. That has been made very clear by the minister. I will just check with my colleagues.

Senator FAWCETT: This zoning was approved in a previous plan, but the issue is the context upon which people look at that land, 'We don't mind if there is other businesses built around the edge of this aviation operation,' but what has been put forward to the broader marketplace is that all of this land is available for building of hard stand warehouses and other things.

Mr Mrdak: As I said, the government has been very clear on its view to maintain aeronautical activity. I will have to check the status of this particular site. I am not familiar and I will check with my officers as to whether we are familiar with this proposal. Senator, I will have to take that on notice and we will come back to you with clear principles and also how we would handle such a proposal.

Senator FAWCETT: Sure. Coming back to Evans Head airfield, I notice that the Office of Airspace Regulation has declined to approve the fly-neighbourly advice because of the proximity of residential areas to the aerodrome. On the basis of the fact that NASAG indicates that the Commonwealth government is responsible for safety and that agencies like this are saying that the buildings are too close to the airport to even approve a fly-neighbourly agreement, which is constraining generally how people fly to try and avoid things like noise impact, I would ask you to take on notice what role the Commonwealth should be having for ALOP aerodromes. I hear what you said before that it belongs to the council and you gave the councils money so they could develop it and use it for commercial purposes. If the Commonwealth still retains under NASAG the responsibility for safety, which is not only the people on the ground but also for the people in the air, developments like this and some in Queensland, where literally in Queensland some of the houses have been built within a stone's throw of active aerodromes—

CHAIR: I ask you to come to the question; we are four minutes over. You can take it on notice or you can answer it very quickly in 10 seconds.

Mr Doherty: We cannot answer it in that time. Senator, I understand that this is an issue that has been raised with us in correspondence in the last couple of weeks. I am not sure whether it goes to a safety issue, but we will certainly have a look at that. In relation to the broader issue, you are aware of the work that we are doing through NASAG to try and get cooperation from the states to control the development which could interfere. We are trying to have some influence on what happens outside the boundary of the airport or in the airport.

CHAIR: I have not seen that for a while, Mr Doherty. You said you could not answer it and then it took a minute to get that out. Well done. You have 30 seconds to put some on notice, Senator Rhiannon, and then we are moving.

Senator RHIANNON: I have just one question. My question concerns the joint study on aviation capacity for the Sydney region. There appears to be a contradiction or an inconsistency. The executive summary recommends Wilton as a second option if Badgerys Creek was ruled out. However, when examining part 8 of the report, the study identifies a number of options other than Wilton as preferable: Badgerys Creek; three other sites in the Nepean; as well as Wilberforce in the Hawkesbury and Somerset on the Central Coast. Why do we have that position where Wilton is coming in at No. 8, then you get to the executive summary and it is coming in as No. 2?

Mr Mrdak: I think you are referring there to the appendices which have all the rankings against the criteria. Is that where you are?

Senator RHIANNON: Yes in part 8.

Mr Mrdak: At the end of the day it was a judgement made by the steering committee based on the reality of what would be likely to be a more viable site given the various issues involved. At the moment the next stage of the work we are doing for the Australian government is looking at the various site alternatives at Wilton as to whether they present major issues, and which may well be the more easily developed and viable option. I think it reflected a judgement at the end of the day by the steering committee, given all of the issues raised on the various sites, as to what would be a more viable option that could proceed to a development proposal.

Senator RHIANNON: So the question—

CHAIR: No, I am going to finish it now. I am sorry, Senator Rhiannon. If anyone out there in cyberland thinks I am picking on Senator Rhiannon, I am not, because there are only 15 minutes left for Airservices Australia and those out there will not have to put up with the sooking if someone, who has put their name down, does not get to ask their questions in that area. On that, I call Airservices Australia. Senator Rhiannon, put the questions on notice, thank you.

Airservices Australia

Senator XENOPHON: Mr Clark, as CFO you advised at Senate estimates in May that you had been checking and authorising Mr Russell's, the former CEO's, credit card expenses since August 2011, and you said it was a practice of many departmental secretaries to have their credit card expenses checked by a subordinate and therefore this practice does not raise an issue for Airservices Australia. Does this not contradict the Minister Albanese's letter to Airservices Australia Chairman, Mr David Forsyth, on 2 April 2012 when referring to Mr Russell's credit card expenses he stated:

I consider these are financial expenses which you and the Board need to be satisfied are appropriate and properly incurred in accordance with the Board's oversight of the CEO's performance and accountability.

Do you see any inconsistency between your answer and what the minister put to Chairman Forsyth?

Mr Clark: No, not at all.

Senator XENOPHON: Do you consider that, as CFO, you had an appropriate scrutiny of the credit card expenses of Mr Russell?

Mr Clark: Yes, I do.

Senator XENOPHON: Has Airservices Australia introduced new controls on corporate credit cards since the departure of Mr Russell?

Mr Clark: We have certainly introduced new procedures and controls around the chief executive, and we have tightened up some of the board procedures in relation to board expenditure as well.

Senator XENOPHON: That means that your new financial reporting requirements have been introduced in terms of credit card expenses and personal expenses? Is that right?

Mr Clark: New sign-off processes have been introduced, yes.

Senator XENOPHON: Okay. If you could take on notice how they differ from the previous arrangements. For instance, is there a ban on the CEO of Airservices Australia using business class travel within Australia? Is that a new control?

Mr Clark: No. What the board has done is taken an opportunity to tighten up the travel entitlements for the chief executive and, in the main, travel between Canberra and Melbourne and Sydney will be economy class where appropriate and efficient, and business class in all other sectors and routes, which is not dissimilar to arrangements for staff across the organisation.

Senator XENOPHON: Did you actually assume responsibility for checking the former CEO's credit card expenses from the senior executive manager of HR in August 2010?

Mr Clark: That is right.

Senator XENOPHON: Some two months before then senior executive, Ms Fleming, left Airservices Australia. Is that correct?

Mr Clark: It would have been about that time, yes.

Senator XENOPHON: Before I finish on this I want to ask you some questions about payout of executives that have left. You are saying that there are now new systems in place dealing with credit card expenses. Correct?

Mr Clark: As it relates to the expenditure incurred by the chief executive in terms of who signs off that expenditure and a pre-approval processes for entertainment et cetera, yes.

Senator XENOPHON: So, doesn't that imply that there was a need for improvement or a problem with the former oversight under your time as CFO?

Mr Clark: No. There was an opportunity to review process and procedure, which we did, to tighten things up.

Senator XENOPHON: I understand there were something like 14 general managers or members of the executive committee who left Airservices Australia between Mr Russell taking up office in June 2005 and 30 June 2011. I do not think it is necessary for me to name them; I have their names. I would like to know, without breaching any confidentiality in global terms so that it does not identify any particular person, how much has been paid under entitlements in terms of any severance entitlements, in terms of whether it was resignation, redundancy or dismissal, and in general terms what those conditions were. In other words, how much has it cost Australian taxpayers for the 14 members of the executive committee that departed in that six-year period?

Mr Clark: I think we have answered that question previously on two occasions. The vast majority of that detail would be contained within the annual report and financial statements, per se.

Senator XENOPHON: In terms of the specific 14 executives that have departed?

Mr Clark: In terms of any of the executive and general managers that had left the organisation, yes.

Senator XENOPHON: Perhaps I will put a number of questions on notice. My four minutes are up. Thank you, Chair.

Senator FAWCETT: I will limit it to one very simple question. I asked two estimates ago about the Scouts in Queensland who made an application to Airservices Australia for use of land to replace their million-dollar facility that was required to be knocked down because the owners of Archerfield airfield decided that they wished to use the land for something else, which they have not. Has that application come to Airservices Australia? Has it been progressed? What is the current status?

Mr Clark: As I understand it, and I will certainly correct the record if I have not got this right, we approached the Scouts about 18 months ago and asked them the question of whether they were still interested in doing any development work on that site. We are prepared to talk to them about any interference there might be in terms of the construction. At this point in time we are waiting for a response from them.

Senator FAWCETT: Thank you.

Senator XENOPHON: In relation to Mr Russell and his final pay, Mr Clark, you advised last time that Airservices Australia was negotiating with Mr Russell in his final payout. Will that be made public?

Mr Clark: Mr Russell's final separation is a matter between him and the board, although I understand you asked a question on notice at last Senate estimates, to which we have responded, giving you the indicative detail of what was included in that payout, not including the precise number, per se.

Senator XENOPHON: Could you just clarify this: when did Mr Russell cease to be on Airservices Australia payroll system? Was it on 16 May, which Mr Russell stated in a memo was the date of his resignation, or was it some other date?

Mr Clark: I will take that on notice, but again I believe we answered that question on the previous questions on notice.

Senator Kim Carr: Have you got the right brief, Senator? It is a bit of a worry. You have so many questions that have already been asked.

Senator XENOPHON: Minister, you are being completely unhelpful. I am happy to give you a briefing on Airservices Australia any time you want, Minister.

Senator Kim Carr: I know you will, but I have probably read it once before.

Senator XENOPHON: No, there are issues here in relation to that. There is a specific question, Minister, which I do not think has been answered. That relates to when was Mr Russell on the payroll, what date did he resign and what date did he cease to be on the payroll of Airservices Australia?

Mr Clark: I will take it on notice if I cannot find it immediately.

Senator XENOPHON: Thank you, and I will forward the answer to the minister.

Senator Kim Carr: Can we get it today? Is that possible?

Mr Clark: Yes, we can get it today, absolutely. We might be able to get it in the next five minutes if we keep talking.

Senator XENOPHON: I think our time is up. Thank you.

CHAIR: Time is up. I think officers from Airservices Australia and now call CASA.

Civil Aviation Safety Authority

Senator FAWCETT: I have a couple of questions following on from the white paper. The CASA regulatory reform program, which was forecast to be completed by 2011, is on page 69. What is the current status of that?

Mr J McCormick: We have in previous estimates discussed the priority issues and also coming out of the flying training inquiry of last year. The status of the white paper was that the regs would be made by that date but not implemented because obviously some of the regulations affect up to 800 organisations and it takes a considerable amount of time to do the industry training and practice to make sure that those regs enter into the industry without introducing undue risk into the industry at the same time. So we undertook to complete parts 42, 66, 145 and 147 to be made by the end of this year, as I reported at estimates in the past, and we are on track to complete those regulated parts in time.

At the moment we have maintenance regulation 145 for the small end of town, GA part 135, which is the current low capacity RPT area. They are out to consultation now. The operational regulations part 119 and 121, the high capacity RPT replacement regs, and 135 are interleaved with those maintenance regulations because of requirements for the Continuing Airworthiness Management Organisation, which is part 42. And we have generally taken the view that we do not want to make any of the regs when they are going to have a shelf life of longer than one year. We have had some calls from the industry to slow down the rate of the reg implementation program and we are cognisant of the fact that a considerable amount of training has to be done to make sure that those regs, particularly in the small end of town, are well and truly consulted with the industry so that we take on board their concerns and then we produce legislation that harmonises with existing parts 145 and 42 which we are in the process of rolling out and have been since June 2010.

All in all, we have a few reg parts that remain to be made. Some of them are around sports aviation et cetera. Those we will make next year. We could have completed the regulatory reform program as far as making the regulations is concerned by the end of next year. The white paper date could have been achieved but we would not have been able to put them in the industry or train our own staff. So although they could have made the date, or got very close to it, there would have been a long shelf life for those regs before we could implement them, and that was generally not seen as being according to government policy.

Senator FAWCETT: I am pleased to hear about the long consultation with industry. Where industry does provide input to you, how much of their input as part of that consultation process is made public?

Mr J McCormick: The comments that come to us are all published and the comments and the discussion papers enter the notices of proposed rule making.

Senator FAWCETT: The white paper states that some of the regional offices, like Townsville, Cairns and Darwin, will be maintained. What is the current status of your plans for services in those regional locations?

Mr J McCormick: Those offices are still open and we intend to keep them open. They are not manned at particularly high levels. Townsville is manned at a level of five people at the moment. Cairns, from memory, is manned at 18. We will keep those offices open. There is of course growing interest in aviation in North Queensland—it is one of the growth sectors—so we see our presence there as essential.

Senator FAWCETT: Do those manning levels represent a decrease on what they have been in the past?

Mr J McCormick: I would have to take that on notice and you would have to give me a specific date that you want me to go back to on that. Townsville has had a bit of attrition. Naturally people do not want to move and the amount of activity outside Townsville on the civil side is not as high as it is out of Cairns. We have allowed those people to leave by natural attrition.

Depending on the amount of activity that occurs—and in Darwin, which also looks back into that region, we have 16 staff from memory—we figure we have enough people at the moment. As the activity increases seasonally, we then look to employ more people if we have to.

Senator FAWCETT: Given that you charge fees to industry for the services of your inspectors, do you monitor on an ongoing basis the efficiency of the work practices of your staff?

Mr J McCormick: Yes, we do. In fact we are moving into a review of all our reg services charges and also the time it is taking us to do some of our activities.

Senator FAWCETT: Do you have any specific targets for decreasing the level of administrative overhead that delays outcomes from CASA for industry?

Mr J McCormick: We have numerous initiatives on efficiency. We are in the process of completing the rollout of an IT system which will allow us to see the risk across the whole operation throughout Australia. That will allow us to target our surveillance better. We are in the process of replacing quite a few legacy systems that

we have had an CASA over many years with a new, proven, off-the-shelf CAA-specific system. That will also improve our efficiency. We have combined our offices where we can to put people into certificate management teams. That also increases our efficiency. With those things, coupled with the new surveillance procedures manual, the air operators certificate manual and the COA manual, which have all been rewritten over the past three years, we expect to see significant efficiency gains. By the same token, we are also looking at our back-end staff versus our front-end staff. We currently run around 35 per cent back-end staff and perhaps as high as 39 per cent. I have given the organisation a target of 35 per cent by the end of the next calendar year, which would be well and truly at the forefront of the industry. All those things should go towards getting us out of paper-handling and allow our efficiency to increase, naturally.

Senator FAWCETT: Are you having problems attracting and retaining staff in both your technical airworthiness and operations areas?

Mr J McCormick: Yes, it is always a struggle, particularly finding helicopter pilots. We compete with the industry for pilots with heavy helicopter experience. As I am sure you are aware, apart from the military, we do not find many people who have multi-engine helicopter experience and we certainly cannot pay the rates that the industry pays. And for technical staff it is the same. We have a turnover of around 11 per cent throughout the organisation, which is very good by Canberra standards, and a lot of the people who do leave come back to us. So we do have an ebb and flow in and out of the industry.

Senator FAWCETT: We have spoken previously about the relocation of Bankstown from the actual airport and interfacing on a daily basis with industry. Where is that at at the moment?

Mr J McCormick: In regard to our oversight?

Senator FAWCETT: In regard to the relocation of CASA staff from Bankstown Airport to a central location.

Mr J McCormick: The central office in Sydney will be officially opened by the minister on Friday. We have completed the transfer of staff to there. At the same time we have undertaken a review of our travelling costs and where we are recovering those costs for people who have previously surveilled at Bankstown and Camden. We have that in train at the moment. I will waive those fees of the cost of travel between Sydney and Bankstown, Sydney and Camden, Melbourne and Moorabbin, Brisbane and Archerfield, Adelaide and Parafield and also Perth and Jandakot.

Senator FAWCETT: What mechanisms do you have in place to seek feedback from industry in terms of the level of satisfaction they have about the amount of time that they can interact with inspectors, response time and also any costs that may increase? Do you have mechanism for them to provide feedback specifically associated with these centralised moves?

Mr J McCormick: We do have the CEO feedback line available. There is the AOC holders' survey. They can send in any email or report any condition they like to the Sydney offices or directly to Canberra. We do not have a forum where we actually get out and ask that question, but we have plenty of interaction with the industry, including through the Regional Aviation Safety Forum et cetera, and if those issues are present we expect people to raise them.

Senator FAWCETT: My final question is about feedback on your own staff. Some of the industry comment I have had is that the presence of CASA inspectors on the field is a positive thing in terms of awareness of what is actually happening on the field on a daily basis through unofficial and impromptu visits to people. This is seen as adding value. With people not being based at the airfield anymore and losing a certain amount of their productivity in travel time, what ways do you have to track the lack of the intangible benefit that is provided by somebody being on the airfield as opposed to being 25 per cent less productive because they are spending time travelling through traffic?

Mr J McCormick: We do still have people on the airfield regularly. There are still a lot of certificate holders, both AOC and COA, at Bankstown, for instance. They are still under surveillance. We have our flight training and testing examiners, who are also at Bankstown a lot of the time. As far as time-in-motion studies go, we are in the middle of doing that as a review over the whole of CASA, not just our inspectors, to see what time is available. Travelling time is generally under an hour from our Sydney office to Bankstown and in the region of 10 to 15 minutes to Mascot. So we are not losing a lot of productivity in reality. As I said, that is study we have under way and it will inform our future staffing plans.

Senator GALLACHER: I asked a question on notice regarding a protocol for dealing with OHS concerns raised by airline personnel. I thank CASA for the education you have given me by responding and saying that, yes, you do have one. So my supplementary question is: can I get a copy of the written protocol and an indication of the number of OHS concerns raised with CASA by airline personnel?

Mr J McCormick: Yes, we will take that on notice.

Senator EGGLESTON: I want to go back to the matter of the costs occurred by CASA in pursuit of Polar Aviation during a case which has gone on for some eight years. You provided an answer on notice which relates to the cost to Comcover in defending CASA against Polar Aviation in two cases. The amount was \$393,667 in legal fees. This comprised payments of \$207,734 to Ashurst Blake Dawson lawyers, inclusive of barristers fees, and \$178,783 to the Australian Government Solicitor inclusive of barristers fees. They were legal costs in defending CASA against actions brought by Polar Aviation.

But my question really referred to earlier costs. As I said last time, the figure you gave of a total of \$65,307 in legal fees incurred in the case against CASA was disputed by the owner of Polar Aviation, Mr Butson. He said you correctly admitted that there was an additional payment of \$30,929 in your unsuccessful appeal in the Federal Court, which would bring the total up to \$96,234. I am seeking an assurance from you because, after all, this is a public forum and the Senate is entitled to be given answers to the questions it puts. Are these the total figures, are these the final costs, or are there other costs yet to be admitted by CASA in this matter?

Mr J McCormick: When the Full Bench of the Federal Court dismissed Mr Butson's appeal it ordered that Mr Butson and Polar Aviation pay costs. Your summation of the cost is correct. It was \$393,667 in legal fees. Comcover, as you know, is the government's general insurance fund. It provides insurance and risk management service to Australian government departments and agencies, including CASA. CASA itself has not incurred any external legal fees or any measurable internal legal costs. However, as you said, in answer to question on notice No. 92 we did tell the committee that the previous legal costs were \$65,305 internally and a \$30,929 payment to Grundy Maitland and Co for costs involved in the 2005 Federal Court hearing. To my knowledge there are no other costs of CASA, but I will ask my general counsel to confirm that.

Mr Anastasi: I personally handled that litigation in 2005 and I can say that there are no other costs that CASA incurred in relation to both those tribunal and Federal Court proceedings in 2005.

Senator Kim Carr: Chair, could we get a response to Senator Xenophon's earlier question? It requires just a very short answer.

Mr Mrdak: Senator Xenophon asked Airservices Australia for the last day that Mr Russell was on the payroll. I will just confirm their answer. It was 24 May 2012.

Senator FAWCETT: Mr McCormick, last estimates we spoke about the role CASA has in aviation safety. We talked about the heads of power that you have to influence safety at an ALOP aerodrome that is not directly controlled by the department. We talked about, for example, a body of water that could attract birds. You asked for a specific example and I gave you the example of Casino. What response can you give now in terms of your investigation into what actions have occurred?

Mr J McCormick: Are you referring to a question on notice? I do recall a discussion.

Senator FAWCETT: Yes, we had the discussion. Just looking at the transcript here, the flow got interrupted and I do not whether it was recorded as a formal question on notice. But there was an undertaking to look into it, so I am just wondering whether that has been looked into. In what way are you able to exercise that head of power where there is a safety issue at an aerodrome that is not a leased federal aerodrome?

Mr J McCormick: Sorry, I do not think we captured that as an actual question. Is it acceptable for me to take that on notice now and get back to you next time?

Senator FAWCETT: If you could take it on notice now, that would be great. Thank you.

Senator XENOPHON: Mr McCormick, can you advise us on the progress of the review that CASA is undertaking into Airservices Australia?

Mr J McCormick: We did previously inform the committee that we would have that report done by 31 October, and we are on track to do that report and complete that work by 31 October.

Senator XENOPHON: And that will be delivered to the minister?

Mr J McCormick: We have not actually discussed the disposition of the report, other than to say that we will complete that work and then work with Airservices Australia to address the findings, such that they are.

Senator XENOPHON: So it might not see the light of day for several months, depending on the response from Airservices?

Mr J McCormick: It is more or less like any other audit report in a lot of ways: it has to be discussed with the people who are being audited. We do not do the report just to produce it and throw it away or disregard it; we do want some actions out of it. So it is a working document when it is complete.

Senator XENOPHON: Without identifying any persons, in the course of your investigation did you speak to ex-employees of Airservices Australia? You did make mention of disgruntled employees—and, unfortunately, there was one former employee who was reluctant to come forward as a result of that comment. Did you have a chance to speak to any former employees of Airservices Australia?

Mr J McCormick: I personally did not. If you give me a moment, I will see if we have an answer to that. No, we did not speak to former employees but we did speak to the air traffic controllers union.

Senator XENOPHON: Do you think the fact that you made a comment about disgruntled former employees may have discouraged anyone? I know that it discouraged one person, who approached me, from coming forward. Do you think it would have been preferable to speak to former employees, former senior management, given that there has been such a huge turnover of senior managers in that organisation?

Mr J McCormick: It is a little difficult to distil from senior management, who come and go from an organisation, the circumstances and salient points for us in an investigation. We certainly would have spoken to any former employees whether that they were disgruntled or not. Perhaps my terminology was unfortunate, but it was not intended to discourage anyone from coming forward. Of course, we are more interested in what is happening today. How we have reached this position in Airservices—or in any organisation for that matter—in some respects informs us, but it does not necessarily give us a vector to head to for the future.

Senator XENOPHON: If somebody left the organisation under a cloud, whether they were pushed, shoved or left voluntarily, and had to sign, for instance, a confidentiality agreement, as may have been the case, does CASA have the authority to override that confidentiality agreement given that your brief is safety in the skies?

Mr J McCormick: I do not think I can answer that. My understanding of a confidentiality agreement is that there is a pecuniary penalty if someone breaches it; and, in the commercial world anyway, they usually have to repay a certain amount of money or there is a sanction. I would not put somebody in a position where—

Senator XENOPHON: But this is not the commercial world. We are talking about Airservices Australia.

Mr J McCormick: Well, it is a government business enterprise.

Senator XENOPHON: Yes, but its brief is to make sure that aircraft are managed appropriately in the skies.

Mr J McCormick: My understanding of their act is that they are to provide an air traffic control service.

Senator Kim Carr: Senator Xenophon, I think you are getting dangerously close to seeking a legal opinion from this officer, which I think would be outside of the—

Senator XENOPHON: No, I am not seeking a legal opinion of Mr McCormick. I am asking, firstly, whether CASA thinks it has the authority to speak to former employees of Airservices Australia—

Senator Kim Carr: In breach of a confidentiality agreement—that was the question.

Mr J McCormick: If the question stops there—'Do we have the authority to speak to Airservices employees?'—yes, we do.

Senator XENOPHON: But you are saying that your ability to speak to those employees might be fettered by a confidentiality agreement?

Mr J McCormick: Well, somebody who has left with a confidentiality agreement is no longer an employee of Airservices.

Senator XENOPHON: In this very welcome audit by CASA into the Airservices Australia, there have been at least 14 general managers, members of the executive committee, who have departed Airservices Australia between July 2005 and 30 July 2011—and I think there have been more since then. I am wondering whether it would have been prudent, thorough and comprehensive to actually speak to those senior executives of Airservices Australia as part of this audit process.

Mr J McCormick: Leaving aside the minister's point that I cannot give a legal opinion on our powers with regard to a confidentiality agreement—and I do not think my general counsel can either—the circumstances in which people leave an organisation are not normally known to us.

Senator XENOPHON: Let me rephrase the question so that we do not labour the point. You are undertaking a comprehensive audit of Airservices Australia—that is the clear fact.

Mr J McCormick: Correct.

Senator XENOPHON: There have been complaints about the functioning of the organisation. You say that that had nothing to do with the audit, that it was an audit that CASA had decided to for whatever reason. If there are issues in terms of the functioning of Airservices Australia, wouldn't it have been reasonable to also speak to

some of those senior managers who could also have been responsible for key aspects of training and the administration of that organisation?

Mr J McCormick: When people leave significant positions, particularly on the operational side, we note who has replaced them. But we have no authority to compel anybody in Airservices to talk to us.

Senator XENOPHON: An employee may have left in perfectly good circumstances and on perfectly good terms. But if they are no longer employed there, by definition, they may feel freer to speak about that organisation they have left than would someone who is in the thick of it and drawing a pay cheque from that organisation.

Mr J McCormick: If someone has left a position of substantial management control, and if we are auditing and are looking at the system they have left behind, or the parts of the system that they were responsible for, we see traces of what has happened. We see what the situation is like. Quite often, there might be many, many reasons. Let us say this part is operating at a suboptimal level—we are not happy where it is operating. One of the reasons could be that there were incorrect managers. That could be one of the reasons. There are many other reasons it could be operating at a suboptimal level. What I am getting at is that, forensically, you generally see the hand of the people who have been in charge when you look into those areas.

Senator XENOPHON: But wouldn't it have been preferable if CASA had then made its assessment based on its expertise, based on looking at issues of aviation safety? You could then make your own assessment as to whether the former manager you spoke to was suboptimal, or whether they were competent or not. Haven't you lost an opportunity to perhaps get some useful information from some of those 14 or more senior managers who have left that organisation?

Mr J McCormick: I see where you are heading with this; I know what the element is that you are looking at. We look at an audit, or we do a review—whatever you want to call it. To give us a working term, let us say this 172 is an audit. An audit is a snapshot through the organisation at a time. We have no ability to know what the employment history of people has been. We have no ability to know what internal machinations have happened within the management group, the senior management group or the work groups; we do not see that. We cannot go back and reconstruct the organisation in a previous iteration and ask: 'What did it look like six months ago when this person got fired? Therefore, was that person fired legitimately?' I cannot make those connections, and I am not really in the business of making those connections. I am interested in the outcome of what the organisation produces. I am interested in whether it is robust enough to do that and whether it is resilient enough to do that.

Senator XENOPHON: But doesn't that go to the issue of the resilience, the robustness, of the organisation? And then you may get some useful information from those who have previously been in that organisation saying, 'These are some of the systemic issues we faced that may still be there', which a former employee may be more willing to talk about than a current employee. Do you concede that point at least?

