



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Estimates**

(Public)

TUESDAY, 14 FEBRUARY 2012

CANBERRA

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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**  
**Tuesday, 14 February 2012**

**Senators in attendance:** Senators Back, Bernardi, Bishop, Brandis, Bushby, Colbeck, Edwards, Eggleston, Fawcett, Gallacher, Heffernan, Humphries, Joyce, Ludlam, Macdonald, McKenzie, Milne, Rhiannon, Siewert, Sterle, Williams and Xenophon.



**INFRASTRUCTURE AND TRANSPORT PORTFOLIO****In Attendance**

Senator Carr, Minister for Manufacturing and Minister for Defence Materiel

**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

**Australian Rail Track Corporation**

Mr John Fullerton, Chief Executive Officer

Infrastructure Australia

Mr Michael Deegan, Infrastructure Coordinator

**Nation Building–Infrastructure Investment**

Mr Andrew Jagers, Executive Director

Mr Richard Wood, General Manager, Rail and Intermodal

Mr Andrew Danks, Acting General Manager, Infrastructure Policy

Mr Roland Pittar, General Manager, North West Roads

Mr Alex Foulds, General Manager, South East Roads

Mr Troy Sloan, General Manager, Major Infrastructure Projects Office

**Surface Transport Policy**

Mr Michael Sutton, Acting Executive Director

Mr Robert Hogan, General Manager, Vehicle Safety Standards

Ms Philippa Power, General Manager, Maritime Policy Reform

Mr Joe Motha, General Manager, Road Safety and Programs

Ms Donna Wieland, General Manager, Surface Transport Regulation Taskforce

Ms Pauline Sullivan, General Manager, Shipping Policy Reform

Mr Jon Real, Special Adviser-Vehicle Emissions, Land Transport Reform

**Australian Maritime Safety Authority**

Mr Graham Peachey, Chief Executive Officer

Mr Mick Kinley, Deputy Chief Executive Officer

Mr Allan Schwartz, General Manager, Maritime Operations Division

Mr Yew Weng Ho, General Manager, Corporate Services Division

Mr John Young, General Manager, Emergency Response Division

Mr Brad Groves, General Manager, Maritime Standards Division

Mr Toby Stone, General Manager, Marine Environment Division

Mr John Fladun, General Manager, Regulatory Affairs and Reform

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

Mr David Williamson, Executive Director

Mr Brendan McRandle, General Manager, Policy Development Unit

Dr Gary Dolman, Head of Bureau, BITRE

Mr Stuart Sargent, General Manager, Policy and Research Division

Mr Richard Farmer, General Manager, High Speed Rail

**Major Cities Unit**

Ms Dorte Ekelund, Executive Director

**Office of Transport Security**

Mr Paul Retter, Executive Director

Mr David Nockels, General Manager, Analysis and Operational Support

Mr George Brenan, General Manager, Transport Security Operations

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

Mr Peter Robertson, General Manager, Aviation Security

Mr George Thomas, Acting General Manager, Supply Chain and Technology

**Aviation and Airports**

Mr John Doherty, Executive Director

Mr Scott Stone, General Manager, Aviation Environment

Ms Leonie Horrocks, General Manager, Airports

Mr Jim Wolfe, General Manager, Air Traffic Policy

Mr Marcus James, General Manager, Airport Economic Regulation

**Airservices Australia**

Mr Greg Russell, Chief Executive Officer

Mr Jason Harfield, General Manager, Air Traffic Control

Mr Unni Menon, General Manager, Corporate and International Affairs

**Civil Aviation Safety Authority**

Mr John McCormick, Director of Aviation Safety

Dr Jonathan Aleck, Associate Director of Aviation Safety

Mr Terry Farquharson, Deputy Director of Aviation Safety

Mr Peter Cromarty, Executive Manager, Airspace and Aerodrome Regulation

Mr Rick Leeds, Manager, Airworthiness and Engineering

Mr Greg Hood, Executive Manager, Operations

Mr Mark Sinclair, Executive Manager, Safety Education and Promotion

Mr Peter Fereday, Executive Manager, Industry Permissions

Mr Adam Anastasi, Executive Manager, Legal Services

Ms Elizabeth Hampton, Industry Complaints Commissioner

Mr Craig Jordan, Chief Finance Officer

Mr Brian Keech, Head, People and Performance

Dr Pooshan Navathe, Principal Medical Officer

**Australian Transport Safety Bureau**

Mr Martin Dolan, Chief Commissioner

Mr Ian Brokenshire, Acting General Manager, Aviation Safety Investigations

Mr Julian Walsh, General Manager, Strategic Capability

Mr Peter Foley, General Manager, Surface Safety Investigations

**Committee met at 09:00**

**CHAIR (Senator Sterle):** I declare open the Senate Rural and Regional Affairs and Transport Legislation Committee examination of the particulars of proposed additional expenditure for 2011-12 and related documents for the Infrastructure and Transport portfolio and the Regional Australian Local Government Arts and Sports portfolio. The committee has fixed Friday, 30 March 2012 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by the close of business Friday, 17 February 2012. The committee's proceedings today will begin with its examination of the Infrastructure and Transport portfolio, followed by the Regional Australia, Local Government, Arts and Sports portfolio.

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)

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 switch off their mobile phones or render them inaudible. As agreed, I propose to call on the estimates in the order shown on the printed program. We will take a break for morning tea at 10.05 am. Other breaks are listed in the program.

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

[09:02]

**CHAIR:** I now welcome Senator the Hon. Kim Carr, Minister for Manufacturing and Minister for Defence Materiel, representing the Minister for Infrastructure and Transport; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Transport; and officers of the departments. Minister, do you or Mr Mrdak wish to make a brief opening statement?

**Senator Carr:** I have no further statement at this time.

**CHAIR:** Mr Mrdak, I look forward to your opening statement.

**Mr Mrdak:** Chair, in the light of the number of issues the Senate wants to get through, I am happy not to make a statement.

**CHAIR:** Before I do go questions, may I just remind committee members and senators that we are on an extremely tight timetable today. I intend to run strictly to the time that is on the printed program. If there are employees and officers out there representing senators that do wish to make an appearance today, you are forewarned that if you are not in the room it will not happen and we will finish on time. Secondly, before I go to questions, Senator Joyce, on behalf of the committee, we send our best wishes to the people of St George, your home town, and we wish them all the very best, as we do the rest of Queensland and New South Wales, in these trying times.

**Senator JOYCE:** I appreciate that.

**CHAIR:** On that note, we will proceed to questions.

**Senator JOYCE:** I have a number of questions for ARTC, not so much corporate services. Maybe Senator Williams might want something.

**Senator WILLIAMS:** Welcome departmental people and Mr Mrdak, it is good to see you. I take you to a point, Mr Mrdak, about travel costs for departmental staff. I refer to the answer provided to question number 28 from the previous estimates, which detailed the travel requirements of departmental staff who accompanied the minister or parliamentary secretary. Can you please advise me of the department's policy in relation to airfare bookings for departmental staff accompanying the minister?