Mr J McCormick: Certainly. Everyone who has left an organisation will have a point of view and an opinion of what has happened and how they came to leave the organisation, as well as what the organisation they left behind is like. We certainly would take it on board if people came forward and said, 'I want to tell you about my time in Airservices', for instance. The difficulty is that I have no ability to go out and find these people. I have no ability to compel them to talk to me; I cannot compel anybody to talk to me. So it is an issue whereby they have to come forward to us.

Senator XENOPHON: Are you saying there is no way you could contact them?

Mr J McCormick: I do not have the resources to go chasing people who have left another organisation. The control of people is a management function of the organisation that has the people. I am there to regulate aviation safety. I am interested in the output; I am not particularly interested in the ways they do it, when it comes to the personnel side of the house.

Senator XENOPHON: So, just to crystallise this: do you think, in hindsight, that there could have been some benefit in speaking to former senior managers of the organisation—that some of them may have given you some information that would have been of some use to this audit?

Mr J McCormick: I do not know that it would have been of use to the audit, but it would have formed background information if these people had come forward and spoken to us. And it is not too late: if they wish to come forward and speak to us, they can.

Senator XENOPHON: But you will not seek them out; they would have to come to you.

Mr J McCormick: I do not have a mandate to seek them out, and I do not have the resources to do it.

Senator XENOPHON: So if someone does come forward, you can guarantee confidentiality?

Mr J McCormick: If they come forward to us, yes.

Senator XENOPHON: So there will not be any repercussions if they speak to you freely?

Mr J McCormick: If they speak to us freely and they are ex-employees of Airservices, I cannot see how Airservices can take any action against them. Or are you talking about a third party?

Senator XENOPHON: Unless there is a confidentiality agreement.

Mr J McCormick: Yes, unless there is a confidentiality agreement. It is for each individual person. If anybody comes forward and wishes to speak to us—and I would encourage anybody who wishes to speak to us to do so—it will be information that we would take on board. It is not going to be given the same status, if you will, as facts—such as how many controllers you have, how many hours they work and those sorts of hard numbers, which really inform the working engine of an audit report. But anybody's opinion is just that, and we will listen to anybody's opinion.

Senator XENOPHON: So if any former employees came forward in the next week or so—and I am not saying that they will—that might affect the reporting date of your audit?

Mr J McCormick: It would depend on what smoking gun they came equipped with, just to use that analogy.

Senator XENOPHON: I am not suggesting you use a smoking anything!

Mr J McCormick: If they come forward with an opinion, we will use it as an opinion, and we will see whether it correlates with what we already know or whether it does not. How we deal with it will depend on what the information is. The report will be out on 31 October.

CHAIR: Okay, we have finished with CASA. Thank you..

Senator HUMPHRIES: I just want to table the four pieces of correspondence I referred to in the course of the session on airports and aviation. I also might indicate for the record that I handed to Mr Stone, I think, what I purported to be the consultation document. I actually handed him the later version of that, and I apologise for that. But he has the document I was referring to, because it is a departmental document I assume—he has taken that question on notice and I assume he will come back and tell us what—

Mr Mrdak: My understanding is that the document you gave him did include the reference you—

Senator HUMPHRIES: That is because it was the final document that went to Standards Australia, not the consultation document.

Mr Mrdak: We will come back to you on the points you have raised.

Australian Transport Safety Bureau

[16:15]

CHAIR: I welcome officers from the Australian Transport Safety Bureau.

Senator FAWCETT: Purely out of interest, in the media there is the issue of the separation in the Northern Territory. Could you give the committee a two-minute summary of the incident and any key factors that you can report.

Mr Dolan: The facts as we understand them at this stage—and we are still in the early stages of an investigation—are that Darwin is under military air traffic control and it is provided to civilian aircraft. Regarding the tagging of an aircraft in the system, the identification code—the registration—was attached to a different aircraft and therefore there was confusion in the system as to the management of one of two aircraft. The error was detected but in managing out of the consequences of the error there was an infringement of the separation standards. That is as much as we have at this stage. We will try to understand why it came to that and whether the system both for preventing the error in the first place and for detecting and managing it were adequate, and what might need to be done.

Senator FAWCETT: Chair, given the inquiry on Monday I do not actually have a huge number of questions, except to follow up something with Mr Mrdak. Last time we spoke about closing the loop between ATSB recommendations and CASA following through with regulation as a consequential change within a certain time frame. The view was expressed that it was not necessarily a departmental role to have that closed loop system. I challenged that at the time. I just welcome any comment you may have three or four months down the track as to whether there has been any further thought within your department as to how we make sure we have a closed loop system for recommendations that come out of the ATSB.

Mr Mrdak: It is something we are doing further work on in response to your concerns. We recognise that we do need to ensure the integrity of the investigatory response and then the regulatory response. So it is something we are looking at closely. I and the other chief executives in the portfolio will do some further work on that area.

Senator FAWCETT: Do you have a time frame on when you might be able to report back to the committee?

Mr Mrdak: Not as yet. I will come back to you on notice with some more detail.

Senator FAWCETT: If I could invite you to come back to the chair perhaps with a date for a briefing to the committee, outside of the estimates process, as to how you might implement that.

Mr Mrdak: Yes.

Senator FAWCETT: Because the work by ATSB is almost nugatory if you do not have a closed loop system that makes sure it is implemented in a timely manner.

Mr Mrdak: We will come back to you on that.

CHAIR: There are no further questions. I will take this up with the committee—there is an inquiry. It is always my fear that we have a rush of senators who want to ask questions and we drag you in here and keep you sitting here all day and there are no questions. I apologise to you Mr Dolan.

Mr Dolan: There will be further inquiries on Monday?

CHAIR: There is an inquiry on Monday, which we have known about for some four weeks, when it went through the Senate. It is a bit embarrassing. We have a hard-working core group of senators, but it is not a great look. Thank you for your time. We will now take a break and come back with the Regional Australia, Local Government, Arts and Sports portfolio.

Proceedings suspended from 16:19 to 17:01

REGIONAL AUSTRALIA, LOCAL GOVERNMENT, ARTS AND SPORT

Senator the Hon Kate Lundy, Minister for Sport; Minister for Multicultural Affairs; Minister Assisting for Industry and Innovation.

Department of Regional Australia, Regional Development, Local Government, Arts and Sport**Executive**

Glenys Beauchamp, Secretary
Stephanie Foster, Deputy Secretary
Dan O'Brien, Deputy Secretary
Richard Eccles, Deputy Secretary

Corporate Services

Jamie Clout, Chief Operating Officer
Kym Partington, Chief Financial Officer
Shaun McGuiggan, Chief Information Officer
Jane Heffernan, Acting Assistant Secretary, HR, Legal and Governance
Megan Bonny, Assistant Secretary, Strategic Communications

Outcome 1

Robyn Fleming, First Assistant Secretary, Regional Development Priorities and Programs Division
Gordon McCormick, Assistant Secretary, Regional Development Programs
Xavier Csar, Assistant Secretary, Southeast Australia
Megan Lees, Assistant Secretary, Northwest Australia and ONA
Andrew Dickson, Director, Office of Northern Australia
Simon Atkinson, First Assistant Secretary, Regional Policy and Strategy Division
Bruce Taloni, Assistant Secretary, Regional Policy Coordination
Julia Pickworth, Assistant Secretary, Strategic Policy and Ministerial Services
Shane Bennett, Assistant Secretary, Regional Economic and Infrastructure Policy
Julian Yates, First Assistant Secretary, Local Government and Territories Division
Matasha McConchie, Assistant Secretary, Local Government and Self Governing Territories
Paul McInnes, Assistant Secretary, National Disaster Recovery Taskforce

Outcome 2

Julian Yates, First Assistant Secretary, Local Government and Territories Division
Matasha McConchie, Assistant Secretary, Local Government and Self Governing Territories
Belinda Moss, Assistant Secretary, Territories Service Delivery
Bruce Taloni, Assistant Secretary, Regional Policy Coordination

Outcome 3

Sally Basser, First Assistant Secretary, Office for the Arts
Stephen Arnott, Assistant Secretary, Creative Sector Development
Lyn Allan, Assistant Secretary, Collections and Cultural Heritage
Celia Street, Assistant Secretary, Arts Partnerships
Stacey Campton, Assistant Secretary, Indigenous Culture / Arts Network
Louise Doyle, Assistant Secretary, National Portrait Gallery

Australia Council

Kathy Keele, CEO
Tony Grybowski, Executive Director Arts Organisations

Screen Australia

Dr Ruth Harley, Chief Executive Officer

Fiona Cameron, Chief Operating Officer
Richard Nankivell, Chief Financial Officer

National Museum of Australia

Andrew Sayers AM, Director
Graham Smith, Chief Operating Officer

National Gallery of Australia

Alan Froud, Deputy Director
David Perceval, Chief Financial Officer

National Library of Australia

Anne-Marie Schwirtlich, Director-General
Gerry Linehan, Assistant Director-General, Corporate Services

National Film and Sound Archive

Steve Vogt, Acting Chief Executive Officer
Sonia Gherdevich, Acting General Manager, Access and Outreach
Rod Butler, Acting General Manager, Collection Development
Noel Florian, Chief Financial Officer and Manager of Corporate Operations

Outcome 4

Bill Rowe, First Assistant Secretary, Office for Sport
Jaye Smith, Assistant Secretary, Major Events Taskforce and Sport Sector Support
Natasha Cole, Assistant Secretary, Sport Development

Australian Sports Commission

Simon Hollingsworth, Chief Executive Officer
Matthew Favier, Director, Australian Institute of Sport
Greg Nance, General Manager, Sports Development
Steve Jones, General Manager, Corporate Operations
Fiona Johnstone, Chief Financial Officer

Observers

Nicole Metcalfe, Strategic Policy and Ministerial Services
Geoff Hill, Strategic Policy and Ministerial Services
Effie Klippan, DRALGAS
Brendan Wall, Director of Strategy Planning, Australia Council
Tim Blackwell, Executive Director Corporate Resources, Australia Council
Peter Hughes, Director, Finance Branch, National Library of Australia
Adam Flynn, Principal Legal Officer, National Film and Sound Archive

Department of Regional Australia, Regional Development, Local Government, Arts and Sport

CHAIR: I welcome all new witnesses and Minister Lundy. The committee has fixed Friday, 7 December 2012 as the date for the return of answers to questions taken on notice. This deadline is longer than the usual time frame that the committee sets for the return of answers for questions taken on notice. The extension accounts for the time frame for senators to provide written questions to the committee secretariat. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business on Friday, 26 October 2012.

Under standing order No. 26 the committee must take all evidence in public session. This includes 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 and which I now incorporate in *Hansard*.

Officers called upon for 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 please switch off their mobile phones or render them inaudible. Minister, do you or Ms Beauchamp wish to make an opening statement.

Senator Lundy: No, I do not have an opening statement and I do not believe the secretary does either.

Ms Beauchamp: No, thank you.

CHAIR: Let us go straight to questions of corporate services.

Senator IAN MACDONALD: Did we get all of our questions on notice, from last estimates, back on time?

Ms Beauchamp: Yes. They were all in—bar three—by 20 July. The remaining three were furnished on 23 July.

Senator IAN MACDONALD: Is that to the committee or to the minister?

Ms Beauchamp: To the committee.

Senator IAN MACDONALD: Well done. You told us at last estimates that the department was offering 60 voluntary redundancies. How many people have expressed interest in those redundancies?

Ms Beauchamp: In 2011-12, 68 people took voluntary redundancies.

Senator IAN MACDONALD: You were offering 60 and 68 took them?

Ms Beauchamp: We actually offered 86 and 68 took them.

Senator IAN MACDONALD: What was the cost of those redundancies?

Ms Beauchamp: In the order of \$4.5 million.

Senator IAN MACDONALD: How many of those redundancies came from the Regional Development and Local Government divisions of the department?

Mr Clout: I will just do a quick count for you, Senator. Which part of the department were you particularly—

Senator IAN MACDONALD: Regional development and local government. I guess it might be interesting if you could give us all, but the regional development and local government ones I am particularly interested in.

Mr Clout: I believe around 17 from divisions in the department that deal with either regional development or local government in some way.

Senator IAN MACDONALD: Dodo you have a calculation of the money expected to be saved as a result of those staffing cuts?

Mr Clout: I would have to take that on notice. We would have to calculate the salaries of those staff members who took a VR and add them up.

Senator IAN MACDONALD: But you are doing the redundancies, clearly, with a view to reducing the overall cost to the department.

Mr Clout: That is correct.

Senator IAN MACDONALD: And you do not have an estimate of what you are seeking to achieve?

Ms Beauchamp: Senator, the department's appropriation decreased by about \$15 million and the offer of voluntary redundancies as well as people who were ongoing and contractors now allows us to operate within our budget for 2012-13.

Senator IAN MACDONALD: So it is another way of saying you are hoping to save around \$15 million from that saving and other savings.

Ms Beauchamp: And other savings, yes.

Senator IAN MACDONALD: Do you have any other plans for future reductions in staffing in this current financial year?

Ms Beauchamp: Our budget appropriation is impacted by a number of things, including the cessation of one-off initiatives as well as lapsing and finishing programs, and our appropriation will decrease from 2012-13 to 2013-14.

Senator IAN MACDONALD: Could you tell me what your staffing numbers were at the 30 June 2011, what they are now and what you expect them to be at the end of this financial year?

Mr Clout: At the beginning of July 2011, the department had 335 staff. The major change to the department's structure was in December 2011 with the addition of the Office for the Arts and the Office for Sport, as well as

corporate staff from the Department of the Prime Minister and Cabinet. That increased our staffing by about 327 at the time.

Senator IAN MACDONALD: To 662.

Mr Clout: And in 2012-13, we project an average staffing level of 567, including the staff of the National Portrait Gallery and Artbank.

Senator IAN MACDONALD: That is at the end of this financial year?

Mr Clout: That is an average staffing level for the year.

Senator IAN MACDONALD: Do you have a projection for the end of the next financial year?

Mr Clout: For the end of the year we would want to be down somewhere in the mid 400s.

Senator IAN MACDONALD: So on my calculations that is a reduction of about 100 from a starting point of 600.

Mr Clout: But that includes the National Portrait Gallery and Artbank.

Senator IAN MACDONALD: Yes.

Mr Clout: But the figures for the department are much fewer than 100, for the department proper.

Senator IAN MACDONALD: That is a 12 per cent in reduction of staff from your department. Have you had to field much media comment about that huge reduction in Public Service jobs?

Mr Clout: No, we have not been doing any media on job reductions.

Senator IAN MACDONALD: Strange. You should come from Queensland—media never stops up there and the reduction is lower!

Ms Beauchamp: Senator, can I just clarify that there are a number of programs that are lapsing and ceasing and in a sense it is not a cut in staffing; it is something that we have expected over the forward estimates period.

Senator IAN MACDONALD: Coming from Queensland, I understand that—the same thing is happening there. But it does not stop the media, I have to say. Okay, that is good, thank you; we are getting through these very quickly.

At additional estimates earlier this year it was stated that 'Minister Crean is very keen to increase our regional footprint'. Can you please provide a detailed update of the department's preliminary work on the most effective use of resources in the regions—in particular, please outline any plans for co-location between offices in the same locations.

Ms Beauchamp: With the machinery of government changes that happened in December 2011, with the inclusion of Arts and Sports in the portfolio, we have about 23 locations; and we are in the process of looking at how we can co-locate those offices.

Senator IAN MACDONALD: Sorry, what does that mean?

Ms Beauchamp: Well, there may be Arts and Sports in a different building from our Regional staff, for example.

Senator IAN MACDONALD: Okay. Do you have multiple venues of operations—outside Canberra and the capital cities, I am talking about.

Ms Beauchamp: I am not sure what you mean by 'multiple venues'.

Senator IAN MACDONALD: Well, the minister said he was very keen to increase the regional footprint. I was asking you what was the most effective use of your resources in the region, and in particular whether you could outline any plans for co-location between offices in the same location. So, I am not talking about Canberra; I am talking about out in the regions.

Ms Beauchamp: We have increased our footprint quite substantially, both with the machinery of government changes but also to reflect some of our place-based work. Where possible, we are putting people in centres, or in states, that are particular priorities for the minister.

Senator IAN MACDONALD: That's interesting—particular states are priorities for the minister?

Ms Beauchamp: Well, where we are doing particular work around our place-based activities, and where we have developed MOUs with states and territories—in relation to, for example, Tasmania, Latrobe, Upper Spencer Gulf, Far North Queensland and the like—we are making sure we can ensure there is additional effort going into those areas.

Senator IAN MACDONALD: Okay. But are you co-locating—not in the capital cities, but in the other offices—different agencies in your department which currently have separate places of work?

Ms Beauchamp: For efficiency reasons, if we have a number of staff in a particular location, we will be ensuring that they are at least located in the same building, if it is going to provide us with savings around rent, for example.

Senator IAN MACDONALD: Could you on notice give us a bit more detail of which locations you are going to shut one office and join it to another.

Mr Clout: Senator, maybe I could assist. We are not intending to close any offices in any particular locations. The only thing we may be intending to do is, as leases expire, or where we have an arrangement with another department that is not a lease but whose premises we may be occupying—for example, the department of families and community services—we are looking to consolidate. If we have Arts staff and Regional staff et cetera in the one city, for instance in Perth, we are looking at bringing them together as soon as we can within the constraints of the lease or the accommodation arrangement that is in place at the time. But we are not intending to close any locations at this stage.

Senator IAN MACDONALD: Well, can you just share with us on notice where that is being planned in the current financial year.

Mr Clout: Yes.

Senator IAN MACDONALD: And I was less interested in Perth than in the non-capital-city areas where you may have offices.

I understand that the department recently opened two new non-Canberra based offices in February 2012, one in Melbourne and one in Adelaide. What were they about?

Ms Beauchamp: As I mentioned earlier, the minister was able to agree an MOU with the South Australian government, particularly around some work that we are coordinating and leading in the Upper Spencer Gulf. We thought it appropriate to have people located in South Australia.

Similarly, we are doing work in the Latrobe Valley and it would also be convenient for us to ensure that we had people located in Victoria.

Senator IAN MACDONALD: Perhaps that is very wise, but, as the regional department, why establish them in the capital cities and not in the Upper Spencer Gulf or in the Latrobe Valley?

Ms Beauchamp: We do actually have people going out to Upper Spencer Gulf and the like, but the work we are doing with state governments is primarily in the capital cities. The state governments are located in both Melbourne and Adelaide and it makes our work easier to work from those centres, and of course we have people going out, on occasions, to the actual areas where the work is being undertaken.

Senator IAN MACDONALD: Wouldn't Mr Crean understand that one way to encourage decentralisation of Australia and the spreading of regional benefits is to actually have government employees in non-capital-city communities so that, in a smaller regional town, the opening of a new office brings in another five people and the multiplier effect means that that regional community then has an increase in population, which is what we all aspire to do, I would have thought, in the regional development area. Is that not the minister's view?

Senator Lundy: Senator MacDonald, you can wax lyrical about that all you like; if you were the minister, you would be able to do these things. I think the officer has answered all of your questions, so, unless you have more, can we move on?

Senator IAN MACDONALD: I am trying to get a reason for why the regional development department or minister—put whichever term you want there—when they are opening a new office are not putting it in the regions. If you live in a small country town, as I do—perhaps others do not understand this—you know that if you bring in five public servants and five partners and five groups of kids, everybody in the town benefits and you, in a little way, help with the regionalisation of Australia. I can understand why Finance and Treasury do not do that—well, I cannot, but I can understand their arguments—but I am just surprised that the regional department would not be pursuing that as an active policy. That is why I am saying: why? You have said you wanted to interact with state government departments—

Senator Lundy: You did get an answer; it is just that you did not like the answer.

Senator IAN MACDONALD: Sorry?

Senator Lundy: You did get an answer; you did not like the answer. So, by all means, keep talking.

Senator IAN MACDONALD: I will ask the question. Does not the department or the minister understand that that is a way of helping in regional Australia? In the regional department, one would have thought that would have been your priority—is that not the case?

Ms Beauchamp: Of course where there is a good business reason to do it and we can do it within our budget we will do that. We are only a very small department. When you look at the whole of the Australian public service, you will find that about 60 per cent of the Australian public service is located outside of Canberra. The bigger agencies do put in local employment coordinators, industry coordinators and the like, and we work with other agencies where possible to ensure that there is that coordination of effort across regional centres. Of course we would look at that, and I want to maintain complete flexibility of the workforce in terms of where the priorities are, so we would do that where there is a good business case for doing it and it does not overly increase our overheads.

Senator IAN MACDONALD: I accept that, but you tell me 60 per cent do not work in Canberra; tell me what per cent do not work in a capital city, whether it be the national capital or a state capital. Do you have that figure?

Ms Beauchamp: No, I would have to ask the Public Service Commission.

Senator IAN MACDONALD: Well, I can guarantee you it will be fairly substantial. Can I also ask you this—and again this is a rhetorical question because I know the answer: for all of your staff, isn't most of their work done either on a computer on the internet, even if it is for someone in the next door office, or on the telephone or on a videoconferencing machine, meaning that you do not need to be in the same town to interact with a state government agency or anyone else? You do what you do with your staff next door: you pick up the phone or send an email. So you can do that as well from the country as you can from a capital city. Would you agree with that?

Ms Beauchamp: Noting that you prefaced your comment by saying that it was a rhetorical question, of course you would appreciate how important face-to-face meetings are, and meeting with stakeholders and the like is, rather than just dealing through either the internet or the phone.

Senator IAN MACDONALD: I understand. It just disappoints me that the regional department opens two new offices, and where do they open them? In the regions? No. In the capital cities? Yes. That is what a regional development department is like. I might just add that, when I was the regional minister, I actually had my office in Rockhampton, in a region. And I thought that was good policy.

Senator EGGLESTON: You have got responsibility for the East Kimberley Development Package, which was really a social services package largely, wasn't it, in terms of providing shelters and various other things on the ground in Kununurra—is that not the case?

Ms Beauchamp: I am happy to take that question now, but, through the chair, I am wondering if we could do the cross-portfolio and Corporate first? That is under outcome 1.1.

Senator EGGLESTON: Sorry, I am jumping ahead. I apologise.

CHAIR: That is all right, Senator Eggleston. I will just dissect all of these outcomes so that I am clear. What is outcome 1.1? Is that regional development you want to talk about there?

Ms Beauchamp: Yes.

Senator EGGLESTON: My apologies, Chair. It is outcome 2 that I am interested in: regional development.

CHAIR: That is point 2; it is not an outcome. So we are both confused. That is all right, because I am keen to hear about it too. Put it this way: part 2 of ours is where we will ask it, under regional development. Senator Joyce?

Senator JOYCE: Can you please provide on notice the complete list of the department's offices throughout Australia and their locations. Take that on notice rather than answer it here.

Senator Lundy: By positions? You do not want names?

Senator JOYCE: No. I want a complete list of the department's offices throughout Australia—the towns they are in and where they are.

Senator Lundy: Right.

Senator JOYCE: Do you have any plans to open more offices in the future? Are you planning to open any more offices?

Ms Beauchamp: That will depend on the work priorities of the department in the future.

Senator JOYCE: Do you have any plans to open new offices or employ new staff in any of the regional or rural areas in the future? Is there anything envisaged about the employment of staff in the regional areas?

Ms Beauchamp: In the short term we are reducing our staffing numbers. Over the forward estimates period, that will depend on where the priorities are. And we do want to maintain a reasonably flexible workforce, depending on the priorities of government.

Senator JOYCE: Working on the back of what Senator MacDonald was talking about before, have you made any plans for the movement of offices from any of the capital cities, which includes here, to any regional towns?

Ms Beauchamp: Not at this stage.

Senator JOYCE: Has this idea been scoped at all, to see whether you could move offices that pertain to regional Australia into regional Australia?

Ms Beauchamp: I have looked very informally at whether we can decentralise any of our functions, and, where there is a good business case to do so, we will. But at the moment we have been consolidating functions, going through machinery-of-government changes and making sure that we can live within our means. So, at the moment, nothing formal has been developed.

Senator JOYCE: So, from your investigations thus far, it is not feasible to move any offices into regional Australia?

Ms Beauchamp: We have 23 locations across Australia at the moment, which is a pretty good footprint for the department.

Senator JOYCE: How many of those 23 locations were in regional towns?

Ms Beauchamp: I would have to take that on notice—unless my colleagues can assist.

Senator JOYCE: Can you think of one?

Ms Beauchamp: We have Cairns, Townsville, Dubbo, Orange, Bendigo, Newcastle, Wollongong, Jervis Bay, Tasmania, Broome, Kununurra and others in capital cities.

Senator JOYCE: Has the department advertised for any EL2 positions in Melbourne over the past few months?

Ms Beauchamp: Yes, we have.

Senator JOYCE: Were these positions newly created positions or a replacement of existing positions?

Ms Beauchamp: They are a replacement of existing positions.

Senator JOYCE: Has the application process been completed?

Ms Beauchamp: I will have to take that on notice.

Senator JOYCE: Were any of the applicants previously staff of Minister Crean?

Ms Beauchamp: I do not think we have finished the process, but I am not too sure who has applied. I will see if officers can come forward and answer that. I do not know who applied.

Senator JOYCE: You have given the staffing numbers that you currently have to Senator Macdonald, haven't you?

Ms Beauchamp: Yes.

Senator JOYCE: What is the average number of sick days your staff members have been having across your department? This is a generic question that we are asking everybody.

Mr Clout: We will have to take that on notice.

Senator JOYCE: How many staff are currently employed in the bracket of over \$500,000?

Ms Beauchamp: In our annual report you will see that no-one is paid a salary of more than \$500,000.

Senator JOYCE: Okay, but these are generic questions, and not specific to you. What about between \$400,000 and \$500,000?

Mr Clout: One.

Senator JOYCE: And between \$300,000 and \$400,000?

Mr Clout: Three.

Senator JOYCE: And between \$200,000 and \$300,000?

Mr Clout: Ten.

Senator JOYCE: What has been your involvement with the Regional Australia Institute since the last estimates? Do you have any feedback from them? Do you have any ongoing negotiations with them? Have they been delivering you any papers on anything?

Ms Beauchamp: Again, that is in number 2. I am happy to get the officers to the table to answer that.

Senator JOYCE: That is all right; we can get it in 2. With regard to motor vehicles, how many motor vehicles are currently held by your department?

Mr Clout: I have 13 vehicles under lease at the moment.

Senator JOYCE: Where are they garaged?

Mr Clout: Townsville, Hobart, Newcastle, Orange, Wollongong, Bendigo, another three in Canberra, two in Jervis Bay and one in Sydney.

Senator JOYCE: Are any of them used at all for private use?