**Mr Mrdak:** Our policy is as per the normal guidelines for departmental staff, which is that we provide business class travel for senior executive service officers on longer flights and we provide economy travel for all other officers, and we have a system of providing for reasonable payment for accommodation and any other costs involved with travel.

**Senator WILLIAMS:** What type of accommodation: four star, five star?

**Mr Mrdak:** We leave it to the discretion of the officers in terms of the type of accommodation that is available in a particular location. We do not set a particular limit, but certainly we do look closely to minimise costs wherever possible.

**Senator WILLIAMS:** They can choose their own accommodation. There is no limit to the budget as far as—

**Mr Mrdak:** To a point. It must be within the budget for that area of the department and obviously all expenditure has to be approved and then signed off by the supervisor of the officer travelling.

**Senator WILLIAMS:** If one of your staff is accompanying a minister and you might go to, say, New York and there is a five-star hotel and the minister might book at that hotel, then your staff would have approval to book into that hotel as well?

**Mr Mrdak:** Generally, if certain officers are accompanying the minister, they will stay in the same location as the minister.

**Senator WILLIAMS:** That is logical, is it not, although costly. In relation to a trip on 26 June to 4 July 2011 where you accompanied the minister on a trip to Washington, New York and Los Angeles for a week, the airfares totalled \$20,919. That seems high. It was \$21,000, basically. Can you provide some explanation for this?

**Mr Mrdak:** I am happy to seek further details. I think that involved a flight, from memory, to New York via Los Angeles, a Qantas service, and then travel from Washington back to Los Angeles and then back to Australia. I will get some further details but my recollection is there was a Qantas business class service involved.

**Senator WILLIAMS:** That \$21,000 was just for your airfares; almost \$21,000? The exact figure was \$20,919.86. Was that purely for airfares?

**Mr Mrdak:** Yes, I think it was.

**Senator WILLIAMS:** From Sydney to Los Angeles to New York.

**Mr Mrdak:** It would have been from Canberra to Sydney to New York via Los Angeles. From recollection, the return trip was from Washington to LA to Sydney to Canberra.

**Senator WILLIAMS:** Was that business class or first class?

**Mr Mrdak:** Business class, from recollection.

**Senator WILLIAMS:** That was Canberra-Sydney, Sydney-LA, LA-New York. Can you talk us through: you went Canberra-Sydney, Sydney—

**Mr Mrdak:** Sydney to New York via LA with the Qantas service that transfers through LAX. From recollection, on that trip we then travelled from New York to Washington by rail, from Washington to Sydney via LA, had some business commitments in LA and then travelled on to Sydney and Canberra.

**Senator WILLIAMS:** Why would you travel to Washington by rail from New York?

**Mr Mrdak:** It provides a very convenient service in terms of the hours available and it is a much more convenient way to travel to Washington, I have found, than flying.

**Senator WILLIAMS:** It would be a lot longer though, would it not, as far as time goes?

**Senator Carr:** It depends how long you get stuck at the airport.

**Mr Mrdak:** As the minister says, it does depend on how JFK is or how one of the other New York airports operating at that particular time is. One of the things we were looking at was some of the rail operations in the US at that time. We did have discussions, particularly on transport security, with some of the rail operators. It provided opportunity to do some business as well as travel by rail, which I think was a much more convenient way to travel between New York and Washington.

**Senator WILLIAMS:** Is the rail fare cheaper than the airfare?

**Mr Mrdak:** I think is it, but I am happy to check that.

**Senator WILLIAMS:** Could you break up the details of that fare—each leg—on notice. I would appreciate that. Similarly, could you do that in relation to a trip on 2 to 12 November 2010 on which Ms Lyn O'Connell accompanied the minister to London and Rome and for which airfares totalled \$15,808.02. That is almost \$16,000 to London and Rome. Can you provide some explanation for those high figures?

**Mr Mrdak:** Again, I think that reflects a business class airfare to Europe. I will ask Ms O'Connell, who accompanied the minister at that stage.

**Ms O'Connell:** I was accompanying the minister and that fare was from Canberra to Sydney and then to London. I cannot remember whether it was via Bangkok. We then had some business in London to attend to. We then flew from London to Rome and from Rome back to Sydney and then Canberra.

**Senator WILLIAMS:** That was business class?

**Ms O'Connell:** I will have to check.

**Senator WILLIAMS:** It would have been either first class or business class.

**Ms O'Connell:** It was first class or business class.

**Senator WILLIAMS:** I have never flown on an overseas trip in business or first class, but is there much difference in price between first class and business class? Do you know that offhand?

**Mr Wilson:** At the moment, the price differential for a Qantas flight is in the order of \$2,000.

**Senator WILLIAMS:** From business to first?

**Mr Wilson:** A Qantas flight to London business class is around \$12,000; first class is around \$14,000.

**Senator WILLIAMS:** Cattle class is around \$2,000, is it not?

**Mr Wilson:** Economy is around \$2,000.

**Senator WILLIAMS:** Finally, in relation to the trip of 25-27 May 2011, on which Ms O'Connell accompanied the parliamentary secretary to Germany for two days, can you provide some explanation for the high airfare figure?

**Ms O'Connell:** That reflects a trip on which I accompanied the parliamentary secretary to the international transport forum in Leipzig in late May.

**Senator WILLIAMS:** You flew from where?

**Ms O'Connell:** From Canberra; so it was Canberra to Sydney to Leipzig via Dusseldorf and at least one other location. I attended the International Transport Forum with the parliamentary secretary, but then I travelled separately in a visit to have a look at some ports. I went to Hamburg—I went via train from Leipzig to Hamburg—and then flew out of Hamburg to Rotterdam and went via train from Rotterdam to Paris to get a flight and then flew from Paris via Singapore—and I spend a day in Singapore visiting the Singapore port—back to Sydney and Canberra.

**Senator WILLIAMS:** Could you take on notice the details of that travel, please, and the costings of it. I do not have the costings of it. That would be fine.

**Ms O'Connell:** Yes.

**Senator WILLIAMS:** In relation to travel allowance for these visits, I note that in answer to question 28 the two trips taken by Mr Mrdak record travel allowances being paid but none of the other trips have recorded a travel allowance claim. Why would this be?

**Mr Mrdak:** It reflects the fact that secretaries are on a different arrangement to the rest of departmental staff. We operate under a reimbursement system under guidelines from the remuneration tribunal, whereas other departmental staff utilise what we call a corporate travel card. They are unable to directly pay for matters. With my travel I am reimbursed, based on a daily rate set by the remuneration tribunal, for my expenses incurred.

**Senator WILLIAMS:** When your staff travel, do they book their fares themselves or is someone in your department responsible for the bookings?

**Mr Mrdak:** We operate with a travel provider who undertakes the bookings for our company. I will ask Mr Banham, if I may, to give you an outline of how that process works.

**Mr Banham:** We use a whole of government arrangement for travel booking. The head contract is managed by the Department of Finance and Deregulation. When staff want to travel they usually do it online but they can also do it through a phone booking. They contact the travel service provider, who will provide them with a range of fares which are based upon the best fare of the day. It is up to the officers to then make a decision to select the fare and the carrier, and the booking is usually done online.