Mr Clout: Yes. Four are used for private usage. They belong to SES officers or the minister.

Senator JOYCE: Is the analysis of private usage based on the general fringe benefits tax proposal? Do they just nominate how much they use it for private usage? Or do they do they use a logbook?

Mr Clout: That is correct. There have been logbooks, and some of those cases would actually be vehicles provided under the executive vehicles scheme, for general personal use.

Senator JOYCE: How many of the staff are issued with expense cards or credit cards paid for by the department?

Mr Clout: There are currently 229 departmental credit cards.

Senator JOYCE: There are 229 departmental credit cards?

Mr Clout: That is right.

Senator JOYCE: What is the process for clearance of the credit card accounts?

Mr Clout: Senator, we have a system supported by our financial management system, SAP. The process is that, when an officer requires a credit card for business, it is usually for travel. Because we do not pay a cash travel allowance these days. The officer uses the credit card. Within 10 days at the end of the month they go through a process of acquitting online each of the transactions on that credit card. That acquittal then goes to their supervisor; their supervisor has a five-day period in which to approve those transactions. Each of the transactions is supported by documentation that is either put on file electronically or on paper. So the process is monitored through the CFO unit and any acquittals that are not carried out within those time frames are followed up by the central unit.

Senator JOYCE: Have there been any breaches of that protocol? Have there been any investigations?

Mr Clout: Over the period of the department's life there have been times when the CFO unit has followed up with officers, around the timeliness of their acquittals. They have all been followed through with and, over the course of the department's history, I think we have had six instances of occasions where a staff member has inadvertently used the departmental card, rather than their own. In all cases the issue has been promptly identified and followed up and the money has been repaid.

Senator JOYCE: How many consultancies have you undertaken in the 2011-12 year and also for this financial year to date?

Ms Beauchamp: Senator, we did provide that in detail through the last questions on notice. I will just ask the chief operating officer to go through that again. But we did it in quite a bit of detail for 2011-12.

Senator JOYCE: So Senator MacDonald asked that question?

Mr Clout: I have got information on consultancies in the year to 30 June, but I do not have any information on the consultancies year to date with me. I believe that the information that we have provided previously on question on notice.

Senator JOYCE: Have you done any staff surveys over the past year?

Ms Beauchamp: Yes we have, Senator.

Senator JOYCE: How did you go?

Ms Beauchamp: There were a couple of key areas from the last staff survey, for example, that I think were very positive. We also participate in the Australian Public Service Commission's survey, and they were very consistent. There were a couple of areas where we have taken action to improve what we do around the

communications area and learning and development opportunities. There were some areas that were specific to some divisions. It was quite a positive response, but there are always areas for improvement.

Senator JOYCE: And how did it compare to other sections of the Public Service?

Mr Clout: Senator, there were quite a few areas where the results were quite positive compared to the other areas of the Public Service, particularly around the respondents' opinions of their immediate supervisors, the leadership and their peers. There were also very high scores around the commitment levels, so the reasons that people attach themselves to the department and to their job. So a very high level of personal commitment to the work that people do, because they either have a personal interest in it or they feel that they are making a difference to the sorts of things that staff find in their levels of commitment to the agency.

The areas where we were relatively lower against the APS were around sharing information across the department. This is an area that, I think, most departments can always strive to do better in; as well as our learning and development framework, which is still quite nascent. Those were the two main areas.

Senator JOYCE: Do you have an average wage for the department at the moment?

Mr Clout: Yes, the average wage is about \$86,500.

Senator JOYCE: That is actually lower than most others. In that survey, where did you score poorly against other areas of the Public Service?

Mr Clout: In the two areas of our learning and development framework in the department, and staff's access to learning and development, and in sharing information across the department. We had quite a large turnout to the survey. It was very pleasing. So we know there are high commitment levels from the staff to participate in giving us their views, and we have taken them very seriously. We have approached the results in two ways. First at the department level, where we have developed quite an extensive action plan to improve in those areas in which we need to improve and to build on our strengths. The executive board has actually just agreed to a very extensive learning and development framework just in time for staff to be putting together their performance agreements for the coming year. We have also worked very hard on communicating across the department in more areas. So we are doing things like having seminars so that one area of the department can explain to the other areas of the department the sort of work they are involved and engaged in and start to build those networks across the different lines of business. That is at the department level. At the division level, also, each division has gone through their own results with their staff and built up specific action plans that they will be reporting back to the executive board on as we go throughout the year.

Senator JOYCE: As an aside, have you introduced any protocols for YouTube, online media or Facebook?

Mr Clout: We do have protocols. They are consistent with the APSC protocols. From memory I think it was about three months ago—some time inside the last quarter or so.

Senator JOYCE: Do staff have access to those online discussion forums from work?

Mr Clout: From their desktop?

Senator JOYCE: Yes.

Mr Clout: Yes, they do.

Senator JOYCE: What is the purpose of that?

Mr Clout: Well it is a very common way of communicating with stakeholders around the regions and territories in the arts and sports spaces. Indeed, our websites employ those types of communication channels. I should say that staff IT usage is monitored, as well. We have guidelines around personal use and levels of personal use.

Senator JOYCE: Any breaches of those protocols?

Mr Clout: No, we have not had any breaches in the time that we have been in operation.

Senator JOYCE: I am not sure if Senator Macdonald went through this, with your leases, where is the building you are based in?

Ms Beauchamp: It is Canberra based. It is Garema Court.

Senator JOYCE: When does the lease on that expire?

Ms Beauchamp: We have only just entered into the lease. It is quite a long-term lease.

Senator JOYCE: What rental are you paying there?

Ms Beauchamp: I will ask the chief operating officer to answer that.

Mr Clout: The rent is \$390 per square metre. That is before a rent incentive we got with this deal. If you include the rent incentive it takes it down to about \$308 per square metre.

Senator JOYCE: How many floors did you get?

Mr Clout: Seven floors. It is the entirety of that building except for large parts of the ground floor, which have retail space that faces into City Walk.

Senator JOYCE: What are your total staff numbers for the whole department?

Mr Clout: For the department proper, without Artbank and the National Portrait Gallery, about 512 full-time-equivalents.

Senator JOYCE: Didn't they take 200 from Mr Mrdak's area?

Mr Clout: On the department's creation 186 staff who were moved under machinery of government from the Department of Infrastructure and Transport, and 61 staff from the Attorney-General's Department.

Senator JOYCE: So you had about 240 and now you have about 512 staff?

Mr Clout: That is right.

Ms Beauchamp: Then we had the machinery of government change with arts and sport in December 2011. So 327 people were transferred from the Department of Prime Minister and Cabinet.

Senator JOYCE: Have your total staff numbers increased or decreased, including the changes that incorporate machinery of government?

Mr Clout: They had increased from an original 240 or 250 in the department's original shape.

Senator JOYCE: How are you going with your efficiency dividends? Have you reached them?

Mr Clout: Yes, we have factored the efficiency dividend into our department's operations for the coming financial year.

Senator JOYCE: Where did that cost saving come from?

Ms Beauchamp: We have made efficiencies in a number of areas and I will let Mr Clout expand. But the reason for collocating all of our Canberra based staff into one building was that it allowed us to accrue savings of \$700,000 a year. We have also renegotiated our media monitoring contract, which has been a reduction of around 32 per cent for 2012-13. All staff, including me, travel economy on the eastern seaboard. We have made a whole lot of other smaller savings like cancelling newspapers and things like that. So it is primarily in the supplier areas that we are making those reductions.

Senator JOYCE: Was that \$700,000 saving over the forward estimates or was it per year?

Ms Beauchamp: That is per annum.

Mr Clout: If I may, it is actually a little bit better than that. It is around the \$880,000. So we got a pretty good deal.

Senator JOYCE: So it is an \$880,000 a year saving from having everybody located in the one building. I am happy about that. Tell me where the big saving is in having everybody in the one building? Where does the efficiency come from?

Mr Clout: It is mainly from renegotiating at a time when the Canberra market is pretty weak. This building became available very close to where we were already located and gave us the opportunity to locate all of our staff in the one place at a very good rate in a building that had been occupied by another Commonwealth department, so it had already been configured in a way that is very suitable for a Commonwealth department of our size. So we had to do very little to the fitout. In fact it came with a considerable amount of fitout and furniture, which we negotiated for on a very good rate. That was of an enormous advantage to us. Putting everyone together has provided us with the opportunity to achieve financial savings as well as operational and efficiency savings.

Senator JOYCE: In that \$880,000 saving do you take into account the fact that, where you left, the infrastructure and the section is now empty with nobody in it?

Mr Clout: That does not include the obligation or the lease cost to the department of infrastructure now for the property we were occupying. The property we were in was very good for our initial period, but once the machinery of government change occurred, in late 2011, with the addition of arts and sport we simply could not fit the entire department in. And it was not configured in a way that was very productive for us as a department. For instance, I think it had two meeting rooms in total and no space for all of our staff to gather together in

numbers much larger than about 20. So it was difficult for us to communicate effectively across our work areas. We know that that was one of the areas in the staff survey that staff thought we needed to do better in.

Senator JOYCE: What is the cost per square metre of your leased premises in Dubbo?

Mr Clout: We have arts staff located in Dubbo with the Department of FaHCSIA. The cost is \$19,468 for the year. We have an arrangement with FaHCSIA that is on a per-staff-member basis, so I do not have a per square metre cost for you.

Senator JOYCE: We worked it out with the ASIO building. What is the average space you have allocated per staff member in your new premises?

Mr Clout: The new premises are 10,800 square metres and we have around 460 staff in there.

CHAIR: We will now go to regional development, which includes the Office of Northern Australia, National Disaster Recovery Taskforce, RDAs, regional development and such things.

[17:44]

Senator EGGLESTON: I have some questions firstly about the East Kimberley Development Package. Could you tell us what progress has been in the various dimensions of that program?

Ms Foster: We are in the final year of delivery for the East Kimberley program. We have had 19 of the 29 projects completed. By 30 June next year we will have delivered 28 projects valued at about \$193.95 million. You will see from those figures that one project was unable to be delivered by the Shire of Wyndham East Kimberley—their community oval project. Also, the Western Australian government will deliver their final nine projects before the finalisation of the program in the middle of next year.

Senator EGGLESTON: What was the project that could not be delivered?

Ms Foster: The community oval project.

Senator EGGLESTON: This must have been a social services project related to the development of Ord stage two? Is that not the case?

Ms Foster: As you will recall it was a program to deliver social and community infrastructure to complement the development of the Ord so that the communities in that area were provided with upgrades to the social and community infrastructure.

Senator EGGLESTON: I understand that, and it has really been quite successful.

Ms Foster: Yes, it has.

Senator EGGLESTON: So, the question really is that having seen the success of this project in Kununurra, are there any plans to extend that sort of program to other centres, not only in the Kimberley but in places like Halls Creek, Fitzroy Crossing and so on? What about other similar centres around Australia where there are severe and serious social problems and the need for more infrastructure? Are there any proposals to extend this program?

Ms Foster: The East Kimberley program was a one-off one, which, as you will recall, was funded through one of the first or second packages of the stimulus funding. We have a number of place based initiatives around the country, which my colleagues and I can talk about. They are, if you like, similar in intent in terms of working within a community or within a location and seeing how we can coordinate investment in line with the government's priorities.

Senator EGGLESTON: But because of the success of this program, and others, is there a plan to continue this sort of program, as a specific sort of objective of your department?

Ms Foster: We have very much taken the principles that were used to design these Kimberley programs and have applied them to the other place based initiatives we carry out in the department. So, there is collaboration with both state and territory governments and with local government and engagement with the community in the design of the investments. For example, the kind of work we are doing in Tasmania reflects many of the lessons we learnt through doing the East Kimberley program. We will apply that kind of methodology and program to the government's current priorities.

Senator EGGLESTON: Do you have a specific budget for those sorts of projects?

Ms Foster: We assign resources to them as they develop and in line with what funding government has for those regions. So, in some cases it will be the bringing together of investments available across different portfolios in government to create a place based initiative. So I could not give you a general answer to the question: do we have a budget?

Senator EGGLESTON: Can you tell us what the total cost of the East Kimberley project has been?

Ms Foster: Yes, by the time it is completed at the end of this financial year it will be \$193.95 million. Senator, you will recall that that was essentially matching funding of a similar amount that the Western Australian government was investing in Ord 2.

Senator EGGLESTON: Do your other projects also involve match funding from the state authorities?

Ms Foster: There is a variety of models that we use but in general our principle is to enter into agreements where we leverage funding from other sectors of government but also, where possible, with the private and not-for-profit sectors.

CHAIR: Can I clarify before we go to Senator Back, Miss Foster, can you tell us why it did not happen with the oval?

Ms Foster: I might ask Ms Fleming to answer that.

Ms Fleming: Senator, the project was an Indigenous project and there was difficulty with the land, is my understanding. So there were a couple of compromise suggestions to do a half oval and then to relocate the oval. In the end there was a decision by the local community that they would not be able to complete the project within the timeframe.

CHAIR: Thank you. I visited the transitional housing projects two weeks ago, Senator Back and Senator Eggleston, and, if you have the opportunity get up there and see what the Wunan Foundation has done, it is absolutely magnificent. So, congratulations on that. It is a brilliant package, and everyone knows where I stand on that East Kimberley development.

Senator BACK: If I can stay in Western Australia for a moment. There were the long established Regional Development Councils in the regions and the RDA came along and the footprint of their overlaps was very similar in most instances. Can you tell me what, if anything, has been done with the Western Australia government to achieve greater efficiencies and effectiveness in the RDA and RDC processes across WA?

Ms Foster: As you comment the boundaries were similar in most cases, so we have from the outset encouraged the RDAs, and our colleagues in WA have encouraged their RDCs, to work together wherever that is practicable and possible. So, we have actively encouraged common membership of the boards, for example. We have supported cross-organisation projects and in some cases we are seeing very, very close working. In the wheat belt, for example, the two organisations, the Wheatbelt Development Commission and the RDA Wheatbelt, agreed between themselves to produce one plan for that region rather than have an RDC plan and an RDA plan.

Senator BACK: They are collocated in Northam, are they?

Ms Foster: I do not think their offices are together. When Ms Fleming and I were in Northam and York recently, the RDA office is in York. Wherever possible we are actually encouraging the two to be in the same building. There are areas where they are working very closely together. There are other areas where they have individual projects that they are doing together across the region. We also have been doing some specific work within the Pilbara. There has been an exchange of correspondence between Minister Crean and Minister Grylls about their mutual desire to see closer collaboration. So we as departments have been developing up ways to do that. In the Pilbara we have been exploring options to actually have common membership of those two boards.

Senator BACK: As the RDAs mature are you moving towards capacity of partial revenue raising or activities that an RDA can undertake that might actually help offset some of its costs, or is that not part of the RDA philosophy?

Ms Foster: The RDAs have some capacity to raise additional revenue. To go to the Wheatbelt example again, they do some work under contract for FaHCSIA, I believe, in the youth area. So that supplements the funding that they get from the Commonwealth.

Senator BACK: With regard to the National Disaster Recovery Taskforce in Queensland, according to your website as of 3 April \$4.82 billion had been expended, 65 per cent of an estimated \$7.54 billion for 2010-11. Could you give us an idea of where the whole process is now with the National Disaster Recovery Taskforce exercise? When is the predicted completion date of those works?

Ms Beauchamp: Thank you, Senator, I will ask Mr Yates to expand on that. The Queensland government has just extended the Queensland Reconstruction Authority to 30 June 2014. We currently administer the task force and the inspectorate function within the portfolio. The total in Queensland, including the 2010-11 and 2011-12 disasters—and it is a range of flooding and bushfires—is in the order of \$12 billion worth of reconstruction effort going on of which the Commonwealth is probably up for around 75 per cent of that. For the 2010-11 floods there is about a \$7.5 billion price tag on that. We are on track to keep delivering until 30 June 2014. We are currently

looking, with the Queensland government and the Queensland Reconstruction Authority, at how long we need to keep an existing governance arrangements in place.

I am involved as a board member on the Queensland Reconstruction Authority. We meet monthly to make sure there is really good oversight of the reconstruction efforts going on. As you would appreciate, most of it is around roads. I think there were over 20,000 kilometres of roads affected just by the 2010-11 floods, with the whole 73 local government areas disaster declared. There are the roads, the 411 schools, thousands of government buildings and about 162 national parks. It is one of the biggest reconstruction or infrastructure building efforts I have certainly been involved in. We, together with the Queensland government, have really good governance arrangements in place not only to ensure progress with the rollout of the disaster reconstruction effort but also to ensure that both governments are getting value for money. I think one of the added things that has come through both the task force and the inspectorate function, headed by Mr Fahey, is looking at value for money around those efforts.

Senator BACK: Is 30 June 2014 when the levy on higher income tax earners expires?

Ms Beauchamp: I think that has already expired.

Senator JOYCE: I would like to ask a few questions around recent announcement that there would be a freeze or a stock take on all regional funding. Which programs in your department have been frozen or are subject to a stock take?

Ms Beauchamp: I will call our chief operating officer back to the table.

Senator JOYCE: What was the discussion surrounding the freeze or stock take? What is the purpose behind it?

Ms Beauchamp: As the minister had indicated, I think on the same day, the government is looking at Australia stock take of all the grants and regional programs and other programs right across government just to see where things are up to, how we are progressing on the efforts. We are continuing, for example, to develop guidelines and the like, so it was just for the government to have a look at how we are going progressing the rollout of those grants programs.

Senator JOYCE: They mentioned the word 'stock take'. It is obvious what stock you have. You do not need to freeze things to count them; they are there. What is the purpose of this? Is the purpose merely to try and save money by freezing things?

Senator Lundy: Senator Joyce, this issue was raised in the finance and public administration estimates committee today so I will refer you to the answer provided. As you well know, as the secretary has said, it is an opportunity—

Senator JOYCE: To count them.

Senator Lundy: to have a look. Sorry?

Senator JOYCE: To count them; stock take. The minister use the word 'stock take', Minister, so do we have to stop funding things to be able to count them?

Senator Lundy: Senator Joyce, as you know, the government has done this to have a look at the grant that we are providing, and I refer you to the answer in finance and administration.

Senator JOYCE: This is the area where they have frozen it—the so-called stock take—and I do not know why on earth you need to freeze it to stock take. I might suggest that you are actually the freezing it because you are running out of money.

Senator Lundy: We make no apology for being diligent about our budget.

Senator JOYCE: You do not need to freeze funding to be able to count what you are doing. We are not talking about a herd of marauding wildebeest. This is a department and projects. They can be done from a desk. You do not need to freeze funding to count them. So, which programs in your department have been frozen?

Mr Clout: At this stage no programs, grant recipients or potential grant recipients have been adversely affected by the process undertaken. The process works such that contracts are already in place, arrangements are already in place, announcements are already made, the funding was not affected in any way. For all of the other programs, we have not had any delays in the rollout of those programs because of the particular timing of the next rounds of those programs.

Senator JOYCE: What does your department have to do with the stock take? What is your involvement?

Mr Clout: We have simply provided information to the Department of Finance and Administration.

Senator JOYCE: Provided information. Apart from that there has been no delay on funding or no request to slow down the funding or anything like that?

Mr Clout: No, not for any of the regional development programs at all, because the timing of those grants and the next rounds of those grants has not been affected.

Senator JOYCE: When they talked about the stock take what was the logic behind it? They said that the stock take—

Senator Lundy: That has been answered in finance and administration.

Senator JOYCE: Yet, this is regional development.

Senator Lundy: Yes, I know. You just got your answer. There were not any programs affected. If you have general questions about finance then I suggest you direct them there.

Senator JOYCE: What was the purpose of the stock take?

Senator Lundy: Well, I have explained to you.

Senator JOYCE: You do not know?

Senator Lundy: I have explained to you what it is. The government is perfectly entitled to have a look at the budget line by line to make sure everything is being expended efficiently. It is a stocktaking process, as has been described. You can keep up asking questions about it—

Senator JOYCE: No, you are giving a good answer. So it is to determine if the funds are being spent efficiently. Is there any reason to think they were not being spent efficiently in your department, Ms Beauchamp?

Ms Beauchamp: As the minister said, this is a whole-of-government level activity. It is a normal part of the budget process. You would have heard the department of finance talk about the Mid-Year Economic and Fiscal Outlook. This is looking at what has been committed and uncommitted. It is just a normal part of the budget process.

Senator JOYCE: There is a bit of concern about the Mid-Year Economic and Fiscal Outlook so you have to look at the efficiency in your department to make sure you are spending the money correctly?

Ms Beauchamp: I think it is looking at what has been committed and uncommitted.

Senator JOYCE: Looking at what has been committed to say that you might need to uncommit some of that commitment?

Ms Beauchamp: As our minister has said, and as the minister has again pointed out, it is looking at a stock take. No programs have been affected.

Senator JOYCE: Are any other departments, to your knowledge, having a similar stock take? Are they having another stock take in the health department?

Senator Lundy: These are unreasonable questions, Chair.

CHAIR: Senator Joyce, you know darn well that this is regional development. There are a plethora of questioners lining up. You do not have a lot of time, so I suggest you direct your questions directly to the portfolio and to the officers involved because you probably have only about five minutes left before we go to other questioners.

Senator JOYCE: I am the shadow minister in this one.

CHAIR: While we are both at it, if there is going to be a showdown and screaming over each other, I will have no hesitation in shutting down the committee—I have made that quite clear—and we will go to a private meeting and it will take as long as it needs. Senator Joyce, you have the call.

Senator JOYCE: What could be the outcomes of the stocktake?

Senator Lundy: The government will not be speculating about this process, and I am not going to sit here and provide you with a running commentary on it. I think we have all answered your questions to satisfaction, and I suggest you use your time wisely.

Senator JOYCE: Will the stocktake affect any programs—and I am not talking about projects, but programs.

Ms Beauchamp: As the minister said, it is hard to speculate. It is a decision for government. I can give you a reassurance that we are continuing to work on developing guidelines, doing assessments of applications. So in a sense the work has not stopped for us. As I said, the government is looking, as part of the normal budget process, at where all the grants programs are up to.

Senator JOYCE: Seeing as we cannot speak to that, all options are on the table in this stocktake.

Senator Lundy: You can make it up as you go along or you can listen to what we are saying. I am not going to speculate about what the outcome of this process is going to look like. You can sit there and speculate all you like, but you are not going to get anything from me.

Senator JOYCE: Well, I haven't!

Senator Lundy: That is right. So you may as well move on.

Senator JOYCE: So, what we have is a stocktake to assess things, because we are a bit worried about the efficiencies—and 'efficiencies' was your word—so we are just having a look at everything to see how it is going, and we are not going to speculate as to the purpose of this; we are just doing it.

Senator Lundy: We are not going to speculate as to what the outcome is, and I am not going to provide a running commentary.

Senator JOYCE: Do you generally go into programs where you do not have an idea about the outcome?

Senator Lundy: That is not even a proper question.

Senator JOYCE: Well, it is. Does the stocktake relate to any of the funding announcements in round 1 or round 2 of the RDA funding?

Ms Beauchamp: No, those announcements have been made.

Senator JOYCE: Who in the department is responsible for this stocktake? Who is leading the stocktake?

Mr Clout: The information that was provided to the Department of Finance was provided through my area.

Senator JOYCE: What is the total cost of the stocktake?

Mr Clout: It is being carried out within the normal business-as-usual costs of my division.

Senator JOYCE: How many departmental staff are working on the stocktake?

Ms Beauchamp: As I was saying earlier, this is a normal part of the budget process. We are doing it within existing resources, and it is people who normally work on our liaison processes through the chief operating officer and the chief financial officer with the Department of Finance.

Senator JOYCE: When will the stocktake conclude?

Ms Beauchamp: Information has been provided. It really is up to the Department of Finance to put the information together.

Senator JOYCE: So it is indeterminate as to when the stocktake will conclude?

Ms Beauchamp: It is a decision for government.

Senator JOYCE: So we do not know when the stocktake is going to conclude. Nothing is being stated about when this stocktake will conclude.

Ms Beauchamp: It is a decision for government.

Senator JOYCE: Which has not been made yet.

Ms Beauchamp: No announcements have been made.

Senator JOYCE: So the stocktake is ongoing for an indeterminate amount of time to work out the efficiencies, and we are not quite sure what the outcome of all this is supposed to be. That makes total sense!

CHAIR: I take it then that you have finished your line of questioning, Senator Joyce.

Senator WHISH-WILSON: My question relates to a grant provided to Smart Viticulture under the Tasmanian Forests Intergovernmental Agreement. I asked questions on notice about this, and I received the answers a couple of weeks ago. I just want to go into a little bit more detail about the answers. This is in reference to a \$300,000 research grant provided to Smart Viticulture as part of the \$20 million economic diversification package. My first question was: 'Was the Tasmanian wine industry, including its peak body, Wine Industry Tasmania, consulted directly in relation to this research grant?' The answer I got back, via Senator Conroy, was that the wine industry, its peak body, was both directly and indirectly consulted. I have met with Wine Industry Tasmania twice, and I also recently met with Jonathan West at the AIRC and talked to a number of wine producers.

My background priority going to the Senate was working in this industry. I would like to get it on record that there is an incredible sense of frustration and disappointment that this research grant was provided in the way that it has been—primarily because the industry is under a lot of pressure—and \$400,000 would have gone a long way to meeting a whole heap of prioritised objectives for the wine industry, or to where they would see the money better spent.

In relation to the answers I got back, here, could you tell me who exactly was consulted at Wine Industry Tasmania about the application of this \$400,000 grant?

Mr Csar: The chief executive of Wine Industry Tasmania, WIT, was consulted before the granting of the \$400,000. That consultation occurred after the provision of advice from the AIRC, that you referenced, suggesting or putting forward the government consideration of such a project and, in fact, advice that included consideration of a particular group of researchers associated with the University of Tasmania. So there was consultation in advance. There was consultation with the Tasmanian department of development, arts and tourism.

Senator WHISH-WILSON: I will get to the second question, which does cover-off what you said. Could you tell me what the response was from the wine industry when they were consulted?

Mr Csar: The response was that it was a sound idea and covered a subject matter of importance to the industry. There was a suggestion that the proposal could benefit from some more consultation with WIT and other parties. I understood that consultation occurred and the project design was modified from what was initially put forward.

Senator WHISH-WILSON: Is that in terms of the amount of money that went—

Mr Csar: No, the amount of money was not a matter of discussion, specifically. What was important was the involvement of WIT as a peak representative of the wine industry in Tasmania and the specifics of the design, to the extent that I understand them, and the final product was what was decided to be supported.

Senator WHISH-WILSON: My feedback from the chief executive officer was that they were totally opposed to the project receiving any other funding. It is a frost-free study on an area in Tasmania that does not currently have grapes. It does have applications for new potential investments in the Tasmanian wine industry but in terms of lists of priorities—which have recently been released by WIT and the state government budget, and what they were seeking and what their key areas of priority were—there was no mention of a frost-free study being important to the wine industry. We all know how to mitigate frost risk.