**Senator WILLIAMS:** That is it for me, chair.

### Australian Rail Track Corporation

[09:15]

**CHAIR:** I welcome the ARTC; welcome, Mr Fullerton.

**Senator JOYCE:** I will start with this media release:

A re-elected Gillard Labor Government will begin the work needed for the inland rail link ... The rail link will be some 1,700 kilometres long, with rail stretching from Brisbane to Melbourne through Central West New South Wales.

Mr Albanese told me it would be a visionary nation-building infrastructure project. I do not know how they are going to build it because they only put \$30 million towards it, but, because we are sneaking through the forward estimates from when that statement was made, I am a little fascinated as to where are we up to with the inland rail. What has actually happened? Tell me about something that you have done, something you have bought or constructed—such as a bridge—or done the levels on. Tell me something that has happened in the construction of the inland rail.

**Mr Mrdak:** I will begin by setting the context of the government's commitment and then I will happily hand to Mr Fullerton. As you have said, the government has committed to proceeding with inland rail; \$300 million has been committed to the project. There is an amount in the forward estimates, in 2015-16, which is the first year of the commitment; that is now shown in forward estimates. The remainder of the commitment of \$270 million is available in 2016-17 and 2017-18, and that will provide the first stage of detailed design and also the final route selection. That will enable us to then proceed to construction at the point that additional funds are committed to the project. That is where the project sits at this point.

**Senator JOYCE:** It would be fair to say that the only thing that has gone towards the construction of the inland rail has been a media release.

**Mr Mrdak:** No. \$15 million was provided to the Australian Rail Track Corporation to undertake a detailed study and work looking at alignments and issues. That work has been completed. That formed the basis of the government then making a commitment of \$300 million to progress to the next stage, which is the detailed design, construct and land acquisition for the inland corridor.

**Senator JOYCE:** You have done a \$15 million study. Have you entered into negotiations? I imagine the \$15 million study—that is a fair bit of money—must have come up with some idea like: 'This is where we are going to go. This is the land we will need to buy. These are the easements we need. These are the state governments we need to talk to.' Have you started discussions with state governments about easements or with private landholders about purchases? Have you done anything like that that is part and parcel of the requirements to construct?

**Mr Mrdak:** Yes, we have done some quite intense work in the study in relation to corridor selection, design and the land issues, and also a lot of the environmental and planning issues which need to be addressed. There certainly were discussions with state and territory governments through that process. As far as I am aware, there have not been any discussions at this point with private landholders. The exact details of the corridor route and the engineering design will be matters in the next stage of work, beyond 2015-16.

**Senator JOYCE:** Have you engaged any engineers?

**Mr Mrdak:** Certainly engineers were involved in the study that was done, and Mr Fullerton may wish to comment. But engineering advice certainly formed the basis of the work.

**Senator JOYCE:** A \$15 million study. Give me a synopsis of what it said.

**Mr Mrdak:** The study defines the corridors—

**Senator JOYCE:** Give me some of the towns it is going to run through.

**Mr Mrdak:** It will essentially head along the existing ARTC network. It will then go to the new track north of Narromine that heads towards Coonamble, and then will head up to Moree in a North Star type of alignment to then join up with the main line.

**Ms O'Connell:** If you wish, there is a map that we can submit to you in terms of the alignment.

**Senator JOYCE:** The \$15 million map.

**Mr Mrdak:** There is quite a detailed study which is publicly available and I will be happy to provide that to you this morning.

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

**Senator JOYCE:** Is the map locked in? Is that is where it is going?

**Ms O'Connell:** This map is part of the study report that Mr Mrdak is referring to and it is publicly available; I am happy to provide it.

**Mr Mrdak:** The study identifies that this is the best corridor. The exact details of the particular landholdings and the like, down to the fine detail, will be done in the next stage but this does identify that this would be the best corridor for the inland rail.

**Senator JOYCE:** In the \$15 million study, did you have people out there doing the levels, on the ground, walking the track, walking where it is going to go, or did they just do it via Google Maps?

**Mr Mrdak:** I think there were people who did traverse the site, the ground, in particular locations. It did not go to the level of detailed geotech investigations that would form the part of the next stage of work.

**Senator JOYCE:** I think it goes from Coonamble through to Narrabri, does it not?

**Ms O'Connell:** I will hand it over to my colleague. Certainly Narrabri is on the map.

**Senator JOYCE:** It does.

**Mr Mrdak:** Yes.

**Senator JOYCE:** What work did you do in that \$15 million study between Coonamble and Narrabri? Did someone walk along the line or go for a bit of a wander around?

**Mr Fullerton:** I need to take that question on notice in terms of the detail but my understanding is that they took a view of all the geotechnical assessments and the alignment to come up with the preferred alignment. You do have some new connections between Narromine to Narrabri.

**Senator JOYCE:** Did one personnel ever go anywhere between Coonamble and Narrabri?

**Mr Mrdak:** I think the answer is "Yes" and I am happy to take on notice what was done there.

**Senator JOYCE:** When do you think it will be completed and do you think that \$300 million is going to do the job; that would complete the inland rail?

**Mr Mrdak:** No, that is the initial commitment for the next stage of work on the project. There would need to be further commitments of funding to complete. I think the overall cost is—

**Mr Fullerton:** \$4.5 billion was the estimate.

**Senator JOYCE:** That is after 16-17; that is way down the track. Mr Albanese will most likely have retired by the time that starts.

**Mr Mrdak:** Certainly the government has made a commitment for the next stage of the work. Obviously it will require commitments in the future by government to proceed to construction beyond that \$300 million.

**Senator JOYCE:** What does \$300 million get us? Where will the line be after you have spent the \$300 million?

**Mr Mrdak:** We envisage by that stage that will enable us to have completed the detailed design work on the line, some initial land acquisitions and all of the planning and environmental assessments to be completed.

**Senator JOYCE:** The reality is that there will be no construction of line, even with the expenditure of that \$300 million. There might possibly be, down the track, the purchase of property but the line itself, the sleepers, steel, bridges, none of that will be there, except for the existing stuff that is already there.

**Mr Mrdak:** We would hope to see some investment perhaps in the existing track and maybe in some new areas but predominantly it will be for design and land acquisition.

**Senator JOYCE:** By 2016-17 we might have designed a line but we will not have built anything. Mr Albanese, when he made his announcement about the inland rail, was really talking about his announcement for the possible design in the long term, that something might happen.

**Mr Mrdak:** No. It is not a possible design; it is a commitment to proceed to the next stage, which is quite a detailed piece of work which would need to be done before you take any decisions in relation to commitment of construction dollars.

**Senator JOYCE:** After 2016-17 is when we would be looking at the bricks and mortar or steel and sleeper and bridges construction.

**Mr Mrdak:** At this stage the commitment is spread out to the years from 15-16 to 16-17.

**Senator JOYCE:** You have got no money there; even in your own forward estimates you are talking about a \$15 million study, then you are talking about, all up, \$30 million spent in the forward estimates, then you have got the remainder of the \$270 million and you have just confirmed that, at best, we will be looking at the possible purchase of land but, apart from the capital that is already there, in myriad forms of railway lines around the track, there is no real construction of the inland rail; it is still, at that point in time, a well-designed, hopefully, concept rather than anything that has actually been built.

**Mr Mrdak:** I think it is more design concept at that stage. We would hope, obviously, to be able to commence some construction within that \$300 million envelope but at this stage it is very much to take us to the next stage. It will require significant commitments in the future by governments to enable construction to take place.

**Senator JOYCE:** How much have you put aside for construction for the Toowoomba range in that?

**Mr Mrdak:** We can get you a detailed cost breakdown but that is one of the considerable costs; it is part of the \$4.5 billion. Obviously, a large component of the cost of the project is the link between Toowoomba and Brisbane.

**Senator JOYCE:** If Mr Albanese was to put out another release, he would say, "The Labor Party stands behind a conclusive study that should finish around about 16-17 into the construction of a railway line, which at this point in time we think is going to cost \$4 billion but by then we do not know what it is actually going to cost"; so it really is an apparition rather than a reality. Of course, the concept that the same government will be there is also a bit of an apparition rather than a reality as well.

**Mr Mrdak:** I think it is more accurate to paint it as the fact that the Australian government has made a commitment of \$300 million to allow the project to proceed. I do not think it is one described as—

**Senator JOYCE:** If I was building a suburban rail network, how many kilometres would \$300 million build me, let us say Epping to Parramatta?

**Mr Mrdak:** Epping-Parramatta, there are no detailed cost estimates beyond the initial estimates have been done, so I do not think I am in a position to give you a comparable estimate of what—

**Senator JOYCE:** You have a rough idea. How about a freeway: how many kilometres of freeway would \$300 million build?

**Mr Mrdak:** Again, it would depend on the location and various issues. I could not give a per-kilometre rate.

**Senator JOYCE:** The one near Port Macquarie; the motorway.

**Mr Mrdak:** Pacific Highway? I am happy to get some advice this morning on a per-kilometre cost; I do not have that figure with me. I would not like to give it to you.

**Senator JOYCE:** That is fair enough. Can you provide me with an update on the upgrades underway on the Melbourne to Sydney rail line?

**Mr Fullerton:** There are a number of upgrade works that are occurring in relation to key projects. The first of them is the southern Sydney freight line; that is now in its final stages. That is 36 kilometres of dedicated freight line between Macarthur and Sefton and that is programmed to be completed in January 2013. We commissioned, in December, three passing lanes at Moss Vale and Picton, south of Sydney. We are close to completing the re-railing of the track between Albury and Melbourne.

**Senator JOYCE:** What is the lowest speed on that rail?

**Mr Fullerton:** Currently between Melbourne and Sydney we have got speed restrictions in the order of about 100 minutes.

**Senator JOYCE:** What is the slowest the trains have to drop down to?

**Mr Fullerton:** I think the lowest speed we would apply, for the worst defect, would be 10 or 20 but I think, on average, the speed restrictions—

**Senator JOYCE:** Ten or 20 kilometres an hour?

**Mr Fullerton:** That could be for a serious defect that can get applied.

**Senator JOYCE:** That is the top speed the train can go, 10 or 20 kilometres an hour, on that defect?

**Mr Fullerton:** If the defect is serious enough, and that can occur anywhere on our network, it could be slowed down to that speed, but generally those speeds would be between—if you think that that track between Melbourne and Sydney, the top speed is 160 kilometres an hour for the XPT, there are still some areas of the track where the XPT can travel at that speed.

**Senator JOYCE:** How much of that?

**Mr Fullerton:** The total amount of track between Melbourne and Sydney, given that it is duplicated, there is about 1,500 kilometres of track. There are only certain sections where the XPT can travel at 160.

**Senator JOYCE:** How many sections do freight trains have to drop down to 10 kilometres an hour?

**Mr Fullerton:** I would need to take that away on notice. Generally that would be the exception rather than the rule. I think the best way to describe speed restrictions is "minutes lost".

**Senator JOYCE:** What is causing these speed restrictions: what geography, what issues? What are the problems there?

**Mr Fullerton:** As has been reported to the Senate Estimates previously, the bulk of the problems on that corridor relate to track-geometry issues as a result of poor ballast conditions and loss of alignment of the rail, and that is the project that we have now made an announcement, two weeks ago, to spend \$134 million to upgrade the ballast, improve the drainage, improve the rail.

**Senator JOYCE:** \$134 million to upgrade the ballast between where and where?

**Mr Fullerton:** On that track there are about 65 kilometres of mud holes in a track distance of 1,500.

**Senator JOYCE:** Whereabouts are they?

**Mr Fullerton:** They spread from Moss Vale all the way through to Melbourne. There are 65 kilometres of mud holes in a total track distance of 1,500 kilometres, which is about 6.6 per cent of the track.

**Senator JOYCE:** I suppose when it rains the mud holes are full of mud.

**Mr Fullerton:** That is when they manifest the problem; when it rains the water cannot drain away from the ballast and formation.

**Senator JOYCE:** You are spending four times as much money on ballasts as you have in the forward estimates to build the inland rail.

**Mr Fullerton:** I cannot comment on that—it is a different scope of works—but the \$134 million covers off a whole range of work. It involves rebuilding the formation on about 20 kilometres of that track; shoulder ballast cleaning over the full distance; putting cross drains, cess drains along the track; grinding the rail; putting new tamp in the track; putting new ballast—

**Senator JOYCE:** There is a lot of cost in putting in rail where it rains a lot, where it is wetter?

**Mr Fullerton:** No, because the rail that we replaced is life-expired rail, 47-kilogram rail between Albury and Melbourne. That has now been replaced with 60-kilogram rail. Similarly, what we have done between Whyalla and Broken Hill.

**CHAIR:** Senator Joyce, what I will do is let you know we are very tight for time and Senator Rhiannon has some questions. Your line of questioning is very important, but if I could ask you to keep that in mind, if we can get a couple more in and then go to Senator Rhiannon.

**Senator JOYCE:** After you spent your \$134 million it will all be fixed, will it not?

**Mr Fullerton:** We are confident that once we complete that project that that track will be in a condition similar to the rest of the network.

**Senator JOYCE:** When was it all due to be paid?

**Mr Fullerton:** The whole program is over a five-year period but the majority of the work will be carried out in the next 18 months. That work started in December last year.

**Senator JOYCE:** Are you still doing the same form of sleeper insertion where we had the problems of movement before or has that changed?

**Mr Fullerton:** Yes, we are. We are concrete-sleeping the track between Parkes and Broken Hill with a side-insertion method. We are doing a lot of work to ensure that we do not. The issues are not the same as the Melbourne to Sydney track. I might just explain that we would have completed the entire concrete re-sleeping of interstate track. The bulk of that re-sleeping, going back to the 1980s, was installed using side-insertion methods. Regardless of whatever method you use, you need to ensure that you have good drainage and good clean ballast.

**Senator JOYCE:** After your \$15 million study on the inland rail, how far will it be from Melbourne to Sydney via the inland rail?

**Mr Fullerton:** If you can picture the current map of the network, and I think it is an important point that between Melbourne and virtually Cootamundra—

**Senator JOYCE:** You have done a \$15 million study: how many kilometres is it from Melbourne to Brisbane via the inland rail?