I understand that if there were a large investment proposal for a specific area this could be useful, but in terms of the priorities, speaking to all the individual wineries, vineyard growers and the industry, it is very low down the priority list. As I mentioned before, \$300,000 to \$400,000 would have gone a long way to helping out with some of the other priorities that are clearly on the record by WIT. So my feedback has been quite different to what you are expressing there from the chief executive officer. When I asked in question 2 what the exact process was that led to the granting of the \$300,000 it was outlined, that process you mentioned. It clearly seems to me that the answers put a lot of emphasis on a number of organisations, the Department of Economic Development and AIRC. I have met with AIRC. They said they have talked to—

CHAIR: I will have to ask you to get to the question.

Senator WHISH-WILSON: The response to the third question was: the project was not put out to tender for consultation, because there was consultation with the industry experts on the need for this. Could you tell me who those industry experts were?

Mr Csar: You will have to excuse me, Senator. It has been some months since we were working on this. I cannot recall the name of the particular University of Tasmania associated academic. I believe it was Smart, if I am not mistaken—but it may not be, so I will have to come back to you.

Senator WHISH-WILSON: I just want to focus on that for a second. Smart is the expert in this area but he is also the person who received the \$300,000. So are you saying you consulted with an academic who you then gave a grant to? Do you see a conflict of interest in that?

Mr Csar: We received advice from a diversity of sources, including the AIRC and the University of Tasmania. We were very mindful to make sure that WIT were consulted before the design or participants were funded. We paid particular attention to ensure that the design did fit with WIT. I am aware and it is true that there is a diversity of views within the Tasmanian wine industry about projects and priorities.

On the matter of tender: having gained agreement with the Tasmanian economic development department and the chief executive of WIT, the project was then specified as part of the intergovernmental agreement that had the provision of funds to the Tasmanian government to allow those projects to proceed in a timely way. So there was considerable consultation and there was satisfaction that there was agreement that it was a meritorious project and able to proceed.

Senator WHISH-WILSON: I would just like to get on record again that I have had very different feedback, including from senior people at Wine Industry Tasmanian about what you are saying. Potentially, there is another

\$100 million that could flow under stage 3 of this package. Can you acknowledge the industry's concerns about a lack of consultation in relation to any of that money going towards the wine industry in the future?

Mr Csar: As you would be aware, the availability of the balance of funds is dependent on the passing of legislation with regard to reserves as part of the Tasmanian Forestry Intergovernmental Agreement. That is still some months away as those negotiations continue and you would be well aware of that.

We are currently working on the design of the program, which would unlock that \$100 million, should we have authority to do so. We are certainly seeking to design a high-level of consultation and engagement with both the regional reference groups, the industry peak groups, of which WIT is one, and the Tasmanian government.

Senator WHISH-WILSON: Have you received a research report from the AIRC outlining priorities for that \$100 million in terms of their objectives?

Mr Csar: We have received a 'still draft, not yet finalised' copy of the report that was commissioned, which was for the \$120 million economic diversification package. As you would be aware, it has had interim outputs along the way that have allowed us to use that research for the first \$20 million. But that report has yet to be finalised.

Senator WHISH-WILSON: Could you perhaps, on notice, give me a list of the academics that you did speak to, presumably at TIAR, part of the University of Tasmania? Also, once again, was Richard Smart part of that organisation? Could you also provide any details of any correspondence you may have had in relation to your conversations with Wine Industry Tasmania.

Mr Csar: Certainly.

Senator IAN MACDONALD: I will confine myself to two issues because of the time and I will put the rest on notice. Thank you for your answer to my question No. 11 at previous estimates. You told me that, on 4 June, Minister Crean and Senator McLucas jointly announced \$12 million funding for the Torres Strait seawalls. Can you tell me how many seawalls have been fixed or what work is actually occurring?

Mr O'Brien: On the seawall funding, a commitment was made by the government on 4 June to contribute \$12 million to seawalls in the Torres Strait. The commitment was dependent on the Queensland government matching the funding. The overall project was a \$24 million project. At this stage, the new Queensland government has not committed to those funds.

Senator IAN MACDONALD: So this great announcement on 4 June of \$12 million for fixing the sea walls meant nothing? Had Mr Crean consulted with the Queensland government beforehand and asked them if they were going to commit the \$12 million?

Ms Fleming: The sea walls project was a RADF application under round 2. In that application the then Queensland government was noted as a joint funding partner together with TSRA, Torres Strait Regional Authority. Since that time we have been in consultation and continue to be in consultation around the funding of that project. FaHCSIA has become a co-contributor to that funding. So the Commonwealth \$12 million is assured and we continue to negotiate with the Queensland government and TSRA around other funding.

Senator IAN MACDONALD: You know the Queensland government has inherited a \$100-billion-plus deficit? They have no money. They are sacking public servants, as you hear every day in the media. Why was the announcement made, raising hopes of people in the Torres Strait that their villages would be saved, when quite clearly the promise of \$12 million was a fraud?

Mr O'Brien: I understand that Minister Crean has committed the \$12 million and committed to applying that to sea wall infrastructure in the Torres Strait.

Senator IAN MACDONALD: Okay, good. I go back to my original question: what sea walls have currently been attended to? What has been done?

Mr O'Brien: The money has not flowed yet.

Senator IAN MACDONALD: Sorry?

Mr O'Brien: We have been in a lot of discussions with the Queensland government about whether or not the full \$24 million would be provided as its contribution. As I understand it, Minister Crean has made the commitment to continue to at least look at what you could use \$12 million for in applying that to sea wall infrastructure and that will be something we will work through over the course of the coming months.

Senator IAN MACDONALD: Where could I see the commitment? You are right. Your answer indicated that the \$12 million was given with a great announcement by Senator McLucas and Mr Crean. It did not actually mention in your answer that it was qualified by a contribution by a government that is—

Mr O'Brien: Sorry to cut you short. I think the full scale of the project would be higher than \$12 million.

Senator IAN MACDONALD: It is \$24 million.

Mr O'Brien: That is right. Having said that, there is opportunity to look at how you could apply \$12 million of expenditure.

Senator IAN MACDONALD: Are you now saying that the \$12 million commitment is not conditional upon Queensland putting in \$12 million?

Mr O'Brien: That is what I understand.

Senator IAN MACDONALD: That is good news. Where would I find that announcement or will I take this record in *Hansard* as being confirmation of that so I can tell my constituents in the Torres Strait that they will get the \$12 million?

Mr O'Brien: You can take it up with the minister directly.

Senator IAN MACDONALD: I do not see the minister here. I do not often see Mr Crean. This is the place. This is called estimates. Perhaps the minister at the table could answer for Mr Crean?

Senator Lundy: There is no need for sarcasm.

Senator IAN MACDONALD: Can you answer for Mr Crean?

Senator Lundy: If you have a reasonable question to take on notice for Mr Crean then that is a different matter.

Senator IAN MACDONALD: It is a very reasonable question. There is \$12 million committed. Mr O'Brien has just indicated it is now not conditional, which I am grateful to hear and I am sure the people of the Torres Strait will be too. I want to know will I take this as confirmation or can he refer me to a media release or a letter or a statement or a comment in the parliament by Mr Crean that the \$12 million is now not conditional?

Mr O'Brien: We will take it on notice.

Ms Beauchamp: Obviously it was a \$24-million project we considered as part of the Regional Development Australia Fund. The minister made an announcement about the Commonwealth commitment to \$12 million. We will have to now take it away and rescope the \$12-million project rather than the \$24-million project. But there definitely is a commitment from the Commonwealth to \$12 million worth of sea walls in the Torres Strait.

Senator IAN MACDONALD: Okay, it is now October so when will the \$12-million worth of essential projects actually start? When can I tell my constituents that they will get some money?

Ms Beauchamp: We will have to take that on notice because we will have to rescope now from a \$24-million project to a \$12-million project. Our aim was to maximise the Commonwealth investment by still negotiating with the Queensland government to provide \$12 million as well.

Senator IAN MACDONALD: You will recall I asked this question last time. It was prefaced by the fact that we spend hundreds of millions of dollars on aid to other countries yet here we have our own citizens, whose villages are about to be washed away, and we cannot find \$24 million from the federal government to do this. You are going to rescope. Do you have any idea how long that will take or will you take that on notice?

Ms Beauchamp: I will take that on notice.

Mr G McCormick: We have provided a funding agreement to the Torres Strait Island Council and are in negotiation with them. They are providing some further information to enable us to progress this.

Senator IAN MACDONALD: Can I get a copy of the draft funding agreement?

Mr G McCormick: We have provided that to the council.

Senator IAN MACDONALD: I will repeat the question. Can I get a copy or can the committee get a copy?

Mr G McCormick: It is commercial and involves some of the conditions with the council. I would have to discuss that with the council.

Senator IAN MACDONALD: So is the council going to be asked to contribute some of its non-existent funds?

Mr G McCormick: As part of that RADF application, it was based on a \$12-million contribution from RADF and \$12 million—

Senator IAN MACDONALD: Who is RADF?

Mr G McCormick: It is the Regional Australia Development Fund.

Senator IAN MACDONALD: Will the council be required to put in money? It has got nothing.

Mr G McCormick: Under the proposal, it was not a partner providing partnership contributions.

Senator IAN MACDONALD: I am conscious of that. Is it being asked to kick in some money now?

Mr G McCormick: No, it is being asked to provide further information and some further explanation about the statements made with other partnership funding to do with the Queensland government.

Senator IAN MACDONALD: So we just hope they do not get washed away before this is all sorted out? You are giving me on notice what the time lines are. The other matter I wanted to raise in two minutes is in 6.1, the North Queensland Irrigated Agriculture Strategy. Can someone update me on the Commonwealth's money? The Queensland government has wisely at last released the 80,000 mega litres of water out of the Flinders River. How does that tie in with the Commonwealth's contribution to CSIRO for this irrigated agriculture strategy?

Ms Fleming: The Northern Queensland Irrigated Agriculture Strategy project is a \$10-million project with \$6.1 million from the Commonwealth, \$800,000 from the CSIRO and \$3 million from the Queensland—

Senator IAN MACDONALD: Time is very short. You gave me that answer last time. What I am asking about is the Queensland government's recent announcement about the 80,000 mega litres.

Ms Fleming: That water is currently under a tender process, which is yet to conclude.

Senator IAN MACDONALD: But does that affect the Commonwealth funding or what the Commonwealth was doing?

Ms Fleming: No, the contract we have with CSIRO is continuing. We are continuing with CSIRO to do hydrological and river flow work. The tender process from the Queensland government is a separate process but Minister Cripps, at the Hughenden meeting, did note that any further releases of water would be dependent upon two factors above the 80,000. One was the report from the CSIRO, which would then be a trigger to review the Gulf Savannah plan, and/or significant investment by industry in irrigated agriculture on the Flinders and Gilbert rivers.

Senator IAN MACDONALD: How is the CSIRO report going?

Ms Fleming: The CSIRO reports will be a series of technical reports that are scheduled to be completed on December 2013. There are about 10 technical reports that will be delivered over that time on soil mapping, water flows and ground water. There is a whole series of reports.

Senator IAN MACDONALD: Did I hear correctly? December 2013?

Ms Fleming: That is correct. It is a major basin study.

Senator IAN MACDONALD: Is the Commonwealth funding that CSIRO report?

Ms Fleming: that is correct. There was also within that the \$100,000 for the Cloncurry abattoir study together with DAFF as part of the package.

Senator IAN MACDONALD: I was talking to DAFF about that earlier. From your point of view, where is that at?

Ms Fleming: The meat processing study?

Senator IAN MACDONALD: Yes.

Ms Fleming: It was released by Minister McVeigh about three or four days ago, I believe.

Senator IAN MACDONALD: From the Commonwealth's point of view is there any advance on that? What is happening now?

Ms Fleming: We spoke recently with Queensland. I understand it has had a number of inquiries around that report and it continues to progress that report. Our contribution was to co-found the report with Queensland. At the northern ministerial forum meeting in November, ministers will discuss the split to determine the strategy together with other parts of their strategy.

Proceedings suspended from 18:31 to 19:31

CHAIR: Welcome back. We are halfway through regional development. Minister.

Senator Lundy: Chair, in response to Senator Macdonald's line of questioning, I thought it would be worthwhile to place on record a reference to a public statement put out by the Minister for Regional Australia, Regional Development and Local Government, Simon Crean, to clarify the seawall contribution. I would like to quote from a press release titled 'Entsch chooses politics, not partnerships on seawalls'. Minister Crean said:

"The Federal Government is contributing \$12 million, which is half of the cost. But it's a project that requires a partnership approach, between the Commonwealth and the Queensland Government."

Senator McLucas said the Federal Government's \$12 billion investment meant work would commence on the islands in the most need.

"But if we are to complete the job, the Queensland government has to stump up its share," Senator McLucas said.

Chair, I have copies of this so I am able to distribute it to members of the committee for your reference, but I think that clarifies and provides the senator with the evidence he was seeking about the nature of the government's commitment.

CHAIR: Thank you, Minister.

Senator Lundy: I think the government's approach is also supported by Mr Katter, the member for Kennedy.

CHAIR: Thank you. I remind senators that there are quite a few questions and not a lot of time. Senator Edwards.

Senator EDWARDS: My first question goes to affordable housing. Minister Crean and Senator Gallacher jointly announced a \$26.8 million award or grant for an affordable rental housing project in Port Augusta, Roxby Downs, Whyalla, Port Pirie and Clare, with \$5 million from the federal government, on 3 July. Who made the recommendation and why were these towns selected?

Mr O'Brien: That was under the Regional Development Australia Fund program?

Senator EDWARDS: Yes.

Mr O'Brien: The process of the Regional Development Australia Fund is a competitive grants process by which applicants can seek funding from the federal government. I think round 2 was a \$200 million round. The applicants put in an application. Those applications are assessed by the Regional Development Australia committees, and the Regional Development Australia committees are required to put up their priorities for their particular region. At that point they become part of a set that is assessed by an independent panel, and the independent panel puts up advice to the minister.

Senator EDWARDS: So the local regional development boards in effect put them up, do they?

Mr O'Brien: The Regional Development Australia committees, yes.

Senator EDWARDS: From this announcement there are supposedly 100 dwellings being built, which works out to around \$268,000 a dwelling. Is that about right, or are there a lot of administrative costs in that? When you are looking at building 100 homes for \$26.8 million, how much of it actually hits the road?

Ms Fleming: At the moment we are in funding negotiations with each of the proponents from that round. So I do not have the costing details specifically on that project at this stage, but, once we do, we will be able to answer that question.

Senator EDWARDS: Are you able—because of the short time—to tell me where those hundred dwellings are going to be built, in which of those towns, and the breakup of that?

Ms Fleming: I would have to take that on notice.

Senator EDWARDS: That is what I just said. Also, how much state funding is being applied to that particular project in South Australia? And, while you are looking for that, has that funding been guaranteed by the states?

Mr O'Brien: The total value of the project is \$26.8 million. The contribution from the Regional Development Australia Fund is \$5 million. In terms of partners to that, we might have to take that on notice.

Senator EDWARDS: The point is this. I just want to find out where the rest of the money is coming from, and the reason I am asking this is that earlier today we found out about an electrification of the Gawler rail line which did not happen. The state government got \$30-odd million, which it now cannot give back, but it did not electrify the line. What level of vulnerability does your \$5 million have if this project does not go ahead, if one of the funding participants defaults? There you go! Is it in escrow? Is it in your pocket? Or is it in their pockets?

Mr O'Brien: We are in the process of entering into funding agreements with all successful applicants, and it is through that funding agreement process that we can verify that the partnership funding still exists. If there is any change in the scope of the project we can make judgements based on that, about whether the overall objective of the program was delivered.

Senator EDWARDS: So you have not given them the money?

Mr O'Brien: Not at this point in time.

Senator EDWARDS: Where will it go when you give it to them? Will it go into an escrow account—

Mr O'Brien: We are just checking on that specific project.

Senator EDWARDS: or will it go into the South Australian government's general revenue?

Mr O'Brien: It is one of 45 projects that were—

Mr G McCormick: And usually we would enter a negotiation to establish a funding agreement and establish the milestones, and actually pay in arrears on achievement of those milestones.

Senator EDWARDS: Payment in arrears?

Mr G McCormick: They have to achieve the milestone before they can receive the money.

Senator EDWARDS: So they have to trust you rather than you having to trust them?

Mr G McCormick: No, I think it is just standard practice.

Senator EDWARDS: Oh no, it is not. You should have been here this morning! Minister Carr was trying to wrestle back—

Mr O'Brien: In relation to this program we pay in arrears.

Senator EDWARDS: So what is the deadline for all the funding arrangements and everything like that to be put in? I come from Clare. That was one of the towns targeted for development, but Roxby Downs, Port Pirie, Port Augusta—all of those places have had a few press reports but they do not know when it is going to be delivered.

Ms Fleming: We originally hoped that we would be able to sign funding agreements within eight weeks—I think that was what we said in the guidelines—because we had streamlined some processes from round 1. That is not the case. Most proponents are still getting back to us with details, taking it through their funding bodies and organisations. So we have extended the funding period to sign funding agreements until the end of November.

Senator EDWARDS: What is the hold-up? This was announced on 11 July, and we are now in the middle of October. It is not far away, I know, but what has been the hold-up?

Ms Fleming: Do you mean for that particular project?

Senator EDWARDS: Yes. Did anybody find the ratio of funding that the state government is putting into this project?

Mr G McCormick: It is a \$26.88 million project, for which the Northern Region Affordable Housing Initiative is looking for a partnership contribution of \$273,000. However, the South Australian government solar program has ceased, and we are in negotiations—

CHAIR: Perhaps I can help the officer. Time is ticking away. If you do not have the information there, would you be kind enough to take it on notice? Or, if you come to the answer before we finish this session you may be able to just hand it over.

Senator GALLACHER: Ms Beauchamp, in answer to an earlier question you touched on the flood recovery project in Queensland. In your experience or in your department's experience, can you benchmark that against any similar infrastructure project?

Ms Beauchamp: As I was saying earlier, looking at both the Queensland and the Victoria 2010-11 disasters, I cannot recall a reconstruction project that I have personally been involved in that has been in excess of \$12 billion of reconstruction effort. But in other agencies those sorts of projects are probably occurring. It has certainly been a big task for the Commonwealth and the Queensland government, particularly the Queensland Reconstruction Authority. We have put in place all the necessary and new governance arrangements that this government put in place because of the scale and extent of the damage. As I was saying earlier, we had the inspectorate function and we have had the reconstruction task force, which in a sense are new governance arrangements for managing the Commonwealth's contribution to disasters. In this case it was in the order of 75 per cent, and we wanted to make sure the Commonwealth was receiving value for money. We entered into a national partnership with Queensland and also with Victoria to ensure that that was going to happen, that the oversight process was well monitored and that we were getting value for money along the way.

Senator GALLACHER: Minister Crean has described one of the impacts of the Regional Development Australia Fund as a change in the culture around regional funding. How would you characterise that change?

Ms Beauchamp: As Ms Foster was saying earlier—and I will pass to my colleagues in just a moment—certainly the amount of money going into the Regional Development Australia Fund is requiring a couple of elements that are very different from competitive grants processes that have been rolled out previously. Some of those principles and elements are at the level of the local area and the local government. The Regional Development Australia areas are actually identifying the priorities themselves. So we are really getting true regionalism and localism in terms of local communities and local regions coming up with those priorities.

Another key element—another area of change—is the leveraging that we are getting out of that. You would have seen in the combination of round 1 and round 2 that there was in the order of \$1 billion worth of projects, I think it was, from \$350 million worth of Commonwealth funding.

The fact that we have been able to leverage state government, local government, NGOs and other partners is really the joint ownership that is happening at the local level. In terms of the process, there has also been quite robust processes that have been put in place to assess the projects that are coming up through the regional development Australia committees. I might hand over to my colleagues in terms of the other changes.

Mr O'Brien: I think that is right. It is very true that it provides a role for the regional development Australia committees to work with groups within a region to work out what the regional priority is. I think that is an important difference with grants just going to individual local councils—remembering that there are 565 local councils across the country. Many of the projects that they are interested in are obviously quite specific to their municipal boundaries. The way that the Regional Development Australia Fund has been set up is to break down the municipal boundaries and to look at a broader region and a regional catchment. I think it has created a dialogue within regions about what is the project that could help unlock regional growth. That has been, I think, an important step.

Senator GALLACHER: That has certainly been my perception. It has been reported to me at the couple of events which I have been involved in that the Commonwealth funds actually brought the projects to the table. There is the contribution of all of the other local partners, but it was the influx of the grant, if you like, which actually got the projects up and running and over the line. Is that your perception?

Mr O'Brien: Yes, I think that is right. It is obviously an important source of funding to be able to leverage other funding. To get to that point of being able to leverage other funding is about creating a partnership, but it is also about creating and understanding what the project is that the region can cooperate around. We have made a number of improvements with the program over time, and we continue to look at ways about leveraging better funding of high-level projects, high-value projects and getting that cooperation.

Senator GALLACHER: Do you have any examples of significant infrastructure programs that have been delivered by the department this year?

Mr O'Brien: In terms of infrastructure projects?

Senator GALLACHER: Better Regions, bike paths.

Mr O'Brien: Yes. In terms of some regional programs, the ones that have been completed this year included the Better Regions Program, the National Bike Paths Program and the RLCIP, which is the Regional and Local Community Infrastructure Program. They came to an end on 30 June. I might get Gordon McCormick to talk to it.

Mr G McCormick: As Mr O'Brien has rightly said, the status of the National Bike Paths is that \$34.2 million has been provided to construct the bike paths. All payments have been finalised: for the RLCIP, there is over \$1.2 billion funding for around 6,200 projects. There are a variety of rounds: three rounds involving three allocative rounds and strategic projects rounds and competitive rounds. There are a number of community infrastructure projects funded, ranging from community halls, swimming pools, five regional airports, disabled access libraries to solar panels, energy saving infrastructure, water saving infrastructure, wharves and jetties. Youth centres and other community type centres were involved in that. There are over 6,000 projects.

Mr O'Brien: These are the national projects that we have funded and are monitoring. The projects that we are delivering are in outcome 2, around the Indian Ocean Territories, and I can go through those later in outcome 2, if you like. There is a list of key infrastructure projects both on Christmas Island and Cocos (Keeling) Islands.

Senator GALLACHER: Just on the national theme, the COAG regional development ministers met for the first time recently. What work is the department doing on the outcome of that meeting?

Ms Foster: The ministerial council, as you said, had its first meeting in Alice Springs in July, and there were a number of key areas that the ministers agreed on and directed further work in. They were focusing on strengthening the delivery of regional economic development, infrastructure investment and engagement. So they agreed at the meeting to an integrated regional infrastructure strategy and a regional engagement framework to identify opportunities to improve the performance and connectivity of the various organisations that operate throughout the regions. They also agreed to a common set of key determinants of long-term regional economic growth so that, between us and the states, we will have a shared foundation to progress those collaborative place-based initiatives we were talking about before.

In order to progress that work for ministers out of session, Secretary Beauchamp recently held a progress meeting with the relevant reps from each jurisdiction, and we are doing a number of projects which will feed into

those top level objectives. Working in collaboration with various jurisdictions, with Victoria, for example, taking the lead, we are looking at what levers governments have to support regional development so that we can make sure that we are most effectively utilising those. We are also establishing an evidence base for the infrastructure needs of regional communities, and we are mapping the high-level engagement organisations across the regions so we can then see how they are interacting with each other and make sure—this is a little bit along the lines of what Senator Back was asking me about before in terms of WA—to make sure that each of the organisations is actually collaborating effectively.

Senator JOYCE: I just want to go to the ANAO report and note that the Geelong Football Stadium was approved for funding even though it was included in the lowest rank for consideration for funding by the panel. Was this project considered for approval by the minister at the same time he was assessing the 39 applications included in priority 1?

Mr O'Brien: Senator yes is the answer to that question. Again, going through the process of round 1, the expert panel provided advice, alongside the departmental advice, the minister was able to consider that and, as the ultimate decision maker around the projects that get funded, he took into account the expert panel's advice as well as obviously the department's advice.

Senator JOYCE: So he approved the extension of a football club, which I think was \$10 million, even though 40 other projects were ranked equally and 76 of the projects were ranked more highly by the panel.

Mr O'Brien: Yes, that is right.

Senator JOYCE: So how does someone in a regional town get something past the minister when the minister is more likely to approve a football club for \$10 million than, for instance, getting asbestos out of the child care centre at Ballarat?

Mr O'Brien: Again, as per the guidelines, the minister is the ultimate decision maker on all projects. All the projects that were funded were considered suitable for funding and where the minister decided to deviate from the panel he was required and undertook to record the reason.

Senator JOYCE: What was the minister's reason for passing by 76 projects that were more meritorious to fund a football club—passing by projects such as removing the asbestos from a child care facility, getting a rest area for stock on long transport hauls—and for the fact that not one project was approved west of the Great Dividing Range in Queensland. What was the minister's logic?

Mr O'Brien: Obviously the minister was able to look at what the nature of a whole range of very good projects. It was a competitive round. He looked at the panel's advice, and he was able to use his own experience. With respect to Geelong, it was seen as an important project because of its regional reach.

Senator JOYCE: Regional reach?

Mr O'Brien: Yes, in terms of the broader south-western region and into Melbourne.

Senator JOYCE: \$10 million for one project ranked below 76 others. It could not have been something to do with the fact it was held by a Labor seat—

CHAIR: It is a damn decent family football club too.

Senator JOYCE: Could it be anything to do with being a marginal Labor seat?

CHAIR: Do I have to declare an interest—

Mr O'Brien: That is something for you to raise obviously through other forums. It is not in any advice that was provided by the department.

Ms Beauchamp: Senator, can I add that the ANAO report did actually do an electorate analysis of round 1, and I think you will find that the process was very robust. We did not do the electorate analysis; the ANAO did. And I do not think you could find anything untoward there. As Mr O'Brien said, a decision to fund a project that was considered suitable for funding is a decision of the minister.

Senator JOYCE: So you think there was nothing untoward about awarding \$10 million to a project which the ANAO themselves found 76 other projects more meritorious than?

Ms Beauchamp: The ANAO has done an audit of this program, and the decision was a decision of the minister, quite rightly.

Senator JOYCE: 'The decision of the minister', so it really had nothing to do with merit; it just came down to the minister. Perhaps we should be telling people in the future that where you rank meritoriously has nothing to do with it; it really just comes down to the minister.

Mr O'Brien: It is stated very clearly in the guidelines that the minister is the decision maker here. He outlines in the guidelines the process that we use to evaluate and assess. It was a range of very good projects.