**Mr Fullerton:** I think it is about 1,740 kilometres.

**CHAIR:** You had better make this your last question, Senator Joyce.

**Senator JOYCE:** How far is it from Melbourne to Brisbane along the coast?

**Mr Fullerton:** I think it is about 120 kilometres longer.

**Senator JOYCE:** It is efficient to have access to slots if you move transport from Melbourne through Sydney and then up the coast through Coffs Harbour, through the Gold Coast to Brisbane. That is an efficient usage of slots as opposed to building an inland rail and having direct connection of slots?

**CHAIR:** Sorry, Mr Fullerton, I will get you to answer this, but Senator Joyce, I will have to get you to put further questions on notice. If you can answer this, Mr Fullerton, then we will go to Senator Rhiannon.

**Mr Fullerton:** I think with the upgrading we are getting towards the completion of, which involves the Southern Sydney Freight Line, additional passing lanes, crossing loops, the curve-easing project, plus the capacity enhancement on the North Sydney freight corridor where \$1.1 billion has been spent to free up freight capacity, we have—

**Senator JOYCE:** That is just in Sydney?

**Mr Fullerton:** In Sydney.

**Senator JOYCE:** \$1.1 billion just in Sydney.

**Mr Fullerton:** Yes, to provide additional freight capacity and separation of freight between passenger on that Sydney to Newcastle sector.

**CHAIR:** Thank you, Mr Fullerton. Sorry to cut you off—we are really tight. Thank you, Senator Joyce. Before I do go to Senator Rhiannon, Mr Mrdak, at the request of Senator Humphries and seeing as we are running early, if the Corporate Services people are still in the room, we will bring them back for I think five minutes.

**Senator HUMPHRIES:** Certainly, Senator.

**CHAIR:** We are in front but we are not going to go over anywhere else. Let them know, please. Thank you, Senator Rhiannon.

**Senator RHIANNON:** I would like to pick up on the Southern Sydney Freight Line. There were some responses to Senator Joyce a moment ago. What is the most recent estimate for the completion of the Southern Sydney Freight Line—I want to confirm that I heard correctly—I think you said January 2013?

**Mr Fullerton:** We expect it to be operating in January 2013.

**Senator RHIANNON:** Could you provide a breakdown of spending on this freight line—I was interested in maybe taking it on notice—by financial year and by spending category, and including there construction design and consultancy services? I was interested in having that understanding. Would it be best to take that on notice?

**Senator RHIANNON:** Maybe if you can take that on notice because I thought that what I had read is that the 49 trains set out on page 6 were actual trains, so I am trying to understand what the average train movements per day in the Hunter Valley are and why there has been any discrepancy; if you could take that on notice, please.

**Mr Fullerton:** It may also referring to return trains; the 49 trains might be loaded trains versus the 88 which could be trains in both directions, but I will check that for you.

**Senator RHIANNON:** Thank you.

**CHAIR:** Senator Xenophon, you have put the request in and I am going to flick to you, and I know that you will be respectful of our time limits.

**Senator XENOPHON:** I am always respectful, Chair.

**CHAIR:** If you stop swearing at me in Greek, I might even let you have a little bit longer.

**Senator XENOPHON:** I think it is the other way around. I just put that on notice; it is the other way around. Hopefully, they will not go into *Hansard*, the swearwords in Greek. Mr Fullerton, the ARTC responded to some of the issues raised in the ATSB's interim factual report, including the consistency of use of train control reports. In response from the ARTC, saying that they are unaware of recent complaints about the lack of creation of train control reports, has the ARTC received any information to the contrary since providing the statement?

**Mr Fullerton:** No.

**Senator XENOPHON:** Given that the train control reports are the avenue in which train drivers report issues about the track, will the ARTC be investigating the claims that some drivers allegedly are not creating train control reports?

**Mr Fullerton:** Previously we were aware that some train controllers were not recording it and we took action to ensure that all train reports from drivers were entered onto the train control report.

**Senator XENOPHON:** On notice, could you provide details of what that action was; is there a culture of encouraging people to make reports; and to what extent is there a culture of encouraging the creation of reports where there is a problem? Further to that—and I am happy for you to take that on notice—does the ARTC have any additional avenues for drivers to make reports about track problems and are any of these avenues confidential?

**Mr Fullerton:** There is a number. The train controller report is a formal process and the driver talking to the train controller; drivers can report concerns through their own employers, the rail operators; and on a monthly basis we have meetings with each of the rail operators across our network and it is an opportunity for them to raise issues about concerns that could be expressed by their drivers on a network.

**Senator XENOPHON:** Do you think it would be helpful, if some drivers were reluctant to report it openly, to have a confidential mechanism by which they could report complaints of track problems?

**Mr Fullerton:** Yes. I would think drivers should have an avenue to be able to report that and they would report it through their employers. They have opportunities to write directly to the ARTC—

**Senator XENOPHON:** Is there a confidential mechanism by which they could report if they were so minded?

**Mr Fullerton:** I would need to take that on notice. We do certainly have driver reports coming through to ARTC.

**Senator XENOPHON:** Sure, but do you think it would be desirable in some cases, for whatever reason, that drivers could report matters confidentially?

**Mr Fullerton:** I think that is desirable.

**Senator XENOPHON:** If you could take that on notice because that is quite important. Mr Mrdak, I asked you some questions—I think it was the budget estimates in May 2011—about Mr Cantrell, one of the consultants for the ARTC. I asked whether Mr Cantrell has any commercial or financial arrangements, any consultancy with any entities that are involved in providing equipment for side insertion, or organisational entities that provide that. You said you would take it on notice. The answer on notice was:

Mr Cantrell has advised that he has not done any consultancy work for manufacturers of equipment that can be used in side insertion ...

With the answer being 'no' does that cover, from your point of view, all the related matters that I asked in the question? It relates to manufacturers but does it relate to all those associated entities that may have a commercial interest?

**Mr Mrdak:** I think that information was provided through the ARTC. I might hand over to Mr Fullerton.

**Senator XENOPHON:** I asked you because it was a series of questions I put to you.

**Mr Fullerton:** My understanding of that response is that he has had no association with any entities that provide side-insertion equipment.

**Senator XENOPHON:** The answer, however, was 'has not done any consultancy work for manufacturers of equipment'. The question was somewhat broader than that. Perhaps you could take that on notice to confirm that.

**Mr Fullerton:** I will take it on notice.

**Senator XENOPHON:** Finally, in terms of issues of tracks—and again I am happy for you to take this on notice—with respect to mud-hole problems and the issue of the average speed of the Sydney-Melbourne rail link, could you advise what the number of complaints has been in the last 12 months compared to the previous 12 months, for instance, and I am happy for you to do it on a calendar or financial year basis, and also whether there has been an improvement in average speeds? Thank you, Chair.

**CHAIR:** Thank you, Senator Xenophon. I would like to cover very quickly ones like the mud holes. On the Melbourne to Sydney resleepering, when did that project commence; when was it initiated?