Senator JOYCE: I just want to go to a quote that the ANAO put out:

... applications for projects located in an electorate held by the ALP were more successful. That is, projects located in ALP-held electorates had an approval rate of 22 per cent, compared with the approval rate of 14 per cent for projects located in an electorate held by the Coalition parties or Independent Members.

Ms Fleming: Senator, I believe that relates to the selection of projects by the panel, and the panel in selecting things, when the ANAO did an electoral analysis, happened to find that correlation.

Mr O'Brien: It is very important to acknowledge here that there was no electoral analysis through the assessment process, and that was clearly identified by the ANAO as well.

Senator JOYCE: So now we have two issues: that the panel is more likely to select something from an ALP electorate and even if they do not the minister can go over the top and select the large—

Mr O'Brien: Electoral analysis was no part of the decision making process of the expert panel.

Ms Fleming: Senator, what they found was correlation, not causality, and that is what they reported. They also reported that they found no causal link around electoral analysis in the report. It was a correlation issue, and it was round 1, so over a series of rounds you would expect funding to meritoriously reflect a broad distribution. I think when you look at round 2, there is another range of projects that have been selected.

Senator JOYCE: Were you a bit surprised when they [inaudible]. Did anybody get more than \$10 million on any grant?

Ms Fleming: Yes.

Senator JOYCE: Who

Ms Fleming: There are a couple of projects, one in Western Australia.

Senator JOYCE: Can you take me to the part of the ANAO report that says they found no causation between seats and successful projects?

Senator THORP: [inaudible]

Senator JOYCE: No, I asked the question. Can you point me to the part of the report which says it found no link between seats and successful projects?

Senator THORP: [inaudible] Get it right.

Ms Fleming: Paragraph 6.11 of the ANAO report says the department:

... advised ANAO that at no time during the assessment process, panel discussions or in advice to the Minister was any analysis or discussion about electorates undertaken.

Senator JOYCE: Can you provide a list of all the projects which were ranked higher than the Geelong Football Stadium?

Mr O'Brien: Is that a question?

Senator JOYCE: Can you provide a list of all the projects which were ranked higher than the Geelong Football Stadium?

Senator THORP: Are you talking about [inaudible]

Senator JOYCE: We know that there were 76. Can you provide a list of those projects? Can you take it on notice?

Senator Lundy: Yes.

Senator JOYCE: How does the department plan to implement the three recommendations outlined by the ANAO report?

Ms Fleming: In respect to the first recommendation to adopt a rating scale for the merit assessment for future funding rounds, in discussion with the committee, we will enter into discussions with the committee on the rating scale they will use for their assessments. In terms of the second recommendation where they sought to have more clearly outlined the basis for the assessments—whether each application represented value for money—that was undertaken in round 2, so we have already adopted that recommendation. In terms of the third recommendation to make documents provided to minister have more clear alignment between these assessments and the order of merit of funding, we will facilitate the review and enhance with documentation provided to the minister in future funding rounds.

Senator JOYCE: I just want to go to the Regional Australia Institute. Have they given their biannual report or end of year report about how they are going?

Ms Foster: They were due to give their first biannual report at the end of September, but we have accepted that we will receive that report by 31 October for two reasons. One is to allow them to include their audited financial status and the other is so that the board can get endorsement at the annual general meeting on 30 October.

Senator JOYCE: In the interim, have they given any rundown on how they are going and what they are up to and what objectives they have achieved?

Ms Foster: Yes, they have. They have done quite a range of work in establishing the organisation and so they have appointed a CEO, identified premises, put all their legal and business things in place, so they have done that business end of the deal. They have also appointed research fellows and a research advisory committee. They have undertaken a really comprehensive range of stakeholder engagement.

Senator JOYCE: Did they give you a rundown on those?

Ms Foster: Yes, we could run through the organisations and people that they have been meeting with.

Senator JOYCE: How many days of those.

Ms Foster: I do not have it in days.

Senator JOYCE: And time frames. Have they showed you any form of time that has been involved in those stakeholder engagements? Are we talking about phone calls? Are we talking about meetings?

Ms Foster: Some of the ones I have been involved in have been round tables with groups of stakeholders over several hours, for example. So they are not a quick phone call to someone. They are serious meetings at which they have actually discussed research priorities and so as a result of that activity they came out with a list of key research priorities for their initial block of research. Their first product, which is a comprehensive stocktake of the regional research and policy work that is being done in this sector which is ready for release this month, I believe.

Senator JOYCE: Some of the people who were on the scoping group to set this up appointed themselves to the board, didn't they? How many of those that were on the initial scoping group appointed themselves to the board of the Regional Australia Institute?

Ms Foster: I could just take you through the process. The minister convened a round table in April last year to seek advice from a range of people in the sector on the purpose and the form the RAI should take and the advice from that round table was that it should be set up as a company limited by guarantee at arms-length from the government.

Senator JOYCE: Why? I would like to ask some questions at Senate estimates and now I cannot, can I?

Ms Foster: Senator, the prime reason from that discussion was around the independence of the research and policy options.

Senator JOYCE: Let me take you up on the Independents. How many people on that round table became members of the board—that is, became people who were paid by the salary of the money that the Commonwealth contributed to that, of the \$8 million? Mr Mal Peters, was he one?

Ms Foster: Mr Peters did participate in the round table.

Senator JOYCE: Who else was in the participation of the agreements who also ended up on the board?

Ms Foster: The round-table participants included Minister Crean, Mr Windsor—Mr Oakeshott was invited but was unable to attend—

Senator JOYCE: Three politicians—

Ms Foster: Mr Keltie, who is not a member of the board; Mr Latta, who is; Professor Sandra Harding, who is not; Dr Ngiare Brown, who is. Sorry, Professor Harding is.

Senator JOYCE: Sandra Harding is. So we have Mr Latta, Professor Harding and Mr Peters.

Ms Foster: There were four others: Elizabeth McGregor, Barry Buffier, Bruce Brown and Jonathan West—

Senator JOYCE: How many of those went from there onto the board?

Ms Foster: none of whom are on the board. None of those last four are on the board.

Senator JOYCE: So three or four ended up on the board?

Senator Lundy: Senator Joyce, have you met with them yet?

Senator JOYCE: How could you say that it was independent?

Ms Foster: That group was talking about the kinds of areas they thought were important for a policy centre to focus on and the kind of form that they thought it should take. Their concern was that the organisation, when created, would be able to pursue topics that it as an organisation established as the most important—

Senator JOYCE: Do you see any problems at all in people appointing themselves to board positions when they are relying on money from the taxpayer to pay their fees or wages?

Senator Lundy: That is not an appropriate question. He is entitled to express an opinion but not to reflect on the officer's answer.

CHAIR: Senator and Minister, I was listening. I am having trouble hearing you, Senator Joyce, because you are sitting side-saddle, but I was listening to Ms Foster's answer and you did cut her off on a number of occasions. I would ask you to hear the answer and then move to the next question. Ms Foster, do you want to continue? I was listening.

Senator Lundy: Before we do, I think it highly appropriate, given the conversation at the last round of estimates, that Senator Joyce let the committee know whether he actually has met, in his mind, the members of the board.

Senator JOYCE: The full board? No.

Senator Lundy: Are you sure about that?

Senator JOYCE: I am absolutely sure about that.

Senator Lundy: You got into trouble saying that last time.

Senator JOYCE: And that was the time you misled the committee.

CHAIR: Senator Joyce and Minister, I think we have worked out that Senator Joyce has met with some of them. But, Ms Foster, you were halfway through an answer. I would just remind Senator Joyce that we only have five minutes left; so you only have two minutes left, and Senator Ludlum has the call for the last five minutes.

Ms Beauchamp: I would just add, in terms of the questions that have been raised so far, there are extensive answers in *Hansard* already around these questions. In terms of your comment about the interests of time, I think we spent over an hour on this at the last estimates and much information is already on the record.

CHAIR: You are right for not wasting too much time. I unfortunately cannot control the line of questioning that the opposition may throw up at us. It has been a regular trend on a number of occasions that other senators have missed questioning because if it is their time, if they so choose to follow down that path again it is entirely their call.

Senator JOYCE: Who is chairman of the board?

Senator THORP: I am just wondering if Hansard has a copy and paste—

Senator JOYCE: Who is chairman of the board?

CHAIR: They will, but anyway.

Senator Lundy: You are rude, speaking over the chair.

CHAIR: Minister and Senator Joyce. I do not use this too often, but my wick is starting to burn a little bit short, so if we want to have a little dummy spit I can do it better than anyone. There is one minute left of Senator Joyce's questioning and then I will go to Senator Ludlum. Ms Foster was halfway through an answer. Do you wish to continue Senator Joyce's original question?

Ms Foster: Yes I do, because I can clarify that the roundtable that I was referring to did not appoint the board. They provided the minister with their opinion and advice on the kinds of priorities that an organisation might eventually focus on and the form it should take. There was then another process by which we established the board.

Senator JOYCE: In that stocktake that the minister is currently doing, is he going to look at appointments of the board, whether they were done at arm's length, whether they were advertised in the paper and whether it just does not look all too cute to appoint people who were at the roundtable to the board who then except a salary and wage from the public, which we cannot properly delve into because they have set up an incorporated body so that we cannot bring them before estimates? Does that ring any bells?

CHAIR: Senator Joyce, I will just rule on that. I think that little 'too cute' statement gives me an opportunity to bring that to an end. If you want to put some questions on notice, I encourage you to do that. I am going to go to Senator Ludlam for the last five minutes.

Senator LUDLAM: I am going to put a couple of quick questions to you which might be partly in the bag of either IA or, more likely, infrastructure investment, but answer just to the degree to which you are able to help us out. I am interested in bike path spending, whether it be in cities or in regional areas, but I am particularly interested in Commonwealth funding. There is a certain amount, and I have never been able to find out how much, when the Commonwealth funds an urban freeway, for example, to make sure that there is a cycle track along the side. Can I put some questions on that to you?

Mr O'Brien: I think you will find that it is the department of transport for that particular program. We as a department are responsible for the National Bike Paths Program, which came to an end on 30 June.

Senator LUDLAM: You have no current visibility at all on the way that this infrastructure is rolled out?

Mr O'Brien: No, we do not.

Senator LUDLAM: So that was only when that program existed?

Mr O'Brien: That is right.

Ms Beauchamp: The Department of Infrastructure and Transport is responsible for the national bike strategy.

Senator LUDLAM: We had a little bit of back and forth with them earlier, but I missed the opportunity to put some standard questions. If you have no visibility on it whatsoever, I will leave you be. That took much less than five minutes, so you can have your dummy spit if you want.

CHAIR: I am sure I will have one eventually. Yes, Mr O'Brien?

Mr O'Brien: On a question that Senator Edwards put and one that Senator Joyce put—Senator Joyce, you asked a question about what other projects got over \$10 million.

Senator JOYCE: You can take it on notice. I am happy to ask some other questions. You do not need to recite 76 positions to that here. I am happy to ask questions about the myregion website in the few minutes we have left over.

Mr O'Brien: Well I will answer the question here. You were after the state government contribution—

CHAIR: While we are all happy, where are we up to? Senator Ludlam, you do not want any more time?

Senator LUDLAM: No.

CHAIR: Did you have some answers?

Mr O'Brien: The expected state government contribution to that particular project was \$7.48 million.

Senator EDWARDS: So where is the rest of it coming from?

Mr O'Brien: Unity Housing was effectively \$14.2 million and the Commonwealth, \$5 million.

Senator EDWARDS: Is Unity Housing a not-for-profit?

Mr O'Brien: Yes, it is.

Senator EDWARDS: So there are three entities?

Mr O'Brien: Three entities. It gets back to the partnership funding that we spoke about earlier.

Senator EDWARDS: And you are going to let me know whether there are any conditions on your \$5 million going in?

Mr O'Brien: We are negotiating now through the funding agreement with those entities to make sure that the project is intact.

Senator EDWARDS: Can you tell us again the reason why it was delayed until the end of November?

Mr O'Brien: We are working through some issues with the state government.

Ms Fleming: There are some issues around some land first, so we are just waiting for those issues to be resolved. Once they are resolved, we will set up a funding agreement. The funding agreement will have milestones and we will pay on the achievement of the milestones.

Senator EDWARDS: So, on notice for you, you will be able to identify the actual land parcels where all these houses will be built?

Ms Fleming: That is correct.

Senator EDWARDS: Could you do that in all those regional centres?

Ms Fleming: Yes, once we have the funding agreement executed.

Senator LUDLAM: I want to ask some questions on the Kimberley development package.

Ms Beauchamp: Yes.

Senator LUDLAM: Can you tell us how the health of people living in the communities of Warmun and Kalumburu, in particular, and in the townships of Wyndham and Kununurra will improve as a result of that package?

Ms Fleming: Under the East Kimberley development package, a series of health initiatives was undertaken. We have upgraded the sobering-up centres in Kununurra and Wyndham.

We have instituted 10 houses for health service providers, including WA Country Health Services and the Kimberley Aboriginal Medical Service Centre in Kununurra. We have upgraded and expanded the rehabilitation centre near Wyndham, which runs a residential program for alcohol rehabilitation patients and their families. We have upgraded and refurbished the Wyndham Hospital and staff housing. We have undertaken construction of a primary healthcare facility on the hospital precinct, which co-locates services currently around Kununurra—child and mental health, a GP service, chronic disease prevention and management, health promotion, community mental health, clinical education and training, and there will be an Ochre Health centre. We have a range of environmental health measures to improve health and sanitation outcomes, water purification, rubbish tips, fencing, sewerage, ponds, drainage, insinkers—near the Warmun, which is nearly completed. There is work on the aged-care unit in Warmun—

Senator LUDLAM: Ms Fleming, without wishing to interrupt but, in the interests of time, could I ask you to table whatever version of the document you are reading from that you are happy to table? That might be a bit quicker.

Ms Fleming: Yes.

Senator LUDLAM: How many Aboriginal people have been employed, either directly or indirectly, as a result of the package? Again, if you could table for us which positions and where.

Ms Fleming: My understanding is that there are around 90 people across the package, but I am not sure I would be able to specifically name each person and their position.

Senator LUDLAM: That is all right; it would be inappropriate for me to ask. Was any part of the package developed and delivered in conjunction with proceeds from Royalties for Regions funding from the state government?

Ms Fleming: I would have to take that on notice.

Senator LUDLAM: If you could. That might be a fairly simple—

Ms Fleming: There may be some additional support that has gone into projects from that.

Senator LUDLAM: Royalties for Regions cannot be used for services; it is quite restricted in what it can be used for. It can be used for infrastructure and hardware.

Ms Fleming: Our things are not infrastructure.

Senator LUDLAM: Can you provide a bit more detail on the Wyndham Port facility upgrade. I understand it is about \$10 million—

CHAIR: I will have to make that the last question in this area.

Senator LUDLAM: Okay. Just what the port is used for, what the Commonwealth contribution was actually used to do.

Ms Fleming: The structure and buildings of the Wyndham Port facility, with the cathodic protection system, jetty buildings, drainage and the container park area were all upgraded. I think live cattle go out of that port, and other material. I can take that on notice and give you some additional detail if you would like.

Senator LUDLAM: That would be much appreciated.

Ms Beauchamp: To answer your question, Senator, I think the project was completed in June 2012.

Senator LUDLAM: The port or the whole thing? The port?

Ms Beauchamp: Yes.

Senator LUDLAM: Okay, that was much appreciated. I just want to put on the record that that was very helpful. Thank you, Chair.

CHAIR: Thank you, Ms Fleming. Senator Ludlam, I encourage you, if you are up there, to take a look at the fine work that has been completed with the East Kimberley Development Package on the major support of it. It was a wonderful effort by the Commonwealth and the states.

Senator LUDLAM: No, I am not having a dig—it looks like extremely valuable work.

CHAIR: No, I know you weren't. Okay, thank you officers from Regional Development.

[20:17]

CHAIR: I now call officers from Local Government. Senator Joyce, if you want to kick off.

Senator JOYCE: Thank you. What is the status of the referendum on constitutional recognition of local government?

Mr O'Brien: A motion was tabled, I think around—

Mr Yates: The week beginning 29 October it is to be tabled.

Mr O'Brien: It was tabled on the 11th and it comes up on the 29th. It is a motion that puts that issue of the referendum to a joint select committee.

Senator JOYCE: And that process is how far away?

Mr O'Brien: The terms of reference indicate an expectation that a preliminary report will be provided prior to Christmas, and a final report by the end of February.

Senator JOYCE: Right. When is the government going to respond to the Spigelman report?

Mr O'Brien: This is part of the response to the Spigelman report. One of the recommendations was to refer the matter to a joint select committee.

Senator JOYCE: Have you been approached by stakeholders to pressure the government to give a decision on progressing with a referendum?

Mr O'Brien: We have had discussions with the Australian Local Government Association about progress. They were very keen to see the matter referred to a 'parliamentary committee'—that was the language that they used—so that satisfies that.

Senator JOYCE: Is the government in current negotiations for any public awareness campaign with regards to a referendum?

Mr O'Brien: The matter is before the joint select committee in terms of both the nature of the question and the timing of a referendum. I think the answer is that the minister would be awaiting the advice of the joint select committee.

Senator JOYCE: I put on the record that I have also been approach by Minister Crean with regards to the joint committee. I just make that clear.

I want to go to some of the FAGs grants. How much was overpaid to local councils in 2011-12?

Mr Yates: The overpayment was \$52.9 million.

Senator JOYCE: What was the reason for the overpayment?

Mr Yates: The process to develop the FAGs calculations is a statutory based one and it has two fundamental drivers—the CPI and the population. My colleague Assistant Secretary Dr McConchie can talk about that in some detail.

Dr McConchie: Every year the Treasurer makes a determination using CPI and population estimates. In 2011 the census that was undertaken resulted in an adjustment to the population estimates—downwards of 300,000 people. That has affected the Treasurer's determination that we use to determine the allocation of the financial assistance grants to local government.

Mr Yates: I might add that this is a routine business to make adjustments to the estimates. It occurs each year when the final population and CPI figures come out.

Senator JOYCE: How many councils were affected?

Dr McConchie: All councils were affected; it was across the national allocation.

Senator JOYCE: Does it seem a little bit strange that we were advancing funds on the FAGs grants ahead of time and now we are asking for money back?

Mr Yates: We are not asking for the money back. The adjustment is made through the final payment this year, which is reduced. The decision to bring the funding forward was in recognition of the pressures that many local councils across Australia were going through because of the scale of a lot of the natural disasters that were occurring.

Senator JOYCE: Whose fault was it that they were overpaid?

Mr O'Brien: It is very important to understand the methodology that is applied through the 1995 Local Government (Financial Assistance) Act, which sets up this process of annual review. It sets up the process of

payments to local government through states grants councils in advance of actuals, and it sets up and defines very clearly what the escalation factors are.

So it is the Treasurer that determines the escalation factor, and he bases it on two key parameters: firstly, the CPI index, which was far lower than expected; and, secondly, the population estimate, which Dr McConchie indicated had also changed, because they changed the methodology of calculating the population. That information on population is provided by ABS, and obviously Treasury officials provide the information on the CPI.

Ms Beauchamp: This reconciliation occurs every year, so it is based on the actuals in terms of CPI and population and is then reconciled against future years' payments.

Senator JOYCE: I want to quickly go to the local authority. This may or may not have anything to do with you but I just want to touch on it. Are you aware of the issues that we are currently having with defined benefit plans and local government superannuation?

Mr O'Brien: Yes, we are aware of them.

Senator JOYCE: Do you have any involvement with that?

Mr O'Brien: We have involvement only in the sense that we have been informed of the status, particularly of the defined benefit schemes and the impost on local councils in Victoria and in New South Wales. Ultimately it is a state government matter. There are different arrangements in each of the different states. It is a question for the Victorian government about access to their Treasury Corporation, which I think is where the Municipal Association of Victoria has directed their interest.

Senator JOYCE: From your knowledge, will this make any local government authorities unviable or tip them into—

Mr O'Brien: It is a difficult question. As you well understand, many local government authorities are always marginal. That really gets back to their rate base: whether they are large enough, whether there is enough people there at a particular time, whether their costs are being managed well, and whether their past debt is manageable. These are all factors that the state governments are more than aware of, and manage day in and day out.

Senator JOYCE: With regard to the Williams case, which I have no doubt you are very aware of, what is your advice as to what the legal ramifications are in the role of the federal government being able to fund local government?

Mr O'Brien: I would not proffer any advice. I think that is a matter for the Attorney-General's Department.

Senator JOYCE: Has any advice been given to you from the Attorney-General's Department with regards to the outcome of the Williams case and the Pape case?

Mr O'Brien: Obviously we have been in consultation with the Attorney-General's Department and are working through the ramifications and implications of that particular decision.

Ms Beauchamp: Can I just add that last year the High Court decision on Williams referred particularly to the chaplaincy program. The government did take steps to ensure that there were legal provisions for programs that we administer and that that legislation was introduced in the last week in June. So we have the appropriate legislative cover for the programs we administer, including programs to local government.

Senator JOYCE: What about Roads to Recovery and programs like that? Was any advice given on any programs that would have fallen outside the heads of agreement as stipulated by the Constitution?

Ms Beauchamp: As Mr O'Brien said, these are matters for the Attorney-General, but the government did take steps, towards the end of last year, 2011-12, to ensure that programs administered by the Commonwealth had the appropriate legislative cover.

Mr O'Brien: Obviously, because the financial assistance grants, which we spoke about before, are administered through the state governments, that is not a risk at all.

Senator JOYCE: With the money that is being retrieved from local governments, will that ultimately have an effect on this year's, overall Commonwealth budgetary position?

Mr O'Brien: Sorry, can you repeat that question.

Senator JOYCE: Going back to the money that has been called back from local government authorities—the \$52 million—will that have an effect of \$52 million on this year's overall government position?

Mr O'Brien: I would have to take that on notice.

Senator JOYCE: Will it make this current year's budget position better or worse?

Mr O'Brien: I cannot proclaim to be a budget expert on how that would impact the bottom line.

Senator JOYCE: The FAGs review. How many staff are currently working on the review?

Dr McConchie: The Commonwealth Grants Commission has been commissioned to undertake the review. We are providing an officer who will provide part-time support to the Grants Commission.

Senator JOYCE: So you have one—

Dr McConchie: Probably less than one ASL—maybe half an ASL once it gets underway.

Senator JOYCE: When is the review likely to be finalised?

Dr McConchie: The government is scheduled to get a report from the grants commission in December 2013.

Senator JOYCE: How much is the review costing?

Dr McConchie: At the moment the Grants Commission has indicated it will cost us about \$66,000, and that is probably not including any potential travel that some of the commissioners may undertake in consulting around the country.

Senator JOYCE: Just going back to the Williams case, are there any other cases floating around that we should be aware of that challenge the right of local government to get direct financing from—

Mr O'Brien: Not that I am aware of, Senator.

Senator JOYCE: Can you give me an update on how the Australian Centre of Excellence for Local Government is going and what exactly it is doing at the moment?

Ms Foster: They have had a couple of key achievements for this financial year. They have run a research showcase and forum, followed by a local government round table in Perth in July. They have been taking the opportunity to have their board meetings in different parts of the country and then engage with the various local government researchers and policy folk while they are there. They ran a conference on local government revenue and capacity in Melbourne in August. You may recall that they have been responsible for pulling together a national assessment framework, and they completed that and an online portal which lets councils carry out an assessment of their current asset and financial management processes in line with nationally consistent measures, and that has been a real step forward from where they were at before. Recently, they have conducted a short course at UTS on reviewing and enhancing local government service delivery. So they are trying to operate across a range of areas.

Senator JOYCE: How many people are employed in that?

Ms Foster: In the ACELG?

Senator JOYCE: Yes.

Ms Foster: From memory, I would have to say a handful—it is not a large organisation.

Senator JOYCE: Five or six?

Ms Foster: I would have to take that on notice to give it to you accurately, but it is of that order.

Senator JOYCE: You might as well tell me what it is costing us each year as well.

Ms Foster: It was an \$8 million endowment which was spread over five years but has been leveraged quite significantly because the consortium that formed ACELG had a range of partners who also made contributions. So the total amount available to ACELG, both with in-kind support and funding, came closer to about \$20-plus million, and ACELG managed to budget to stretch that to give six rather than five years of capacity.

Senator JOYCE: What does the department intend to do with the Ernst & Young report, *Strong foundations for sustainable local infrastructure*?

Mr O'Brien: We are working through the key recommendations of that. There is a further piece of work that is now underway to look at the national financing authority, which is one of the recommendations. One of the findings of the report was to look at projects that could be showcased, so we are working with local government associations on those projects, and to get an understanding of what those projects would look like.

Dr McConchie: We are also talking to our colleagues in the state and territory governments on some of the financing arrangements they have in place to help service local government—in particular, in South Australia—and getting some ideas about what works in particular states and canvassing some good, innovative projects that we can look at as case studies for other states to follow.

Senator JOYCE: So you are intending to adopt some of the recommendations?

Mr O'Brien: We are certainly intending to explore the key approaches that were outlined in the report.

Senator JOYCE: Can you rule out any of the recommendations?

Mr O'Brien: At this point in time, no.

Dr McConchie: We are working through each recommendation. Each recommendation has, to some extent, something we can work with.

Senator JOYCE: Are there any recommendations that you can say definitely that they will happen?

Ms Beauchamp: I do not think we can say that. In the COAG council that was referred to earlier—Ms Foster mentioned I was chairing a senior officials group—we are doing a quite a lot of work with the states and territories to see what can be delivered as part of this review and looking at different financing mechanisms, the capability and capacity to combine projects at the local government and regional level. As Mr O'Brien said, we are also looking at projects where we can think of, and work with, the state governments around some innovative financing mechanisms. Quite clearly, a lot of the levers are with the state and territory governments and local governments themselves, so we are actually working in partnership with them through the COAG council.

Senator JOYCE: What is the status of the Local Government Reform Fund?

Dr McConchie: As at 17 September this year, we have paid out \$18.44 million for the Local Government Reform Fund to states and territories. There are a number of projects continuing this year and the projects are mainly to do with aligning frameworks for asset and financial management.

Senator JOYCE: So it is basically helping the corporate management of local governments.

Dr McConchie: It is building capability, particularly in asset and financial management, which was one of the recommendations of the Ernst & Young report.

Senator JOYCE: From my travelling, it has been well received. The form of that is predominantly financial training?

Ms Foster: There have been a range of different projects. It is probably worth noting that it has leveraged quite a deal of additional funding through the states. In the WA project, for example, the Commonwealth contribution was significantly less than what the state then put in. So there have been some projects that have focused on training, some that have focused on providing manuals and online tools to assist councils with their asset and financial management, but it has all been—as Dr McConchie said—focused around building the capacity of local councils in the broad areas of asset and financial management and workforce.

Senator JOYCE: I go back to the constitutional recognition of local government, because that is the major issue that is afoot at the moment. Would they propose putting up the constitutional recognition of local government referendum without the Indigenous preamble? Has there been any discussion about that?

Ms Foster: Senator, I think they are decisions which are yet to be taken.

Senator JOYCE: How many people are allocated at this point in time towards progressing the constitutional recognition of local government within your department?

Mr Yates: I can possibly answer that. We have a team of approximately four officers who are delivering this. Assuming the parliament does in fact establish the joint select committee, one of our senior director level officers will be seconded to the parliament to provide direct support to that committee, and we will continue to provide further support from within the department within our existing structure.

Senator JOYCE: The information you have received thus far is looking at a basic amendment to section 96 of the Constitution?

Ms Beauchamp: The minister, on 11 October, did actually put details of the motion in the House. I can read some of the terms of reference, if you like, of that notice.

Senator JOYCE: I am just curious if the approach is a section 96 approach or not.

Ms Beauchamp: The joint select committee will be appointed to inquire and report on the majority finding—that is, the financial recognition issue of the expert panel on constitutional recognition, including by amending section 96 of the Constitution. That is certainly an area of focus.

Senator JOYCE: So it is the grants, which is section 96. It must be the belief at this point in time that the Williams case and the Pape case bring into question the capacity of section 96 to avail itself to the direct delivery of funds to the local government.

Ms Beauchamp: I think they are very separate issues. The commitment to the constitutional recognition issue came about a long time before the Williams decision was handed down towards the end of 2011-12. So I think they are two very separate issues.

Senator JOYCE: Have you received any advice whatsoever that an amendment to section 96 would have other extensions and implications to how the court would see the role of states?

Ms Beauchamp: I think it is probably unwise for us to make those sorts of legal and constitutional judgements. We will have to see what form and scope the joint select committee comes up with.

Senator RHIANNON: Just following on from those questions: since the expert panel handed down their report the only information I could find on your website about this issue was a link to the expert panel's report. I was interested in what resources you have had to work on this issue? Does the fact that there really is effectively no information there reflect that you have not had resources to work on this issue of explaining to the public and setting out some information about the work towards constitutional recognition?

Mr O'Brien: As Julian Yates indicated before we have about four—

Mr Yates: We have had about four staff working on this. One of the department's priorities is to provide advice to government. You will appreciate that the government's position at this stage is that there is a notice of motion to a joint select committee, which will then provide advice to government. We are anticipating that it will discuss some of those issues in accordance with the terms of reference.

Senator RHIANNON: I appreciate that, but I was just curious. Since the last election it has clearly been something that we have been working to, but it is your own website where the public largely can gain information and make a judgement, or learn things about the sort of work that you undertake. So my question is: the fact that there is effectively no information there, does that reflect that there has not been much—

Mr Yates: No, it does not.

Mr O'Brien: At the end of the day, the government needs to make a decision about whether it proceeds to a referendum. We have supported the expert panel through that process and, as Mr Yates indicated, there will be further support prior to the joint select committee to deal with the terms of reference that they should be given.

Senator RHIANNON: Considering that you are well aware of the challenge that it is in referendums being passed in this country, that is, effectively, why I am asking the question. I was surprised that there was not information there just giving some background to this issue. Unless the public are aware and we are starting to build up that awareness—through the local council networks that you work with, with the public, gradually there can be greater understanding of these issues—it will be much harder to achieve it. Again, that is why I am asking this question: why has there not been coverage of the constitutional recognition on your public interface?

Dr McConchie: Could I just respond? The Australian Local Government Association was funded \$250,000 to undertake some work, campaigning and raising awareness of local government constitutional recognition in the community.

Senator RHIANNON: Yes. I have spoken to them, and that is obviously excellent. But, again, I am not hearing why the department itself is not presenting that information there when it would seem that since the election of the last government it was a key part of the program. When I go to your site I would have expected to see more information.

Ms Beauchamp: A lot of work was done in supporting Chief Justice Spigelman, and the process did involve quite a few consultations that they had around the country. As Mr O'Brien and Mr Yates have said, we actually supported those and provided secretariat support to help with that consultation process. That was quite extensive, and I think it is quite proper that the expert panel, based on those consultations and advice to government, have presented their report.

Of course, we have been looking at doing work internally in providing advice to government. Minister Crean has indicated that he would like some further work done in progressing the election commitment. He has actually put the terms of reference and the like on the *Notice Paper* now to get the joint select committee looking at it. I think we need to look at parliamentary support more broadly for the terms of reference and the joint select committee.

Senator RHIANNON: Thank you for outlining that the parliamentary support is obviously essential. Do you see that public support is important and that the department has a role to play—

Mr O'Brien: Our role is to advise the government in its deliberations.

Senator RHIANNON: Right. You do not see that is part of it—

Mr O'Brien: Certainly not at this point of time.

Senator McKENZIE: Senator Joyce was asking about the Victorian local governments and their superannuation liability this is obviously not within your purview—I accept that—but I am just wondering whether you have had any direct representation from any local councils in Victoria.

Mr O'Brien: Yes, we have had correspondence that we have dealt with.

Senator McKENZIE: Could you on notice advise me who they are and what you have done with their correspondence in terms of your role in advocating for them?

Mr O'Brien: Will do.

CHAIR: We will now go to services to territories.

Senator BACK: It seems that the situation on Norfolk Island is deteriorating quite significantly. The number of residents is down to about 20,000, which is the lowest for 20 years. Permanent residents are leaving and businesses are closing. I am most anxious to be given an understanding of just what the current status of the road map is. As I understand it, the Norfolk Island Administration has put a number of scenarios to the federal government. Are you in a position to advise us of cabinet's decision in relation to Norfolk Island and helping it on the road to recovery?

Mr O'Brien: I will take that in two parts. In relation to your preamble, you are right: the Norfolk Island economy is struggling. As you well know, it is very reliant on tourism and the tourism market has fallen away appreciably. We have been working with them and have been in constant contact with them over the last year and before that. There are two elements to the way we are working with them. There is a short-term immediate financial assistance request that the Norfolk Island government has put to the minister, and that is being actively considered. As part of our road map exercise, we provided increased resourcing of Commonwealth public servants, effectively, through the capability building team on the island and we also provided funding for the position of Commonwealth financial officer on the island, which for the first time has greater insight in terms of the true financial situation that the administration faces.

Senator BACK: And that position on the island is being funded by the Commonwealth?

Mr O'Brien: Yes, that is right.

Senator BACK: And that person is in place now?

Mr O'Brien: That person has been in place since around May or June of this year. I think that has been a very important position in terms of us getting a very clear understanding of the financial situation. We have been working extensively with the Commonwealth financial officer and that officer has been working extensively with the new CEO of the Norfolk Island Administration. They have been working through strategies in terms of minimising the cost and the call on the Commonwealth for additional funding. However, having gone through that—

Senator BACK: Can you tell us what the allocation is where it has come from and a little bit more about that position? For example, to whom does the position report? Does it report back to Canberra, or does it report to the island's CEO? What are your measures that will tell you the success or otherwise of that position?

Mr O'Brien: The Commonwealth financial officer reports back through our department and obviously is funded by our department. In terms of overall costs—

Mr Yates: This year we have \$2.9 million in budget measures already in place to provide a range of support activities, one of which is support for the capacity building team and the CFO.

Some of these things are longer term development measures. They also build—I think it is important to reflect—on the work we did last year to replace the airline contract with the Air New Zealand one, which removed a substantial financial loss from the Norfolk Island government.

Senator BACK: There was some legal issue with the party that are no longer operating that air service. Has that been resolved? If so, what was the resolution? Was it to the satisfaction of the island administration or to the operator or what?

Mr Yates: The resolution was a negotiated agreement through the Norfolk Island government and Our Airline, which was the Nauru based operation which had the contract with them. The Commonwealth provided support through a funding agreement with the Norfolk Island government, which enabled a successful negotiated solution to cancel that contract.

Senator BACK: That is all behind, is it?

Mr Yates: That has all been done.

Senator BACK: No further liabilities?

Mr Yates: That is correct. We undertook the tender process for Air New Zealand, which came into operation this year.

Mr O'Brien: Can I go through some of the funding that has been provided over recent years. In 2010-11, \$6.4 million was provided, and \$5.7 million of that was to fund the Norfolk Island government's operations. As Mr Yates mentioned, in 2011-12, \$14.2 million was provided by the Commonwealth, and \$11.2 million of that was to terminate the contract with Air Nauru. In the last budget, \$2.9 million has been provided to support a range of initiatives that are consistent with the road map and to progress the road map. Those initiatives are outlined in relevant budget papers, but I am happy to go through them now if you would like.

Senator BACK: Thank you for that. I am really interested in knowing—and maybe you will be in possession of this now, with the Commonwealth Financial Officer—the shortfall between the island administration's budgeted revenue and expenditure. How is that tracking since 1 July? It has only been one quarter, but I am just trying to put that figure of \$2.9 million into some form of perspective and get an understanding as to whether that on its own or with other financial support is going to see the Norfolk Island administration balance its books for this current year.

Mr O'Brien: Just to clarify: the \$2.9 million goes to specific initiatives that help progress the road map, activities that could not be undertaken by Norfolk Island with their current budget situation. They are an important set of initiatives, but overall I would say, on average, their structural deficit—that is, the fact that they undertake too much activity and not enough revenue is coming in—for any particular year is between \$3 million and \$5 million.

Senator BACK: And that is just on operations?

Mr O'Brien: That is just on operations.

Senator BACK: One would expect that, as their visitor numbers decline, the vast proportion of their costs would be fixed costs, wouldn't they? There would be very, very small variable costs, so in fact that situation is likely to continue to deteriorate. Would that be reasonable?

Mr O'Brien: That is right. As you are aware, they have their own source of revenue, which is the on-island GST. That is their major source of revenue, and obviously the ability to collect revenue through that is directly related to the economic activity taking place. If there are not tourists on island then that revenue base falls away. They do have a range of fixed costs. Their other source of revenue really comes out of their government instrumentalities.

Mr Yates: The Liquor Bond Store, the airport lighterage. These are essentially government business enterprises, GBEs. They do generate income.

Senator BACK: Is there any capacity for them to divest themselves of any or some of those entities in return for an injection of cash? Is that something that is on the books, being examined?

Mr O'Brien: It has certainly been examined. It was a condition of a past funding agreement to progress the recommendations that were provided in the ACIL Tasman report, which was to look at really applying competition policy principles to the island. That means divesting those types of activities. The ones that have been under consideration include the lighterage service, Norfolk Island Telecom and Norfolk Power, I think—I may be wrong there—and the Liquor Bond Store. They are all being looked at, and obviously we will work with the administration to see how we can bring those to market.

The recommendation of the ACIL Tasman report was that that would provide an injection of funds into much-needed capital works, because while we have a structural operating deficit there have been no capital works for many years.

Senator BACK: So that is exacerbating an already bad situation.

Mr O'Brien: That is right.

Senator BACK: My understanding is that the Norfolk Island administration put to the government three scenarios in terms of its own role of, if you like, having responsibility for federal, state and local, or just state and local, or what we on the mainland would see as local government responsibilities. Is that right, and can you give us some indication as to what the government's thinking is in terms of which of those three, or is there an alternative, that the Commonwealth sees the Norfolk Island administration retaining?

Mr O'Brien: We have been undertaking considerable work over the last 12 months around alternative taxation and governance models for Norfolk Island, and part of those models that you have just described have been the ones that have been considered. So you look at tiers of government and you ask yourself, 'what are they capable of delivering?' and 'what are they willing to accept?' in a form of partnership. So we are modelling all

three of those governance models and looking at their ability to undertake those sorts of functions but also the current levels of own-island revenue. They currently do not have a municipal rates system or any sort of land based tax systems in place. As I mentioned before, they are very much reliant on the GST. So even if they were to move down just to local government type activity and, as a result, not collect an on-island GST but that became part of the Australian tax system, they would still have to lift their own revenue effort. They would have to introduce a municipal rates system, and again that is something that we are working with them on. They have been, I think, making some progress—at least willing to consider a land valuation model—and obviously it is quite a contentious issue.

There is no getting away from it that they do have to lift their own source revenue to be able to fund the services. Under any model that we are looking at, that is an important thing. There is still that gap.

Senator BACK: Which of course then brings you back to the Norfolk Island community themselves, and it is from them that you would be expecting these revenues to be derived. Has there been a recent round of consultation with the community themselves as part of the process? I understand there is now a community liaison officer position—

Mr O'Brien: That is funded by the department—

Senator BACK: That role is in place?

Mr O'Brien: Yes.

Senator BACK: Has there yet been any feedback to Ms McConchie in terms of this person's perception of what the community itself thinks it can bear and its overall view of the way forward under the road map?

Mr O'Brien: There are a couple of elements to that. One is: the Norfolk Island assembly themselves passed a motion recently which was to accept the notion of becoming part of the Australian tax system. They have also made efforts to look at lifting their own sourced revenue effort. There is a long way to go there, but they have made those efforts. So the assembly has come around a lot since, say, 2006, when they were a considerable blocker of any reform on island. I think that probably reflects the community view. I would not want to go too far there, but we also have a new administrator on island, Neil Pope, who has played an active role with the community—both he and his wife. That is certainly the sense that our administrator has, that there is a greater appetite. Obviously if you were introducing a new range of taxes on a small community, with a limited income, you would need to tread carefully. Those are the types of issues we are going through at the moment.

Senator BACK: Is the land freehold? Is there a capacity for people from the mainland to purchase residential land and/or housing on the island?

Mr Yates: The land is a mix of leasehold and freehold—there is a lot of freehold land. One of the measures the Norfolk Island government has agreed to, through previous funding agreements and current discussions, is to remove some of the barriers to mainland Australians, if I can put it that way, acquiring property and choosing to go and live there. That is obviously seen as an opportunity to bring in new business and new people. You will appreciate that this is also an issue because of the unique culture on Norfolk Island; it needs to be handled with sensitivity and care. We need to take the Norfolk Island community with us, and so the Administrator has a particular role in that. Steps are already being taken by the Norfolk Island government to progressively remove these barriers and we are looking to see them eventually all removed.

Senator BACK: Without taking more of your time this evening, I would be most interested if you would take on notice a comparator of the sorts of services that Australian citizens would expect on mainland Australia, including Tasmania, and how they would compare or contrast with those same services on Norfolk Island—I am thinking of Medicare, the PBS, family and children's services, law. I do not want to take up your time now, but I would be very interested to see a table from which we could get an understanding of the comparative quality of services that are delivered.

Mr Yates: We can certainly take that on notice. We will probably also be able to direct you to a number of existing reports through the joint standing committee and in fact Commonwealth Grants Commission has provided a lot of this detail.

Senator BACK: I would probably be keener on a quick summary, if you don't mind.

Mr Yates: Certainly.

Senator BACK: I just want to get a snapshot, I suppose, to see what the differences are.

Senator Lundy: On that issue there have been over many years numerous inquiries of the nature that the official is referring to. I have participated in a number of those inquiries. These issues are extremely thoroughly

well documented over many years. It was my suggestion to also furnish you with those reports, so you can appreciate the body of work that has gone into the reform program for Norfolk Island to date.

Senator BACK: I do thank you, Minister, for that. I am also well aware of 'analysis till paralysis' of islands, I can assure you. I have no desire to go, incidentally, in case you want me to—just from arm's length. I did not mean that flippantly or facetiously. I was the Administrator of Rottneest Island for seven years. I can tell you that everybody who ever came to Rottneest Island wanted to do an in-depth study into it and a survey of it. I have a keen interest.

When is the Air New Zealand contract due to expire? Is it the case that—was it Skywest who also put in a bid in that process and had Airbus 320s or a different aircraft configuration? Can you tell me where we are with Air New Zealand, how successful is the Air New Zealand contract, how well are they advertising it and how enthusiastic are they about the contract they have?

Mr Yates: Air New Zealand was the successful tenderer. I am not sure that it would be appropriate for me to discuss any unsuccessful tenderers or even who they were.

Senator BACK: That should be public, shouldn't it?

Mr Yates: Unsuccessful tenderers?

Senator BACK: When you call a Commonwealth tender I would have thought that the parties who submitted a tender would have been public. Anyhow, if they are not it doesn't matter.

Mr Yates: The contract replaced, if I can put it this way, a not terribly efficient airline contract with a modern airline contract. It introduced things such as online bookings and the connectivity that Air New Zealand has with other operators such as Virgin Australia, so it opens up the Norfolk Island market to a much wider range of tourist interests to be able to make bookings. Air New Zealand is in regular contact with us around its operations and opportunities to improve them. We have some information about forward bookings that shows that after a decline linked with a general decline in tourism across Australia, and indeed the broader world, forward bookings are now starting to look healthier for the remainder of this year, which we think is an extremely positive outcome. The feedback I have had from individuals is that it is a good service, that it operates very effectively.

They have introduced, I think, improved freight handling, again because of their network capabilities, which is another way of improving economic opportunities. Dr McConchie has had some recent contact with them only in the last couple of days.

Dr McConchie: We have got quite a good relationship with the tourism bureau on Norfolk Island. They have got a package of suggestions of how they are going to market more effectively Norfolk as a destination. I met with them last week, and they were very enthusiastic about some different ideas of getting the message across. One thing they are finding is that it is a little bit hard to get a message across to Australians that Norfolk Island is a good destination to go to. They are working towards that, and they are working with the tourism bureau quite closely. They have got a good relationship.

Senator BACK: Thank you. My final question relating to Norfolk Island is whether or not any consideration has been given to leaving the island out of the migration zone and using some of the vacant land as a detention centre. Has that been canvassed?

Senator Lundy: We did canvass that issue with the people of Norfolk Island before raising it here, yes.

Senator BACK: I have not canvassed it at all.

Senator Lundy: I thought that was important to put on the record.

Senator BACK: I am not advocating it at all. I am simply asking the question if any consideration has been given.

Mr O'Brien: Not by our department, no.

Senator BACK: That is the end of my questions on Norfolk Island. Thank you very much. Thank you, Chair.

Senator Lundy: Before we move on, can I just place on the record what an extraordinary place Norfolk Island is. I have been there a number of times. Senator Macdonald, I think you have travelled with us on the joint standing committee as well; is that right?

Senator IAN MACDONALD: I use to be the Minister for Norfolk. I used to be King of Norfolk Island.

Senator Lundy: I am not going to quote you on that, but I am sure you will support me in expressing the view that it is an extraordinary place.

Senator IAN MACDONALD: Just on Christmas Island, you are aware that the only real economic base is the phosphate mine. Now, it is very much secondary to the detention centre. Hopefully, at some time in the not too

distant future the detention centre will be empty. That will leave the island with an economy then based on eco-tourism, or phosphate. Eco-tourism, as you know, the red crab is under some pressure from the crazy ants, and elsewhere. It leaves the economic future of the island a bit limited. I am aware that the phosphate company has made application for an extension of their mining rights. Can you just tell me where that is at?

Mr Yates: Certainly. We are in discussion with the mine at the moment about revising the mine lease. There is some work being done to deal with some wording improvements to have some of the clauses read more effectively. The most important part of the work is looking at whether it is going to be practicable on both parties' side to extend the life of the lease. The lease currently expires in 2019. As I say, we are in discussions with the mine. They have an interest in extending its life. That is within the existing mine lease boundaries and would be within the existing approvals that they have to do it. We are actively working with them. We had our first meeting in August, and we are attempting to schedule another meeting for late this month, or early next month, with the mine to take the next stage in those discussions. Our aim is to conclude the lease negotiations by the end of the calendar year. I cannot give certainty that that will occur. That is our intention, though. One of the big benefits we see there, apart from giving greater certainty to the island's economy, is that the mining operations generate the conservation levy that pays for rehabilitation. So, if the mine's life is extended, that provides funding for a further period to undertake the rehabilitation in high priority areas.

Senator IAN MACDONALD: Okay. I understand that the revised draft recovery plan is such that the minister may lose his ability to extend the life of the mine. If that happens, and the mine cannot continue, it means, as you just pointed out, that there will be no funding for conservation.

Also, can you tell me if any offers have been made by the mine to provide additional ongoing payments for environmental preservation activities?

Mr Yates: You may recall that the mine, when it put in applications for additional mine leases, included in its proposal some aspects there, but that application has been rejected by the government. The mine is open to make other ones, but that is not a matter for us to comment on; it is a matter for it.

Senator IAN MACDONALD: Why was it rejected by the government?

Mr Yates: The environment minister's decision is publicly available. It is not appropriate for us to give comment on that; it is a matter for the minister.

Senator IAN MACDONALD: I am not asking you to comment. You say it is publicly available. Would you remind me what it is. I confess to not having read it.

Mr Yates: The decision was around their ability to comply with the EPBC Act requirements when you are proposing to undertake mining operations in a tropical rainforest.

Senator IAN MACDONALD: If at some time in the future Christmas Island returns to its Howard government status of being empty, the mine shuts down and the crazy ant continues to decimate the red crabs, which were the main tourist attraction, what will be the economy of the island? What will provide employment on the island?

Mr Yates: The work we are doing is to make use of the current opportunities to establish a sustainable tourism market on Christmas Island. Some of the measures, for example, that the government has done recently include assisting the shire with the development of outline development plans, particularly for an area called Gaze Road, which is seen as one of the primary tourism precincts. The outline development plan has been done. That looks at the things you could do to develop that as the principal tourism area on the island. Some parts of that are actually being implemented now.

Senator IAN MACDONALD: But why would people go to the island if the crabs are not there? It is a nice island, but—

Mr Yates: I was going to come to that as the second part of my answer. There is a lot of work being done to build the capability for a sound tourism economy on the island. Another example there is the opening of the resort. You may recall that was closed for many, many years. It is now back in operation, with 150 rooms in place. That has vastly increased the tourism standard accommodation that the island just did not have before. In addition to that—

Senator IAN MACDONALD: Well, it did.

Mr Yates: A lot of work has been done within the park to manage crazy ants. You would need to talk to SEWPac to get the details of what they are doing.

Senator IAN MACDONALD: I have and they are fighting a losing battle, unfortunately.

Mr Yates: The observation we have made with the works that we have done through the mine and others is that there are successful crazy ant control measures that do reduce the crazy ant population significantly. They are not a permanent fix, so you have to redo them every so often. From my perspective, I was there with the new administrator on a pre-visit about four weeks ago and areas that were crazy ant infested are now not. It was quite significant.

Senator IAN MACDONALD: But, if they do come back, as you say—

Mr Yates: They come back and you need to take measures again.

Senator IAN MACDONALD: And it needs money. I guess I could discuss it with you, but this is not the time for that. But they tried the casino. Good luck to the new resort—my very best wishes. I know the guy who runs it and good luck to him, but, quite frankly, without the crabs and without some other activity, there is little to do. The resort now is full of detention staff. It is just a concerning situation and I fear the wrong decisions are again about to be made on another island in Australia. Thank you for your answers.

Ms Beauchamp: Could I add that I accompanied the minister, probably in early August, over there. I think you are painting a very dark scenario.

The work we do in supporting the community is quite significant. We have put a number of infrastructure projects in there with power, sewerage, the jetty and the like, and I think there are a number of tourism projects coming forward that are being developed, like the dive centre and other things. Certainly people on the island are feeling quite positive about the work that has happened. I think that there has been in the order of \$93 million of infrastructure over the last few years.

Mr Yates: That is just in the last couple of years.

Ms Beauchamp: The feeling I got when I was with the minister—and it was only my observation—was that things are looking up. We are doing a number of things. It is not just infrastructure but the ecotourism. There are a number of proposals that local community members are also progressing, and the dive centre is one of them.

Senator IAN MACDONALD: Good luck. Far be it from me to do anything but encourage an island that I have a lot of time for. I have spent a lot of time there. It is not as nice as Cocos, I have to say, and I am taking sides, but good luck—I do not want to talk it down.

Senator LUNDY: That is very controversial, Senator.

Senator IAN MACDONALD: But reality suggests that unless you have got an economic base, something that takes people there—it is a nice island, crabs do, phosphate does, illegal boat people do, but they will be stopped—it is difficult. I am just concerned that the one serious industry there that does employ people and does provide the economy is under some pressure. Anyhow, were you going to get back to me on the timelines for the forward steps for the application by the phosphate company?

Ms Beauchamp: We can do that.

Mr Yates: This is to take on notice a question about the work we are doing on the current mining lease?

Senator IAN MACDONALD: Yes.

CHAIR: We will take a short break and recommence with the Office for the Arts.

Proceedings suspended from 21:17 to 21:30

Office for the Arts

CHAIR: Welcome back. We have four questioners. We will start with the Office for the Arts. But, rather than going all over the place like a bottle of blowflies, we will endeavour to go around the table, so each senator who has an interest in that area can get their questions out nice and quick. I know the answers will come flying back just as quick. Let's see how we go. I am going to start with Senator Milne and the Office for the Arts. Then other senators can let me know if they have questions for the Office for the Arts.

Senator MILNE: My first question goes to the national cultural policy. The last time we engaged on this was 24 May. We were told then that, following the Mitchell review, the review of the Australia Council and so on and so forth, we would be getting a response—between now and the end of the year. We are rapidly approaching the end of the year and we still do not have a national cultural policy. When can we expect the national cultural policy? More particularly, have you now costed the recommendations of the review of the Australia Council, those 18 recommendations? In order to save time, could you please table those costings, if they have been done, so that we can all benefit from those in the longer term. If you could just respond to me on the national cultural policy: when we can expect it and whether you have done those costings I referred to.

Ms Foster: It is still the government's intention—the minister's expectation—that the cultural policy will be released this year and that that will include the government's responses to both the Mitchell review and the Australia Council review. In relation to your question about costings: in the process of preparing papers for government's consideration, we have been working with the department of finance on costings but we are not yet in a position to provide those publically.

Senator MILNE: So, it is five months on, and we have no costings of the recommendations of the review of the Australia Council for the parliament to consider?

Ms Foster: As I said, we are preparing those for government consideration, and that is not yet concluded.

Senator MILNE: I have to say that I think that is really significantly unsatisfactory, because the parliament has been waiting for this and the cultural policy should not be held hostage to a budget surplus.

I will move on to another question. In relation to the film location tax offset, can you tell me what the benefit is of giving *Wolverine* a 30 per cent offset?

Ms Foster: *Wolverine* will leverage about \$80 million in investment and create approximately 2,000 jobs, both in front of and behind the camera, including: set and costume designers, lighting specialists, sound mixers, production accountants, gaffers and performers.

Senator MILNE: So, given \$80 million in investment and 2,000 in jobs, why is the 30 per cent offset confined to *Wolverine*? Why wouldn't we raise the film location tax offset to 30 per cent across-the-board? Why *Wolverine* and not every other film? What are the consequences for the domestic film industry if we do not raise that location tax offset in line with global practice? Why one film and not the rest?