**Mr Fullerton:** On the Melbourne to Sydney track the concrete resleepering program started in early 2007.

**CHAIR:** How much money was allocated to that project?

**Mr Fullerton:** That part of the work was through the grant funding. There was an \$820 million grant funding that flowed into ARTC from 2004 to 2007. Of that \$820 million, around about \$200 million was allocated for concrete sleepering between Melbourne and Sydney.

**CHAIR:** To address the mud-hole problem, how much money would that cost?

**Mr Fullerton:** To address the mud-hole problem now?

**CHAIR:** I am picking up on Senator Xenophon's mud-hole query. For the \$800 million, did we get the full job done to address the mud holes?

**Mr Fullerton:** The \$820 million that ARTC received, they allocated that on a priority basis. The ARTC took the view that, with the funds allocated for concrete resleepering, the preference was to get the timber sleepers out and the concrete sleepers in and we believed the fouled ballast that we knew existed at the time was manageable.

**CHAIR:** What I am trying to establish, Mr Fullerton,—very as I have to keep myself in line here—was that enough money to address the issues that were raised by Senator Xenophon; as part of the resleepering and fixing the mud holes?

**Mr Fullerton:** It was not enough money to do the concrete resleepering and all the ballast work at the same time. We believed that it was as manageable problem and we had planned to do that as part of our five-year maintenance program, but what happened in 2010, as we know, we had record rainfalls that exacerbated the problem.

**CHAIR:** Sure. We also know there was a change of government in 2007 at the end, so I am just establishing when it all started. Thank you.

**Senator HUMPHRIES:** I want to ask about the impact on the department's budget of the increase in the efficiency dividend from 1.5 to four per cent. Can you tell me what the dollar amount of that increase represents for the budget of the department?

**Mr Mrdak:** The total effect of the efficiency dividend, which, as you know, is the complete four per cent, is \$10.1 million in 2012-13.

**Senator HUMPHRIES:** That is the complete four per cent or is that the 2.5 per cent added on?

**Mr Mrdak:** That is the complete four per cent. The 2.5 per cent one-off efficiency dividend is a cost to the department's budget next year of \$4.58 million.

**Senator HUMPHRIES:** Can you indicate briefly what strategies the department is going to use to deal with that dividend?

**Mr Mrdak:** We will do the business planning for 2012-13 shortly through our budgeting process. At this stage we envisage absorbing that efficiency dividend through efficiencies in our corporate services and in our line divisions. We will be focusing on areas such as travel, supplier expenditure, those types of areas, IT and obviously some of the other running costs of the department where we can make some savings to achieve that.

**Senator HUMPHRIES:** Do you anticipate there being any job losses as a result of the enhanced dividend?

**Mr Mrdak:** No, I do not. We anticipate maintaining our current staffing level. We will not fill some vacancies that are currently available in the department in 2012-13, but I envisage our staffing levels staying about where they currently are.

**Senator HUMPHRIES:** How many people do you employ across the department?

**Mr Mrdak:** We have 982 FTE in the department, just over 1,000 people.

**Senator IAN MACDONALD:** Mr Mrdak, there has to be a limit. You have an efficiency dividend every year, you have an enhanced one this year. It always makes me say you must have been awfully inefficient before if you can cope with all these budget cuts and not lose staff. There has to be a limit.

**Mr Mrdak:** There are limits, the department is not inefficient, but in 2012-13 we will face a challenge and we will have to meet that within our budget; we will have to find savings within the department's operation.

**Senator IAN MACDONALD:** No job losses, no less people?

**Mr Mrdak:** That is my intention.

**Senator IAN MACDONALD:** I know it is your intention but be real; how can you keep having these efficiency dividends and maintain the same staff? It does not make sense.

**Mr Mrdak:** As I said, we will not fill some vacancies as they occur; we will have to do that. At this stage, there will not be any forced redundancies or any redundancies envisaged; we will simply cut our cloth to the budget available next year. That has challenges for us but we will meet the budget.

**CHAIR:** What we will do, Mr Mrdak, is go to the smoko break earlier, take the 15 minutes, come back and then go straight into Infrastructure Australia.

### **Proceedings suspended from 09:56 to 10:09**

#### **Infrastructure Australia**

**CHAIR:** I would like to welcome Mr Deegan. It is good to see you again, Mr Deegan, from Infrastructure Australia.

**Senator IAN MACDONALD:** To help out, I indicate at the beginning that I am going to ask about the National Ports Strategy, the Townsville, Mount Isa and Cairns chain studies and Point Torment, which I understand others want to ask about. Welcome, Mr Deegan.

**Mr Deegan:** Thank you, Senator.

**Senator IAN MACDONALD:** Thanks for the work you do. I continue to hear good reports of what you and your group are doing, recognising you have no money to do anything but all the investigative work, which I believe is very useful. Thanks for what you and your group do. Can you give us a quick update on the National Ports Strategy? Apparently it still has not been released—or has it been?

**Mr Deegan:** Thank you for the encouragement about the long-term planning associated with the nation's infrastructure. The National Ports Strategy has been endorsed by transport ministers across the country and will now go to the Council of Australian Governments, hopefully at its next meeting. In any event, there have been significant shifts in arrangements around a number of our ports. As you may know, the Western Australian minister has undertaken and completed a review of the ports in Western Australia and has indicated a change in governance arrangements around those ports. I think that is a terrific move. Minister Buswell has taken a very active interest in the importance of his ports, given the size of them in Western Australia and their importance to the national economy. In South Australia, as you know, the major port there in Adelaide has already been privatised. Victoria continues to undertake work around Melbourne, Hastings, Geelong and Portland. There are difficult issues in Tasmania with the ports, and the government there is seeking to deal with those. New South Wales, as you will again be aware, has announced the proposed long-term lease of Port Botany and dealing with issues in Newcastle and Kembla. In Queensland, again, the Port of Brisbane has been privatised by the current government. In my view, we have seen significant improvements in the operation of that port and its supply chain. There remain some challenges in some of the logistics around Abbot Point, Townsville and the like. The Northern Territory has some challenges and opportunities in the port of Darwin, particularly with the Impex announcement. I think as a nation there is already a shift in focus. There is a lot more attention around our ports. I think that is good for the community and particularly for industry and to the benefit of taxpayers as part of that broader process—a lot more transparency around some of those arrangements.

**Senator IAN MACDONALD:** Has a final document been released on the port strategy?

**Mr Deegan:** Yes, and it is available on our website. I am happy to make that available to you. It includes a long-term recommendation that ports undertake a 50-year view of the growth of the port and the supply chain and also the range of key performance indicators so that the performance of our ports will be transparent to all.

**Senator IAN MACDONALD:** I have not read the strategy. Because of the recent movements which you spoke about, and without anticipating a change of government in Queensland—were that to happen I think there would be different arrangements with some of the other ports in Queensland—is the strategy already out of date or did it take into account this changing world that we are living in?

**Mr Deegan:** The strategy is designed to guide port owners and governments where appropriate and industry over the long term—over a 50-year view of how our ports operated. It will accommodate any of the proposed governance changes. A lot of these are happening from the initiative of some of the state ministers in any event. It will work hand in hand with that service.