Ms Foster: We are conscious that the industry has been calling for an increase in the location offset. The government has as yet made no commitment to that increase.

Senator MILNE: Why *Wolverine* and nothing else? Why did you choose *Wolverine*? Was it the Prime Minister's visit to the set? What makes *Wolverine* so special and nothing else?

Ms Foster: In a technical sense, the additional funding that went to *Wolverine* was a grant, not an offset.

Senator MILNE: It was a one-off grant. But my point is, if it results in \$80 million investment and 2,000 jobs, what is the impediment to now making that investment across-the-board and moving from a grants program to actually standardising a location tax offset in line with global practice at 30 per cent?

Ms Foster: I can only repeat that the government has yet made no decision to increase that offset.

Senator MILNE: In terms of tax exemption for literary awards, it is very clear, speaking to people who administer, for example, the Miles Franklin Literary Award, that the Prime Minister's Literary Award and other government awards are tax-free, but something like the Miles Franklin, not so. Will the government consider extending the tax-free status to literary awards that meet certain criteria? For example, you could have a certain prize size or an independent administration benefit. What consideration has the government given to extending the tax-free status to literary awards other than government awards?

Ms Bassar: The Prime Minister's Literary Awards were made tax-free when they were introduced because they were deemed to be nationally significant. Primarily it is a matter for Treasury if other awards were to be made tax-free. In terms of that, I am not aware of any other awards being considered for that.

Senator MILNE: Is the Miles Franklin not a nationally significant literary award?

Ms Bassar: It is not a government award.

Senator MILNE: But you said before that the reason the Prime Minister's awards and government awards were tax-free was because they were 'nationally significant'. Are you saying that the Miles Franklin is not 'nationally significant'?

Ms Bassar: They are culturally important nationally, but my understanding is—I do not have the information here—that the state and territory awards are as well. I do not believe they are tax exempt either.

Senator MILNE: What is the rationale behind making only the Prime Minister's awards and state government awards tax-free, but none of the others tax-free? How is that justified?

Mr Arnott: The government made a decision at the time that it introduced the Prime Minister's Literary Awards that they would be tax-free. It has not made a determination to make other awards tax-free. It is simply government policy for those awards to be tax-free but not others currently.

Senator MILNE: I am interested in the rationale. What is the rationale? Tell me the difference between a state government literary award and the Miles Franklin award as far as the tax office is concerned?

Mr Arnott: I guess the difference is that these are the Prime Minister's Literary Awards; they are the premier literary awards provided by the Australian government, and the Australian government has determined that they should be tax-free.

Senator MILNE: But none of the others?

Mr Arnott: None of the others.

Senator MILNE: That is purely a government decision; there is no rationale other than a political decision?

Ms Foster: It is a government decision.

CHAIR: That is your opinion, Senator, and, quite frankly, it might not suit you but that is the decision of the government.

Senator HUMPHRIES: Could I follow up on the questions about the non-existent national cultural policy—the cultural policy you have when you are not having a cultural policy! Is it true that the policy was completed in terms of being substantially written in May?

Ms Foster: We continue to work on the policy and will do so until the government is ready to release it.

Senator HUMPHRIES: So the policy was basically finished in May but you are still doing bits and pieces to do with—

Ms Foster: That is not what I was trying to convey. At each point in time, the cultural policy will be at a particular stage of development. We will always continue to work on it and refine it and to make sure it is up to date.

Senator HUMPHRIES: Obviously that is the case but if you have not released it you can always keep working on it, but a document was ready to go which could have been released in May could it not?

Senator Lundy: Senator Humphries, it does not matter how many times you say it; it is not a question that can be answered.

Senator HUMPHRIES: Why not, Minister?

Senator Lundy: Because it is continually being worked on and it is the decision of government when to release it.

Senator HUMPHRIES: I am not asking when you are going to release it, although Senator Milne has already asked that question and not got an answer.

Senator Lundy: You have said three times now, 'So it was finished in May.' No-one has told you that. You are just saying that and no one is agreeing with you.

Senator HUMPHRIES: I put it to the witness that in fact it was finished in May. It is well known. The minister virtually said himself that the thing was finished in May.

Senator Lundy: You have no confirmation of that, so why do not you move on?

Senator HUMPHRIES: Because I am entitled to ask if these rumours are true.

Senator Lundy: Yes but you are not entitled to make assertions on the basis of receiving no information at all like it was some truth.

Senator HUMPHRIES: You seem very sensitive about this, Minister.

Senator Lundy: I am not really; I just think you are being unreasonable.

Senator HUMPHRIES: All right. Can I ask: Has the officer made any bookings, travel arrangements for staff, catering venue arrangements to support a policy launch in the next nine weeks?

Ms Foster: We will always try to position ourselves to meet the government's timing for a potential launch.

Senator HUMPHRIES: That is not the question, though, with respect, Ms Foster.

Senator Lundy: Listen to the answer before you interrupted!

Ms Foster: And I would not wish in any way to pre-empt the government's prerogative to announce the timing around its launch.

Senator HUMPHRIES: I am not asking you to pre-empt the government's policy. I am asking you whether taxpayer's money is being used now or has been used to date to, for example, make travel bookings for staff, booking catering in respect—

Ms Foster: Not to my knowledge.

Senator HUMPHRIES: I assume you will take on notice that question, if there are others in your office who are aware of such arrangements.

Ms Foster: Certainly.

Senator HUMPHRIES: The merger of AbaF and Artsupport, we understand again from what the minister has said, is part of that launch of possibly written possibly not written policy which is sitting somewhere in the department. Is it true that there is already a plank of policy which foreshadows the merger of AbaF and Artsupport?

Ms Foster: Yes.

Ms Bassar: That is true and that was announced in the budget.

Senator HUMPHRIES: Has AbaF been given those details from the policy or non-policy to look at to understand how the merger will work and what they will need to know to arrange this merger?

Ms Bassar: I am chairing a steering committee comprised of the chair of AbaF, the CEO of AbaF, the chair of the Australia Council and the CEO of the Australia Council. We are all working together on delivering that merger, so it has been a very collaborative process. When the new organisation begins, it will be on the best footing it can be.

Senator HUMPHRIES: So that is implementation of a part of this cultural policy which has been released in advance of the rest of the policy?

Ms Bassar: It is implementation of the budget measure announced last budget.

Senator HUMPHRIES: Is that budget measure part of the cultural policy we will see one day when the policy is launched?

Ms Foster: The merger was, as Ms Bassar said, a budget measure which was announced by the minister on 1 August, and there is a press release outlining what his expectations are of that merger. Clearly, it is a significant step and it will form a plank of where the arts and cultural sector goes to from here.

Senator HUMPHRIES: Will this new merged body be part of the Australia Council?

Ms Foster: No, it will not.

Senator HUMPHRIES: Will it be part of the Office for the Arts?

Ms Foster: No, it will be an independent organisation.

Senator HUMPHRIES: It will be separate to both of those. Where will the office of the new body be physically located?

Ms Foster: That is yet to be decided.

Senator HUMPHRIES: Do you know what the name of the new body will be?

Ms Foster: That is yet to be determined and announced.

Senator HUMPHRIES: Is it yet to be determined, or has it been determined but is yet to be announced?

CHAIR: I thought I heard Ms Foster say it has not been determined or announced.

Senator HUMPHRIES: I thought she said 'determined and announced'.

Senator Lundy: How perceptive of you, Chair.

CHAIR: Maybe I am not picking up the right sense.

Senator HUMPHRIES: So there is no name for the body. There is a budget, though, I understand, of \$3.2 million.

Ms Foster: That is correct.

Senator HUMPHRIES: A budget but no name.

Ms Foster: That funding of \$3.2 million is over two years.

Senator HUMPHRIES: Will the body have staff and offices in more than one location in Australia? Has that been determined?

Ms Foster: The process that Ms Bassar is participating in will help to determine all of those details.

Senator HUMPHRIES: I have a couple of questions about the decision to transfer touring programs from the Office for the Arts to the Australia Council. Is that another part of this yet-to-be-announced, yet-to-be-written arts policy?

Ms Basser: The transfer of the touring programs from the Office for the Arts to the Australia Council was actually a 2010 election commitment of the government.

CHAIR: Senator Humphries, you have been going for eight minutes and Senator Milne went for seven. There are other questioners and there are other areas where questions need to be answered and we only have a total of one hour. I encourage you to throw a few on notice.

Senator HUMPHRIES: There is plenty here.

CHAIR: Throw plenty on notice.

Senator HUMPHRIES: I want to ask about the return of stolen cultural property. Ms Basser, I think you are responsible for this area of government policy. I note the section of the annual report has a nice picture of you where you talk about how the Australian government is working with other countries to combat the illegal trade of cultural objects. What is the government presently doing about the reported purchase by the National Gallery of *Shiva as Lord of the Dance* and the suggestion that this might be stolen cultural property?

Ms Basser: I understand that that matter is subject to legal proceedings in India. We are in discussions with the gallery, but I suggest that the gallery is in the best position to respond to those questions. My understanding is that that dealer was a dealer in New York—

Senator HUMPHRIES: Of Indian origin?

Ms Basser: Yes.

Senator HUMPHRIES: Has the Office for the Arts had any role in this matter by, for example, contacting international officials concerning the resolution of this matter?

Ms Basser: No, the gallery has been handling that matter.

CHAIR: How are you going, Senator Humphries? I am probably going to have to jump in and—

Senator HUMPHRIES: I do have more questions. I am happy for others to take some of their time, and I will come back if there is more. Or I can ask more questions.

CHAIR: I can run it to the line where you all get the opportunity to ask a question in every area. Or, I can get to 10.30 pm and say, 'Tough; time's up.' Then, we may have brought people here and completely wasted their time. Have a think about it, and meanwhile I will go to Senator Thorp.

Senator THORP: Could you please let me know what progress has been made in implementing and further developing the policy on the return of Indigenous remains?

Ms Campton: The announcement of the Indigenous repatriation policy was made in 2011. Since then, the government has been involved in consolidating the international and domestic program. The international program is being defined as returning ancestral remains only, and the domestic program is defined as returning ancestral remains and secret sacred objects. We have also arranged for the appointment of an advisory committee, which has six Indigenous representatives on it, and they provide strategic advice to government on the return of ancestral remains and secret sacred objects. We have also been successful in streamlining the reporting process for the domestic repatriation program for which most of the state and territory museums have a contract with the government, as well as developing a performance evaluation program. We have also been quite successful in arranging a significant return from the Natural History Museum of Torres Strait Islander remains. That has also increased the opportunity for cultural exchange between that organisation and the Torres Strait Islander community, which has also involved an opportunity for an Aboriginal and a Torres Strait Islander person to study and work in London.

Senator THORP: How complicated—how complex—is this process proving?

Ms Campton: It is extremely complicated, and sensitive—extremely sensitive. We have a number of negotiations and consultations going on with at least seven countries with regard to international repatriation of ancestral remains. A number of those have been going on for about two or three years, and we are getting to the point now of the actual return of remains. With the implementation of the policy we have also been quite strong in encouraging the Aboriginal and Torres Strait Islander communities to become involved in the negotiation and engagement of those returns.

Senator THORP: Do we know the scope of this exercise?

Ms Campton: No. We have an idea of some of the institutions in the United Kingdom that hold ancestral remains, but in a recent discussion with German institutions we found that there were a number of institutions in Berlin and Munich that had remains and that they have just discovered that they are from Indigenous communities

and would like to return them, but we have to do further providencing. It is quite a complicated and sensitive project, as you can imagine, as these are close to communities' hearts.

Senator THORP: I have been noticing in driving past museums all as a result of und Tasmania—links, as we call them there—that there are 'Love2Read' signs everywhere. I am curious to know the community return on the million dollars that was invested in the 2012 National Year of Reading events.

Ms Basser: The National Year of Reading, as you have seen, has reached far and wide across Australia in really celebrating reading and making reading loved by everyone in Australia. It is an initiative of the Australian Library and Information Association in conjunction with libraries and library associations across Australia. Because libraries are such important community places, that has meant that many, many events have been held locally across Australia.

There have been a range of national and state events all about fostering the love of reading and a reading culture.

As you said, the Australian government, through the Office for the Arts, provided the Australian Library and Information Association with \$1.03 million of funding in 2010-11 towards the initiative. Some of this funding supported the multifaceted One Country Reading program, which ran for the first half of this year and included a teenage peer-to-peer reading recommendation program, an educational program for children under 12 years based on Alison Lester's classic children's book *Are we there yet?*, and the national Our Story competition, in which Australians could vote for the book that best represented life in their state or territory.

Senator THORP: Do we have a result on that?

Ms Basser: The year is coming to an end in the next couple of months and there will be some legacy activity, so what has been gained over this year will continue. There is work happening in developing those. It is also of note that Australian government funding enabled the Australian Library and Information Association to leverage significant support—philanthropic, corporate and state government partnerships. For the investment of just over \$1 million, they were able to leverage \$5.52 million in support, securing that for the first six months. It is a significant investment.

Senator THORP: Will there be an evaluation of the project?

Ms Basser: There will indeed. As I said, there will be a legacy program, which is being developed now, and there is an ending-of-the-year part coming up in November.

Ms Foster: As one indicator of the reach of this program, we got media coverage to an estimated value of nearly \$20 million across print, radio, television and online, and a high proportion was generated within regional Australia, which was a really terrific outcome, to get what was a nationally launched thing and actually getting Australia-wide coverage.

Senator THORP: I would like to pick up on an issue raised by Senator Milne with regard to the Prime Minister's Literary Awards. I am curious to know how embedded that award system is becoming, particularly in light of the fact that the Queensland government has chosen to get rid of their award with regard to Australian writing. I would like a general comment, if I could, about how the Prime Minister's awards are progressing—the uptake and acceptance, if you like, within the community. Also, how far, if at all, it could go to compensate for the quite barbaric cuts in Queensland.

Ms Basser: Certainly. This year there were two new categories introduced for the Prime Minister's Literary Awards. Excellence in Poetry was recognised through the awards for the first time. The inaugural poetry award received 56 entries and was very positively received by the sector. Also, this year the Prime Minister's prize for Australian history was administered as part of the awards. Entries for the prize for Australian history were received in a range of formats. They may be books, documentaries, journals or websites. We received 78 entries for the prize for Australian history. This year has shown the most significant interest. I think there has become a real coming of age for the awards and for the sector. There was significant interest in this year's awards, with Australian publishers and authors submitting 509 entries, compared with 379 entries in 2011. Significant increases were seen in the fiction and non-fiction categories.

This year the awards received an increasing amount of media coverage. It has been linked to the Get Reading! program that has just about been completed and also the national reading program. They have, as I said, really come of age this year, significantly.

Senator THORP: As far as the situation in Queensland is concerned?

Ms Foster: I am not able to comment on that. It might also be worth saying that one of the real benefits that we see is increasing sales in the winning categories.

It is a little harder for us to quantify those who are shortlisted. In some cases we saw sales of the winning books tripling as a result of the award, which is a great thing for the sector.

Senator THORP: A sticker on the front of the book, 'Winner of the Booker' or whatever does help, does it not, when you are trying to choose a book?

Ms Foster: Yes.

Senator Lundy: Chair, I feel compelled to proudly declare that I am an ACT reading ambassador for the Year of Reading.

CHAIR: Congratulations. We have decided that we will ask one question each. Officers, as you diligently do each time, could I ask you to be direct and answer the question and we will move on. I am not lecturing you. I know that you are very keen to paint a full picture so there are no half-answers. But time is against us.

Senator Humphries, one very quick question to the Office for the Arts.

Senator HUMPHRIES: This question is about the resale royalty scheme. The scheme has had \$2.2 million pumped into it by taxpayers. It has generated royalties to artists, including incidentally dead ones, of \$870,000. We have been continuously assured by Mr Eccles in previous committee meetings that this will pay for itself one day. But it is nowhere near paying for itself. When is this scheme going to start to pay its way?

Ms Foster: I am mindful of Senator Sterle's injunction. Let me make just two quick points. The first is that, as in previous years, we are continuing to see an increase in the number of eligible resales and an increase in the number of royalties generated.

Senator HUMPHRIES: And we are increasing the amount of money we put into it.

CHAIR: Senator Humphries, let Ms Foster finish.

Ms Foster: Secondly, we will initiate a review of the scheme in order to make an assessment of the questions you are asking. I expect that review will commence next year.

Senator COLBECK: I want to very quickly run through some issues around the impact of the current forestry process in Tasmania and whether or not you have done any work around its assessment of the arts sector in Tasmania.

Ms Foster: Not to my knowledge.

Senator COLBECK: I want to quickly put some statistics on the record because I think it is important. The special species timber study, in 2009, indicated that there are 2,000 full-time equivalents in the special timber sector and a further 8,500 engaging as hobby or to a limited commercial extent so, effectively, artists in the Tasmanian community. You are talking in excess of 10,000 people who are actively engaged in utilising Tasmanian special species for a range of things, whether it be fine furniture, arts or wooden boatbuilding, which is something like a \$70 million business or industry in Tasmania. I have seen some of the magnificent product that comes out of that. You are talking about many, many times multiplication of the value of the timbers. The current process is talking about providing 12½ thousand cubic metres of special species timbers, of which 10,000 would be blackwood and the balance 2½ thousand cubic metres of other species. The key species I am talking about are: Huon pine, King Billy and celery-top pine, which are the key boatbuilding species. Then there are myrtle, sassafras and some others. The claims that are being made against that would reduce that to 6,700 cubic metres for the blackwood species and 500 cubic metres, which is an 80 per cent reduction in the non-blackwood species, from 2½ thousand cubic metres to 500 cubic metres.

So you are talking about the key value-adding sectors and some of the really key species for the tourism market, the fine furniture market and, particularly, boatbuilding, which, as I said, is \$70 million a year. The actual supply figures that are coming out of the process at the moment are that there is—

CHAIR: Can you feel me staring at you?

Senator COLBECK: I am coming very close, and I will not take long. There is 19,232 cubic metres contracted and a consistent demand supply of about 16,000 cubic metres. What I am saying is that there is potentially a huge impact on this sector from this process. Have you been asked by the minister, Simon Crean, to look closely at this particular part of the industry, or the demand? It potentially has a huge impact on that arts community in Tasmania. So there was a bit of preamble and a fairly simple question.

Ms Foster: We are very conscious of the issue. As you know, we had officers up earlier talking about our Tasmanian package.

Senator COLBECK: I understand that process, but this is very specific to the arts. For wooden boatbuilding, there is no alternative. A Huon pine boat is a Huon pine boat. If you take away 80 per cent of the resource, it is all

over. Has the minister asked you to do any specific work around the impact on these really high-value industries? I am talking about a Huon pine boat that could be worth \$150,000 or \$160,000, for a fairly small amount of material. What instructions have you had from Minister Crean in relation to its direct impact on the arts community? Go to Salamanca and have a look.

Ms Foster: We have been asked to look at the impact on the high-value-adding industries, but I do not have any other information beyond that that I can provide tonight.

Senator COLBECK: Could you please, on notice, provide us with any information that you have had in relation to what you see as the potential impacts that might come out of the process on that high-value-adding community?

Ms Foster: Certainly.

Australia Council

[22:07]

Senator MILNE: I want to ask about the in-Australia provisions as they apply to the performing arts companies. I have been concerned to see that, in relation to the legislation that is proposed, you have got the Sydney Dance Company and the Australian Chamber Orchestra currently exempted from schedule 3 of the bill, and yet Bangarra Dance Theatre and Circus Oz are not excluded or exempted. It seems to me that the in-Australia test is very problematic as far as performing arts groups are concerned. What advice have you been able to provide, or can you just inform the committee, about the concerns in terms of not designating all arts and cultural organisations as exempt from the in-Australia rule so that international touring activities do not affect their tax status? Should we be granting an exemption on a total basis rather than an ad hoc basis?

Ms Keele: I think the department is going to have to answer most of this, because they are engaged with the legislation that is going on.

Ms Basser: We are aware of the concerns and we are aware of the potential impacts of these decisions. We have been working with the Australia Council to collect examples of what the impacts will be on some of these organisations. We are in active discussions with Treasury about that.

Senator MILNE: Can you explain to me why the Sydney Dance Company and the Australian Chamber Orchestra but not Bangarra Dance Theatre and Circus Oz? What is the rationale?

Ms Basser: They are not our decisions and in terms of the rationale that Treasury used that is a matter for Treasury.

Senator MILNE: But how can Treasury make those kinds of ad hoc decisions?

Ms Foster: The application of that legislation is an issue for Treasury. As Ms Basser said, we have been engaging with them and working closely with the Australia Council to explore exactly these issues with them.

Senator MILNE: Okay, so maybe I will go back to the Australia Council. Can you explain to me what will be the impact on some of our performing arts companies if they are not exempted?

Ms Keele: I think this is still in progress but our advice has reflected on the fact that it is for those companies where the majority of their business is about overseas activity, so that actually cuts it down to only a few. As I said, we have to watch how that plays out but there are not a lot of organisations where the majority of their business is overseas, so the impact would be that they are fundraising for overseas activities. So that is why we have to continue to watch how this works out and make sure that the organisations that are exempted are those very organisations. So it is still being developed, as I understand it, but we continue to advise along those lines.

Senator MILNE: So is the Australia Council's advice that all performing arts organisations be exempted from the in-Australia provision?

Ms Keele: Not particularly. It depends on how the law turns out and how they go. But if it is focused on organisations where the majority of their business is overseas we would recommend that those organisations be exempted. There is no use putting it across all organisations when the majority of organisations do not do the majority of their work overseas. I hope that is not too confusing.

Senator MILNE: I understand what you are saying, but surely a recommendation that arts not be captured by the in-Australia provision would be a sensible way of insulating the arts from Treasury's ad hoc decisions about which ones apply and which ones do not.

Ms Keele: At this point we have not gone in that direction.

CHAIR: The last one, Senator Milne. It is so we do not embarrass ourselves.

Senator MILNE: Can I just ask a straight yes or no question?

CHAIR: Go for it.

Senator MILNE: It is in relation to the efficiency dividend. We did ask this year whether the extra money we got from the national collecting institutions would apply to the Australia Council in relation to the government's efficiency dividend. Did it and if so by how much?

Ms Keele: We were exempt from the extra efficiency dividend.

Senator MILNE: And if you could take on notice how much it was.

Senator HUMPHRIES: I was curious about the Broadband Arts Initiative. There was a media release on 16 December 2011 where the Australia Council announced a funding pool of \$300,000 for the Broadband Arts Initiative. That announcement was somewhat criticised and even ridiculed in some of the media, as you would be aware. Subsequently the media release itself making this announcement and providing these details has disappeared off the Australia Council's website. Media releases before that date and after that date all appear there but this media release does not. Is there any reason why that might be the case?

Ms Keele: I am not sure I am aware that it is gone. I would have to take your word for it. But it certainly was not a directive to get rid of it. I have no idea.

Senator HUMPHRIES: So you will put it back up, in other words?

Ms Keele: Sorry?

Senator HUMPHRIES: If it is missing you will put it back up?

Ms Keele: I do not know. I will investigate it. I actually think what might have happened is that we have probably put out one since then because since then we have had another group of applicants be awarded grants for it, so it may supersede that. But I definitely will look into it.

Senator HUMPHRIES: But this is a record of what you have done in the past and surely people are entitled to see what your announcement was on that day.

Ms Keele: I take your point.

Senator HUMPHRIES: So if you discover that it is not there on the website presumably you will restore it.

Ms Keele: I will look into it.

Senator HUMPHRIES: Well, sorry —

Ms Keele: I will not commit to it because I need to look into it. I do not know what I am committing to.

Senator HUMPHRIES: For what possible reason would you remove the media release?

Ms Keele: I do not know. As I said, I need to look into it.

CHAIR: Take it on notice.

Ms Keele: I will take it on notice.

Senator HUMPHRIES: But there isn't a reason—

Ms Keele: I said I would take it on notice.

CHAIR: Unfortunately, Senator, we'll have to stop at this one.

Senator HUMPHRIES: Sorry, I am not satisfied by that. There is the question of why you would want to suppress a media release.

Ms Keele: I hope I can satisfy you by taking it on notice.

Senator HUMPHRIES: I know that you have said that, Ms Keele, but my question still is why you could not commit to the committee right now to restore an announcement—

Ms Keele: Because I do not know.

Senator HUMPHRIES: which has been made by the Australia Council.

CHAIR: Ms Keele, you do not have to justify. You are taking it on notice. It is quite all right.

Senator HUMPHRIES: If you want to cover something up, that is fine, I don't mind.

CHAIR: Senator Humphries, you have asked the same question three or four times because you do not like the answer you get.

Senator HUMPHRIES: Indeed, I do not, because I am not satisfied.

CHAIR: I encourage you to move on.

Senator HUMPHRIES: Have you had much backlash from the arts community about the concept of the Australia Council taking over the touring art programs?

Ms Keele: No, the concern has been that they want us to understand what those programs do for the sector. They want us to be sure to understand what the depth of the program covers. So, for example, in Visions Australia, the concern is—and we are very open to having people explain this to us—that we understand that it is not just contemporary arts; that it is across heritage and objects as well. Actually people are fine. They know that this is the kind of work that we do and they are just keen to be part of it as we bring it into the Australia Council.

Senator HUMPHRIES: Was that change recommended by the review of the Australia Council?

Ms Keele: If I remember correctly what was recommended by the review was that we look at it.

CHAIR: Senator Humphries, for the purposes of moving on, we have a quarter of an hour for the rest, so I would ask you to put the rest on notice.

Ms Keele, I am going to give it a secret Steele squirrel—that means: 'Don't talk in the hallway. Goodnight.' Next we have National Gallery of Australia. Thank you, gentlemen

National Gallery of Australia

[22:16]

Senator MILNE: As a result of the shortfall between what was granted and the cost of the efficiency dividend, last time we were here the National Gallery said its priority was still new technology, digitising the collection and enhancing the visitor experience. You have got the Toulouse-Lautrec exhibition coming up as the big exhibition at the end of the year. Can you explain to me what you are doing in terms of new technology and enhancing the visitor experience to maximise the benefit of this big exhibition coming up?

Mr Froud: The director is absent and obviously he sends his apologists to the committee. The aspiration in terms of using new and emerging technology is certainly something that we have had in mind and are actively progressing. I suppose most of the effort is going towards the permanent collection, digitising the collection and making them more accessible, but we are also looking at how we can use new technologies with our exhibitions program as well. The specific information regarding the Toulouse-Lautrec exhibition, I will happily take on notice and provide what specifically is being intended for that exhibition.

Senator MILNE: Thank you.

Senator HUMPHRIES: Mr Froud, with respect to that issue I raised before, there are I understand 21 items which Mr Kapoor sold to the National Gallery, and Mr Kapoor has of course since been arrested on an international warrant for trading in stolen artefacts. Could you provide to the committee on notice details of those 21 items, particularly the name of the item, the country of origin, a description and how much was paid for each of those items.