**Senator IAN MACDONALD:** Did your strategy or your investigations involve the fiasco, I might almost call it, of what is happening in Sydney Harbour at the moment, with cruise ships having to park in the middle of the harbour and take rowboats into the shore because there is just no land there. There is the big Garden Island naval depot which many, including me, think perhaps has outlived its appropriateness in positioning. On the same note there is talk in the Defence Force Posture Review of moving ships to Townsville, Cairns, Darwin and perhaps even Gladstone. Has that been looked at in your assessment?

**Mr Deegan:** The strategic work that we have undertaken has included the impact the cruise ships have on our economy and then the cost associated with cruise ships in and around ports. We have a close working relationship with a number of the cruise operators and have undertaken to work with them and the 42 major ports around the country about the opportunities of better utilisation of existing assets and alternatives that might be necessary.

**Senator IAN MACDONALD:** We have only got 55 minutes for about five questioners. I would like to pursue that further but we do not have time; perhaps next Estimates. I will come on to Point Torment at the end because I know the chair and others want to pursue that as well. There is a real push, by certainly the local federal member and indeed myself and others, about a second entrance into Cairns. The state government is going ahead with one approach, which will mean 100 homes will have to be resumed and businesses shut down. Have you done on any work on that specifically in Cairns?

**Mr Deegan:** Not specifically on the entrance issues at Cairns. We have been looking at Cairns from a couple of perspectives. Our key interest in these issues is the supply chain that works to and from Cairns. You will be aware of, and we have spoken previously about, the work that Mount Isa to Townsville have done on their supply chain. I understand there is interest from Cairns in a similar approach. The Isa-Townsville report will be released publicly in the next couple of weeks and I hope will be a glowing approach to how we plan our ports and the supply chain for the long period. I think similar issues will occur from Cairns.

**Senator IAN MACDONALD:** Do you release that report or do you give it to the minister and he releases it?

**Mr Deegan:** No. This report is being done by the Mount Isa-Townsville enterprise arm, with our very strong support. They have done a magnificent piece of work.

**Senator IAN MACDONALD:** Excellent. I am pleased to hear you say that. I move on very quickly to Point Torment: could you give me an absolute precis of that? Then perhaps Senator Back and others might—

**Mr Deegan:** The extent of the precis is that I have spoken, as you have, with the local mayor, met with her in Broome when we were talking about issues in Broome as well, the interaction between Broome, Torment and Darwin, the opportunities associated with both goods and services moving from the oil and gas operations to the north and northwest of the country, how that might work with what is happening in Wyndham and Derby, a whole host of issues; trying to look at that in a comprehensive fashion. I think what Minister Buswell has done in the West Australian Government is to adopt that overarching view of where things might work with these ports and better coordination between them and also make sure that they are getting value for money.

**Senator IAN MACDONALD:** You, as Infrastructure Australia, have not done any specific work on Point Torment. I know, as you say, Mayor Elise Archer is very keen, and, indeed, newspaper reports of Indigenous—

**Mr Deegan:** A great advocate for issues in her area.

**Senator IAN MACDONALD:** She is a very good mayor. I take it you have not done any detailed study.

**Mr Deegan:** Not detailed study but, again, we work closely with our colleagues in the Western Australian government. As you know, the ports are owned by the state governments, or managed through them, but we are trying to work on a collaborative basis with our colleagues in Western Australia.

**Senator IAN MACDONALD:** I will leave it there.

**CHAIR:** Thank you, Senator McDonald. If we do have time, we will come back to you. While we are on Port Torment, I know, Senator Ludlam, you did have some questions. I have Senator Rhiannon on my list so I am mindful to get it all.

**Senator LUDLAM:** I was going to change the subject from Point Torment to transports. I am interested, firstly, in Western Australia's submissions to Infrastructure Australia. You are still holding regular funding rounds annually where people are putting submissions in?

**Mr Deegan:** Yes, we are.

**Senator LUDLAM:** How many submissions in total did you receive for the 2010-11 round?

**Mr Deegan:** 2011-2012: 41 formal submissions, with a price range of between \$30 billion and \$50 billion; 26 of those 41 are new or altered substantially. The Western Australian government has adopted a slightly different approach, where we are working a number of these projects up collaboratively; they are in addition to those 41 formal submissions and I think there are nine or 10 of those particular projects that we are looking at.

**Senator LUDLAM:** Nine or 10?

**Mr Deegan:** That is right.

**Senator LUDLAM:** You do not qualify them as formal proposals; they are things that have been hanging around, in some cases, for a couple of years, that were not approved.

**Mr Deegan:** The Western Australian government has adopted a different approach, one that I support, of working collaboratively on how these projects will be worked through.

**Senator LUDLAM:** I am presuming that, if I check your annual report, I will find what those listed nine or 10 are.

**Mr Deegan:** Yes. If there is an issue, I am happy to make that available.

**Senator LUDLAM:** No, that is fine.

**Mr Deegan:** We work closely with the Department of State Development, the Department of Premier and Cabinet and the various line agencies involved.

**Senator LUDLAM:** How many projects have you approved in total in Western Australia?

**Mr Deegan:** We are an advisory body, so we recommend to the federal government. The North Bridge rail project, which is currently under construction—

**Senator LUDLAM:** It is. It is making a big mess in the middle of town.

**Mr Deegan:** There is a big opportunity, I hope, for these construction activities.

**Senator LUDLAM:** No, I love it, I think it is going to be great, but it is making a big mess at the moment.

**Mr Deegan:** Inevitable, I am afraid, with major infrastructure projects in the middle of cities.

**CHAIR:** You can make as much mess as you like; I recommend as much mess as you like, Mr Deegan.

**Mr Deegan:** I think they are working fairly well. I have some difficult issues; it is a complex engineering job, North Bridge. Subject to further work, there is an allocation within the federal budget for the development of a port at Oakajee. I think they are the primary two projects, through our process, that we have been working on.

**Senator LUDLAM:** Just those two?

**Mr Deegan:** Yes. There are other projects that we are working on but those two have received support at different times.

**Senator LUDLAM:** Can you give us a rundown on why the priority list excluded the proposal from the Stirling Alliance?

**Mr Deegan:** We publish our analyses. I have met with the Stirling Alliance and, in my view, there is need, as is in most states, to think through the network impact across these various proposals. Often the proposals are localised and dealing with immediate issues, and often provide an answer to the wrong question. What is the problem that the Stirling Alliance is seeking to address—I use Stirling as an example but for a generic approach—what are the issues that they are seeking to resolve and why is their answer the best option to resolve that, particularly when there is a lot of money involved? That is the discussion we have been having with Stirling Alliance and others: firstly, how does this work on a network impact, in Perth and its environs; why that project against others; and what is the problem they are seeking to resolve and why is their particular solution the best one? That has been a very sensible discussion with the Stirling Alliance.

**Senator LUDLAM:** Is that one of the ones that stayed on the table; would you qualify that as in your list of nine or 10 that are being collaboratively worked through, or has it been withdrawn?

**Mr Deegan:** I would have to check the status of that.

**Senator LUDLAM:** Yes, if you could. You mentioned the kind of network effect at the outset of your comments. Is that relating to the fact that you would not qualify it as nation building if you are looking at one urban centre; you would want to know how it interacts with the whole city?