Mr Froud: We will happily take on notice that request.

Senator HUMPHRIES: And the date that each item was acquired? I assume it was before 4 August this year?

Mr Froud: Yes.

Senator HUMPHRIES: How much to the gallery pay for *Shiva Lord of the Dance* sculpture?

Mr Froud: Our normal custom, particularly in when there are private funds donated for the purchase of works of art, is to not publicly release information about the actual amount paid. The information about acquisitions is included in annual reports in summary form but not necessarily with regard to individual objects. That is our normal practice.

There also can be commercial-in-confidence considerations associated with individual objects.

Senator HUMPHRIES: So you implied there was no public money in the purchase of this sculpture?

Mr Froud: There may have been some, but there was also private money involved.

Senator HUMPHRIES: Can we know how much public money was in the sculpture's purchase?

Mr Froud: I would have to take that on notice. I do not have that at hand.

Senator HUMPHRIES: If you would not mind. Can you tell me what due diligence the Gallery undertakes when making purchases of very large value?

Mr Froud: There is a formal process that we adopt. We do commit to a due diligence process. In the case of the object in question that included a check to ensure that the work was out of India before 1972, which is in accordance with the removal of cultural heritage protocols with UNESCO. We had received a receipt evidencing the purchasing of that object prior to 1972. We also checked with the Art Loss Register, which is part of our due

diligence process, and received a certificate that it was not associated with that. We also at the time of purchase checked with the Tamil Naidu Police Economic Offence Wing website. A copy of that webpage in 2007, prior to the 2008 purchase, was part of that due diligence process. We also undertook a literature search, including archaeological survey of Indian records and temple objects. There was also legal advice sought and in this particular case a warranty sought and provided from the dealer and information provided regarding provenance, which we were able to subsequently independently check. So all of those processes preceded the purchase.

Senator HUMPHRIES: But it is still possible that this is a stolen item, isn't it?

Mr Froud: It is possible.

Senator HUMPHRIES: What would happen if it is a stolen item?

Mr Froud: If it is a stolen item then we would have to return it.

National Library of Australia

[22:22]

CHAIR: I call the National Library of Australia. Welcome.

Senator MILNE: In spite of the efforts to get a grant to offset some of the efficiency dividend, I still see there is a shortfall of \$750,000 or thereabouts. You said last time that digitising the collection is a strategic priority for the National Library. Can you tell me the progress in digitising the collection? More particularly, if these efficiency dividends keep applying, how far behind in terms of your scheduling will you get in terms of increasing access to the collection as a result of having to restrict that digitising program?

Ms Schwirtlich: The Library's digitising program is an active program. This is partly because, given that digitising is a priority, we have re-ordered some internal allocations to give digitising priority. We digitise anywhere between 16,000 and 18,000 collection items of the Library, so unique Australian material. We digitise millions of pages of Australian newspapers. That is a collaborative effort with state, territory and public libraries on a contributor model.

CHAIR: Sorry, Senator Milne. We are down to one question each. If Senator Humphries does not have any questions, I thank you.

National Museum of Australia

[22:24]

Senator MILNE: This is almost getting to the ridiculous, but never mind.

CHAIR: I agree. Why don't we put them all on notice?

Senator MILNE: Last time you spoke about responding to the efficiency dividend, saying that developing online modules is a priority for the National Museum. Can you just outline to me the progress you are making in terms of those online modules. What are you prioritising?

Mr Sayers: We have made quite a bit of progress in developing our plans for digital access to the National Museum's collection. We now have six projects that we are working on in the 2012-13 year specifically directed at providing digital access to the National Museum's collection. These include the redevelopment of the Museum's Kspace, which is the educational activity which the Museum has had since opening. We are redeveloping it to connect more effectively with the collection. We have a project officer working specifically on that project at the moment. We are working actively to create greater access to our collection through the digital asset management system that the Museum has in place, and we are also developing some projects to provide multimedia experiences of the Museum's collection both in the permanent displays in the Landmarks gallery and in the next stage of our display of large objects in the Museum's main hall. In all of those projects we are currently in the development stage, but progressively more of the collection is being presented in online modules such as the online module devoted to the convict love tokens, which is a significant part of our collection. That is going to be presented very shortly as an online interactive module.

CHAIR: Thank you, gentlemen.

National Film and Sound Archive

[22:27]

Senator MILNE: I just want to ask the Film and Sound Archive about digitising motion picture film. What capacity is there to pursue that on a large scale? Where are we up to in terms of digitising motion pictures?

Mr Vogt: We are currently with small-gauge film. We have purchased a small-gauge film scanner, and that is testing to some extent our capacity to then digitise broader parts of the collection like 35-millimetre film in the

longer term. We have a modest program where we are digitising the small-gauge film scanner to test what we could do further down the track. We are prioritising what we can preserve but, given the significant amounts of data associated with digitising motion picture film, the challenges are much larger than in other parts of the collection.

Senator MILNE: So what are we going to do about it?

Mr Vogt: What we are doing in the short term is investing in digitisation infrastructure, and we are also investing in upgrading our storage area network and our server and other ICT infrastructure to be able to deal with the incoming pool in digital material, such as film, and also to be able to digitise.

We would require a substantial amount of additional resource to be able to invest in the sort of infrastructure to do large-scale digitisation of major film.

Senator MILNE: Thank you.

CHAIR: I thank the officers from the National Film and Sound Archive.

Screen Australia

[22:30]

Senator MILNE: I want to go to the issue of children's films. I am very concerned about the fact that it has been a long time since we have had any children's films made in Australia. Are there currently any Australian children's films in development? What is the impact on the development of future audiences for Australian films if we do not proceed with children's films?

Dr Harley: Yes, there are children's films in development. I could not tell you how many, but I am absolutely clearly aware of some such projects. You asked about the impact of not having such films. I would like to answer the question in a slightly different way. I think there are a number of strategies that we need to employ to ensure that young people are consuming Australian culture, including films. That has got something to do with films that are specifically for children, but it would also include films like *Red Dog* and *The Sapphires*, which get large, young people audiences, so I think there is more than one way to attack the problem. But I agree with you that it is very important for young people to get the habit of consuming Australian stories in these media.

Senator MILNE: Given the time frame—and I apologise, because it is embarrassing—would you mind taking on notice my question about what Australian children's films are in progress. You said you knew of some, so if you could take that on notice I would appreciate that.

Dr Harley: Yes.

CHAIR: I thank the officers from Screen Australia.

Office for Sport

Australian Sports Commission

[22:33]

CHAIR: Welcome, Mr Atkinson—you're the lucky devil who got the gig tonight. We will start with questions from Senator Abetz.

Senator ABETZ: Let us try and move through this as quickly as we can. I am told that ASC lost 70 or 80 people in a couple of months in recent times. Is that true?

Mr Hollingsworth: I am sorry, could you repeat that, Senator.

Senator ABETZ: Have 70 or 80 staff members left in a couple of months in recent times? Is that correct, that there has been a high staff turnover.

Mr Hollingsworth: We have had people leave as part of our natural business.

Senator ABETZ: Yes, but is it higher than normal?

Mr Hollingsworth: No; in fact, our attrition rate is about the same as it is normally, tracking at about 15 per cent per year. So that number out of an organisation of 740 FTEs is on par with previous years.

Senator ABETZ: All right. I understand that the ASC's CEO changed several times in 2011.

Mr Hollingsworth: What I can report on that is that I have been in the role for 12 months—

Senator Lundy: Still here!

Mr Hollingsworth: and I am still here—yes, thank you, Minister.

Senator Lundy: He is not going anywhere, I hope.

Senator ABETZ: Yes, but prior to your appointment?

Mr Hollingsworth: I am not in a position to comment on my previous appointees. My predecessor was in the role for two years and prior to that Mark Peters was the long-serving CEO of the Australian Sports Commission. I think he was in the role for about seven or eight years.

Senator ABETZ: Have any persons expressed concern to you about the culture at the ASC?

Mr Hollingsworth: The culture of the ASC—can you be a bit more specific about that?

Senator ABETZ: No. Has anybody expressed concerns to you about the culture at the ASC? The answer is either yes or no.

Mr Hollingsworth: We seek feedback from a wide variety of stakeholders. We fund around 60 sports.

Senator ABETZ: Time is very short. The specific question is: have any persons expressed concern about the culture at the ASC? It is either yes or no.

Senator Lundy: It is not an either yes or no question, Senator Abetz.

Senator ABETZ: Of course it is.

Senator Lundy: It is a very subjective question.

Senator ABETZ: People have either expressed a concern or they have not. Can we have an answer?

Senator Lundy: I think you are being completely unreasonable.

Senator ABETZ: Has anybody expressed a concern to you about the culture at the ASC?

Mr Hollingsworth: From time to time people make comments on the organisation that are complimentary and at other times they have advice about how the ASC can improve its operations.

Senator ABETZ: So the answer is yes. Thank you. Then we move onto the next question, which is: any negative comments about the culture and, if so, what aspects have been touched upon?

Mr Hollingsworth: I am not in a position to discuss specific comments about the culture of the ASC in terms of negative comments. It has not been put to me specifically around what the nature of those comments might be. As I said, we do seek feedback directly from stakeholders. This is something that is new.

Senator ABETZ: I understand that. Has the ASC recently dismissed any employees for fraud?

Mr Hollingsworth: I beg your pardon?

Senator ABETZ: Have you dismissed any employee for fraud in recent times?

Mr Hollingsworth: No.

Senator ABETZ: What is your definition of 'recent times' then?

Mr Hollingsworth: In my tenure.

Senator ABETZ: And before that, are you aware of any?

Mr Hollingsworth: I am not aware of any. What I can tell is that there was a case of fraud within the Sports Commission relating to misuse of a fuel card at one point, and that person has since left.

Senator ABETZ: When was that?

Mr Hollingsworth: It was about six or seven months ago.

Senator ABETZ: So that was during your tenure.

Mr Hollingsworth: Correct.

Senator ABETZ: Somebody was dismissed for fraud.

Mr Hollingsworth: No, they were not dismissed. They decided to resign from the organisation.

Senator ABETZ: I see, when they were confronted with misuse of a credit card to fill up their private car?

Mr Hollingsworth: That is correct.

Senator ABETZ: Thank you. Also, was this person running a business?

Mr Hollingsworth: Not that I am aware.

Senator ABETZ: Have there been any complaints of bullying and/or inappropriate behaviour at the ASC?

Mr Hollingsworth: There have been a couple of complaints that are in the progress of investigation that I can comment on in the period since I have been CEO.

Senator ABETZ: What have been the circumstances? Were there multiple complaints about one person?

Mr Hollingsworth: Senator, you are asking me to comment on a particular case there that I am not sure what you are referring to.

Senator ABETZ: Simply, you have said that there have been some complaints. I am now asking: were there multiple complainants about one person?

Mr Hollingsworth: In relation to the case that I am thinking about, yes, there were a number of complainants, as I recall.

Senator ABETZ: Is this a case that could best be described as 'unsavoury material being circulated'?

Mr Hollingsworth: I beg your pardon?

Senator ABETZ: Unsavoury material was circulated to other ASC members.

Mr Hollingsworth: Not that I am aware of.

Senator ABETZ: Not that you are aware of? None of the complaints relate to that? Well, what about a couple of years ago—the ongoing complaints that are still being dealt with?

Mr Hollingsworth: I am not aware of any that have been raised. I would have to take that question on notice because it relates to a period outside of my tenure. But what I would say is that none have been brought to my attention.

Senator ABETZ: Are ASC expenditures published on AusTender?

Mr Hollingsworth: What I can tell you is that, as a CAC agency, the ASC is not technically required to adhere to those arrangements, but it does adhere to the general procurement arrangements. As to whether they are advising AusTender, I am informed the answer is no to that.

Senator ABETZ: Have you ever used the firm called Body Politics?

Mr Hollingsworth: I would have to take that question on notice.

Senator ABETZ: Has the ASC paid for any trips for so-called team building or so-called forward planning in the last couple of years?

Mr Hollingsworth: Yes. I could not provide the specifics here today. But, yes, over the course of the period, from time to time, as part of any normal business engagement, we do take staff off the site to help to build the capacity of the organisation and—

Senator ABETZ: How much team building or forward planning was actually down on these trips?

Mr Hollingsworth: In terms of the dollars spent?

Senator ABETZ: The time spent.

Mr Hollingsworth: Again, I would have to take the question on notice.

Senator ABETZ: If you could do that for me. Could we be provided with details of the number of attendees and all expenditures incurred in relation to each of these trips?

Mr Hollingsworth: Yes.

Senator ABETZ: I will place the rest of my questions on notice.

CHAIR: Senator Humphries.

Senator HUMPHRIES: Regarding the funding of the Commonwealth Games on the Gold Coast in 2018, I gather that funding for these sorts of events is generally shared by the Commonwealth government. There is nothing in this year's budget for that. Should we expect the funding to be announced in next year's budget for the Commonwealth Games?

Mr Eccles: The Commonwealth government has committed to support the Commonwealth Games and no decision has been made at this point as to any financial contribution.

Senator HUMPHRIES: Are you saying it is possible that there will not be a financial contribution, that it might be another kind of contribution?

Mr Eccles: There certainly will be another kind of contribution. The government enters into a whole series of guarantees around issues as diverse as security and immigration. Quite often, there is a role for the Commonwealth to get involved in legislation around ambush marketing. It is quite a usual set of circumstances for the Commonwealth support of major events for the government to provide not insignificant support to assist the running of those events. Sometimes it is not a cash contribution.

Senator HUMPHRIES: Sometimes it is not, but when was the last time the Commonwealth Games were held in Australia where there was not a federal government contribution to the running of the Games?

Mr Eccles: You are talking about a cash contribution?

Senator HUMPHRIES: A cash contribution.

Mr Eccles: A commitment to a cash contribution for the Melbourne Commonwealth Games was made a couple of years out.

Senator HUMPHRIES: There was money.

Mr Eccles: There was money provided to the Melbourne Commonwealth Games, but the commitment that was made by the Commonwealth government of the day was made a couple of years out.

Senator HUMPHRIES: Wouldn't it be helpful to the organisers of these Games to know what the Commonwealth was going to put it? They wouldn't want to be waiting until a couple of years out before they got that information, surely?

Mr Eccles: It is not unusual for the Commonwealth financial commitment to be outlined a couple of years out. The Commonwealth has already provided commitments in terms of the guarantees in the areas of running a major event that fall within its responsibility.

Senator HUMPHRIES: Given that the Commonwealth put in over \$40 million on the failed soccer world cup bid, it would only be reasonable that you would put at least that much in to the successfully achieved Commonwealth Games, would it not?

Mr Eccles: Is that a question? I am not sure that we can make a parallel between the two events. One was a national event that was going to be shared across all states and territories; one is a state specific event. I am not sure if a comparison can be made. It is a decision for government at the end of the day.

Senator Lundy: It is a policy decision of government. As you have heard, it would be normal for us to consider it a couple of years out from the Commonwealth Games, as did the previous Howard government when they had the opportunity with the Melbourne Commonwealth Games.

Senator HUMPHRIES: All right. I turn now to the Crawford report into Australian sport which I understand was brought down about three years ago. I am looking at the findings in the report as to what should be done to enhance participation in sport across Australia. For example, it recommended:

A Sport and Education Strategy – to increase the role and effectiveness of sport in schools and to boost the number of our children participating in our sporting base

Has the government developed a sport and education strategy in response to that recommendation?

Mr Eccles: There is a range of activities in sport and education that relate to the Crawford review. As you are aware, there are discussions taking place at the moment with states and territories around the development of a national curriculum. A key component of that is the role of physical education that takes place in school hours. It is also true that there has been a rollout of a specific program—the Active After-school Communities program.

Senator HUMPHRIES: But that predated the Crawford Report, did it not?

Mr Eccles: Yes, it did.

Senator HUMPHRIES: And it has been defunded in the last budget, or partly defunded, hasn't it?

Mr Eccles: The scope has not changed.

Senator HUMPHRIES: But the funding has been reduced, hasn't it?

Mr Eccles: The same number of schools and the same number of participants are benefitting. Efficiencies have been realised; funding has decreased but—

Senator HUMPHRIES: So money has been taken out of the program.

Mr Eccles: Yes, but it has not impacted on the breadth and the depth of the program.

Senator Lundy: Your statement was inaccurate.

Senator HUMPHRIES: My statement was: has money been taken from the program?

Senator Lundy: No, at the start you said that the program had been diminished, and it has not been.

Senator HUMPHRIES: I said 'funding has been diminished'.

Senator Lundy: At the start. I am just making sure you are accurate in your questions.

Senator HUMPHRIES: I try to be accurate all the time, Senator Lundy. Let us move to another recommendation:

We recommend that there should be provision of additional coaching and officiating training opportunities for up to 45,000 community coaches and officials and subsidised costs associated with training for 5,000 new community coaches and officials.

Has additional funding been provided for coaching and officiating training opportunities as a result of the policy?

Senator Lundy: These were all recommendations to government and not all of the recommendations were adopted, Senator Humphries. But we have wide-ranging programs both within the Office of Sport and the Australian Sports Commission that pick up many of the aspects contained within the recommendations of the Crawford review.

Senator HUMPHRIES: I understand that but I understand these ones I am reading out were not expressly rejected by the government so I am trying to find out whether they have been actioned by the government. If you tell me that they have in fact been rejected by the government then I will—

Senator Lundy: No, I am not saying that at all. We have a wide range of programs which pick up different aspects of those recommendations.

Senator HUMPHRIES: All right. I am trying to find out then how you are implementing the aspects of the program which you say you are picking up. That is what my question is all about. Have we put any resources into additional coaching and officiating training opportunities as recommended by the Crawford report?

Mr Hollingsworth: The answer to that question is yes. In relation to officiating, we coordinate programs from the AIS across sports. In relation to coaching, there has been a significant increase in activity, in part through the AAC program which trains community coaches. We trained 50,000 community coaches over the last five or six years in relation to that. In addition, the government is responsible for Pathway to Success. The government committed additional money for participation funding direct to NSOs and part of that is directed towards coaching. In high performance, pathways money has also been invested in high performance coaching, both directly employing coaches and through training. The coaching program runs from the Australian Institute of Sport and other mechanisms, so there has been a broad suite of investment in coaching. That has been a strong commitment by the Sports Commission certainly, and by government post Crawford.

Senator HUMPHRIES: I appreciate that there is an effort being made there, but there has long been an effort in boosting coaching and officiating training. What I am asking is: how many more places have we funded? The recommendation was 45 additional community coaches and officials. Have we funded 45,000? If not, what is the number of additional positions that we have funded?

Mr Hollingsworth: The way in which it has been implemented is varied but in relation to that 45,000 spoken of, ultimately the Sports Commission and the government's perspective on sport is that we need to help build sports capacity. It is not the Sports Commission's role, for example, to employ all those coaches. It is the role of the Sports Commission to help build the capacity of sports and so the funding has been directed to those to help to build the coaching capacity and to provide centralised resources to help build the sector more generally.

Senator HUMPHRIES: Okay. Again, I am not asking how many coaches the ASC has specifically and directly funded—that is a question for the whole of government. The recommendation was quite specific. It was not just 'put more effort into coaching'; it was to provide:

...additional coaching and officiating training opportunities for up to 45,000 community coaches and officials and subsidise costs associated with training for 5,000 new community coaches and officials.

Have we achieved that training for 5,000 new community coaches and officials?

Mr Hollingsworth: Yes, we have.

Senator HUMPHRIES: What was the number before, and what is it now?

Mr Hollingsworth: I do not know the exact number. What I can tell you is that we have certainly trained 5,000 coaches in the period since the Crawford report, in relation to delivery of the AASC. If you are asking me the total number of coaches in the system before the Crawford report, I would need to take that on notice because I do not know the answer to that. What I can tell you is that more than 5,000 coaches would have been developed, and are implementing Active After-School on a weekly basis.

Senator HUMPHRIES: But I think the intention was for 5,000 additional coaches, not 5,000 in the continuing train of coaches. I think that is what was intended.

Mr Hollingsworth: They are new to coaching, and coaching for the first time through the Active After-School program.

Senator HUMPHRIES: Another recommendation was doubling the talent identification program. Has the talent ID program been doubled?

Mr Hollingsworth: We are investing in talent identification in a number of ways. Has the funding figure been doubled? We have approached it in a different way. We have not simply taken the high performance money that has come in through pathways and invested it directly in a centralised resource. We have funded sports to actively undertake talent identification activities for themselves.

Senator HUMPHRIES: Could I summarise what you are saying to us as: the commission and the government have picked bits and pieces out of these recommendations and implemented some of them but not the full suite as recommended?

Mr Hollingsworth: I think the outcome that the recommendation was seeking to achieve was to increase the emphasis on talent identification and pathway development. As to the extra \$48 million that came into the system as a result of the government's response to Pathway to Success, the vast majority of that money has gone directly to sports, and talent identification has been one of the things that it has funded.

Senator HUMPHRIES: I appreciate you have done some good things. I was asking specifically about the recommendations in that report, but I will leave that and move on to something else because we have not got much time. I wanted to ask about some of the controversies about athlete selection—

Senator Lundy: Sorry, before you do, with respect to your questions about the Crawford review: because Pathway to Success was the government's response to the Crawford review, that would be a better reference point for your questions about whether we have achieved what we set out to achieve.

Senator HUMPHRIES: It would be if it addressed what was recommended and what has actually happened, whereas if they are describing things as, 'One is apples and one is pears,' it does not help me very much.

Senator Lundy: But you know as well as I do that governments receive advice all the time, and then they prepare a response to that advice if that is the chosen course of action, which is what Pathway to Success was—it was the government's response to the Crawford review recommendations.

Senator HUMPHRIES: If you decide not to do what they recommend and do something different I am happy with that. I just want to know if that is the case or not. That is all I am asking. If a specific recommendation were made, for example, for 5,000 additional new community coaches and officials, and you have done something different with different money, that is fine. I just want to know what it is that you have actually done. That is all I am asking.

Senator Lundy: That is just a matter of looking at the Crawford review and then looking at Pathway to Success. We are happy to go through it in detail here, but it is all a matter of public record and it has been on the public record for several years.

Senator HUMPHRIES: As I say, I did not think that you had put on the record exactly whether you had implemented these recommendations or not, but perhaps I will put this on notice.

Senator Lundy: Pathway to Success is the government's response to the Crawford review.

Senator HUMPHRIES: I will put it on notice, then, Senator Lundy, and you can answer it that way, if you wish to.

Turning to athlete selection for international competitions, there was controversy, as you know, in a number of areas for selection of athletes for the Olympic Games. I want to ask about the ASC's role, or at least its contact with Equestrian Australia about its selection policies. Has the ASC had discussions with Equestrian Australia about its selection policies since the controversy about selection of athletes for the Olympic Games?

Mr Hollingsworth: The starting point to make on selection policies is that it is a very clear policy of the Sports Commission that the selection of athletes for international competition is a matter for sports, and that the development of those selection criteria are developed by the sports in close consultation with, in this case, the Australian Olympic Committee. When we receive questions about those matters from the general public they are referred back to the sport.

As part of the process that will occur with every sport post-London we are working through issues about what worked, what did not work and what could work better. I am not specifically aware of any discussions that happened around selection policies, but I certainly cannot anticipate any change in the broader policy that, ultimately, selection of athletes for international teams is a matter for the sport. There is no doubt that many sports will be reflecting on their selection policies, and we encourage that—that is part of learning from experience and understanding what you would do differently. I do not think Equestrian Australia is any different in that regard. That is the process, and that will lead into our review of sports in the post-London period.

Senator HUMPHRIES: Has ASC specifically asked Equestrian Australia to review its selection policies?

Mr Hollingsworth: Not that I am aware of, no. To clarify, what we would ask is for the sport to understand the factors that did and did not work to contribute to their outcome in London. If selection policies were part of that then one would expect they would consider that.

Senator HUMPHRIES: The issue here was more controversy about the way in which the selection occurred. I am also aware of criticism of Athletics Australia for the way in which it selected some of its athletes. Has there

been any communication between ASC and Athletics Australia about its selection policies, and any suggestion that it review those policies?

Mr Hollingsworth: I would not say we have asked them to review their selection policy. We have asked Athletics the same thing we have asked of every sport: what are the factors that did and did not contribute to your London outcome, and what can change? We publish from time to time our best practice principles in relation to selection criteria, which can act as a guide, but the sports will ultimately make that decision.

Senator HUMPHRIES: When you say that ASC does not get involved in what selection policies the sports use for its athletes, are you saying that if it satisfies the international bodies to which those sports are affiliated then, as far as ASC is concerned, you have no further interest in the methods they use to select their athletes?

Mr Hollingsworth: That is correct, yes.

Senator HUMPHRIES: Minister Lundy, I understand that recently your predecessor Mark Arbib suggested that there should be a sports lottery in Australia similar to that in Britain. Does that idea have any attraction for the Australian government?

Senator Lundy: That issue pretty much comes up on a systematic pattern at every large international sporting event. The Commonwealth government does not have jurisdiction over lotteries or gambling per se, so it is not an option open to the Commonwealth government. This is a well-known issue and I do not know if the officials would like to add to that. It is the model used in the UK. The lottery there funds many sports and arts initiatives over there and, given the success of the British Olympic and Paralympic teams, I am not surprised at all that it is being raised again in the context of Australian sports funding. Perhaps I will ask officers to elaborate on why this is not an option open to the Commonwealth government.

Mr Eccles: Senator Lundy is exactly right in terms of the jurisdictions of the states and territories. The revenue that states and territories gain from their legislative rights to put in place gambling arrangements, lottery arrangements and revenue from other gaming is something that the states and territories hold dearly. It is beyond the Commonwealth's jurisdiction to be able to come in over the top and put in place a national lottery.

Senator HUMPHRIES: Is that right?

Senator Lundy: That has always been the case.

Senator HUMPHRIES: Have you had legal advice to that effect?

Mr Rowe: Correct, we have. It was recommended at virtually every review that has been done on sport—

Senator Lundy: Except, I might add, the Crawford review.

Mr Rowe: Yes, the Crawford review recommended, AP recommended it, everyone has recommended it. Unfortunately, we cannot do it.

CHAIR: On that, it is 11 pm. Ms Beauchamp, thank you very much to your staff and to all the officers who appeared today. To Hansard and Broadcasting, once again a fantastic job, thank you very much. More importantly, Cass, you lucky devil, this is your last estimates. For those who do not know, we are losing Cass and we are all a little bit sad about that. Thumbs up. I said it all yesterday but I will reiterate: we look forward to seeing you next week with all our inquiries, but we are going to miss your smiling face and your wonderful professionalism in this committee. On behalf of the committee, Cass, thank you very much for your service.

Senator Lundy: Hear, hear!

CHAIR: That concludes today's hearing.

Committee adjourned at 23:01