**Mr Deegan:** Ideally, we would like to see the network impact of all the proposals that we see, and I might talk later about particular projects that have done that. The project in Melbourne known as the Route 86 tram line is, we think, a small project but it has enormous demonstration benefit.

**Senator LUDLAM:** They have done the employment study of the number of jobs that are within a kilometre of the route.

**Mr Deegan:** And a whole range of issues around land use, integration with the transport routes; have looked at it in a holistic fashion and we think is a very clever piece of work.

**Senator LUDLAM:** Stirling Alliance is stuck because they are not the state government, or they are not the transport or planning department. They are trying to look after one particular piece of the city and I think what they are doing is ambitious and very positive but, unless the state government or a state agency steps up and helps with that whole-of-city agenda, they are snookered, are they not?

**Mr Deegan:** I take a slightly different view. The people in the Stirling Alliance are clever enough to think through the network impact. I think that they can take a holistic view. Most of those reports that states do about the cities are made public. It is a matter of integrating that and saying, 'This is how it would work.' It is a lot of money for a relatively small area, and is that value for money, given some of the other issues the nation is facing?

**Senator LUDLAM:** I still find some of the reasoning of Infrastructure Australia a bit opaque because they were knocked back with effectively a public transport and urban redevelopment proposal, whereas the proposal to widen Great Eastern Highway—it does not seem to be impossible to upgrade a freeway but it seems to be a lot harder to do an urban consolidation and redevelopment.

**Mr Deegan:** I think the evidence is to the contrary. We use the same approach for all projects that come through us. First we are seeking to identify clearly 'What is the problem they are seeking to be resolved?' Very few of the proposals we have seen, although there has been improvement in the last period, have clearly identified exactly what the problem they are seeking to resolve is. People jump to the answer without thinking through exactly what the question is and we are hoping to change that mindset.

**Senator LUDLAM:** I am going to return to a very familiar theme and I am sure you would really miss it if I did not ask you about oil prices and how you model them in your evaluation of different projects. What is your quantitative assessment of the global peaking of crude oil production?

**Mr Deegan:** We have done a lot of thinking about the issues that you have raised. We do not have a quantitative assessment at this stage; if you are privy to that elsewhere, I would be interested in that work. We continue to treat that issue seriously. There is, within the council, again as an advisory body, a view that for the short, medium and longer term there will be a much greater need for public transport in our cities to deal with the sorts of impacts and issues that you have raised.

**Senator LUDLAM:** On the Great Eastern Highway, we are spending billions of dollars upgrading roads and the Gillard government is boasting that has massively expanded road spending.

**Mr Deegan:** There are issues around the benefit and cost associated with these projects, there still remain issues; it is not a perfect world.

**Senator LUDLAM:** Those assessments are very sensitive to your input prices of oil.

**Mr Deegan:** There is a range of issues. We continue to try and deal with that issue.

**Senator LUDLAM:** The reason I humbug you about it is because—as you would probably be more aware than anybody else in the country—this stuff takes a long time, you cannot just turn a switch and suddenly have built the infrastructure that we are going to need. It occurs to me that we are still engaged on an urban freeway bender and we are not getting the urban public transport projects under way.

**Mr Deegan:** Again, three and a half years ago, the Commonwealth government had not supported any public transport projects. We have seen a massive change in approach in just a short period and I think that bodes well for the future.

**Senator LUDLAM:** What happens if there is an oil shock? What happens if there is something in the Gulf? People like BITRE and obviously ASPO and other analysts are saying that we are not far from a serious spike in oil prices? Will that cause you to re-evaluate the way you assess projects and would some things that are currently in the pipeline drop off?

**Mr Deegan:** I think the answer would be that we continue to assess that, we continue to think of those risks, and if there was a sudden shock, yes, we would continue to review exactly how we are approaching this task, as will other sections of government, federal, state and local.

**Senator LUDLAM:** In the meantime it is full steam ahead with freeways. Are we going to wait until there is an oil shock until we change?

**Mr Deegan:** No, that is not correct. We have put a lot of effort into thinking about how to get the benefit-cost work done, particularly in public transport. We have seen very good public transport projects out of Victoria and South Australia. The Cross River Rail project in Brisbane—which, in my view, will move to the ready-to-proceed category; that will be my advice to the Infrastructure Australia Council—is an outstanding piece of work about integrating public interest into a very large, growing city and I think, should that proceed, will be a transformational project for the City of Brisbane.

**Senator LUDLAM:** I have met with some of the folks putting that bid together and I agree that it is very impressive, but the problem is that it still appears very scattershot and, for every one of those where people are thinking really hard about agglomeration benefits and how to model the collateral benefits of doing public transport, there is a kind of daft approach. Maybe I am just grumpy because Western Australia seems to be the worst of the lot; we are not putting up anything progressive.

**Mr Deegan:** I would hope you were not grumpy about it. There are a lot of people working, as you are, on changing the culture around these issues, but it is not going to happen overnight, notwithstanding the big challenges that are in front of us.

**Senator LUDLAM:** Chair, I will come back later if there is time.

**CHAIR:** No worries. Thank you. Senator Macdonald, I think you just want to say something before I go to Senator Back.

**Senator IAN MACDONALD:** I was mentioning other senators were interested in Point Torment, and I think Senator Back might have a question, but I wanted to mention in that context that Senator Adams, who unfortunately is ill, has been a great supporter and works very closely with the mayor on a lot of things up there. So I know she would be interested in the answers you are giving as well.

**CHAIR:** We do wish Senator Adams all the very best. Senator Back.

**Senator BACK:** Thank you for that; I will pass that on to her. Thank you very much, Mr Deegan. I am particularly interested in what the government's plan is for a supply port out of Derby. Impex looks like it is going ahead with whatever else happens. Broome certainly is not a location for a port for supplying the offshore oil and gas industry. Can you tell us what Infrastructure Australia's plans are, please?

**Mr Deegan:** Again, what we have provided to this federal government and, indeed, through that process to the Council of Australian Governments, is a long-term view of how we build the strategic approaches around each of the ports and how they might interact; how do Melbourne and Sydney interact, Sydney-Brisbane, Melbourne-Brisbane, and the like? I was mentioning before that Minister Buswell in the Western Australian government has undertaken a major review of the governance for those ports and has announced and released his view of a consolidation of those governance arrangements. I think that is a good idea; he has done a good job. He has taken a very active interest in the economic performance and financial performance of the ports and brought a fresh approach to how those ports might be managed. In that context the Western Australian government will be thinking of the interaction between Broome, Derby, operations and issues in and around Wyndham and then what happens with the Impex announcement around Darwin. All those things are starting to be thought through together; I think that is a very positive sign.

**Senator BACK:** You are, at this stage, then, more reliant on what the Western Australian state government's direction is before Infrastructure Australia involves itself to any greater extent?

**Mr Deegan:** I made the point earlier: the states are the owners of the ports, so the federal government does not have any formal role other than through Customs and AQIS and the like. The Council of Australian Governments is yet to finally endorse the National Ports Strategy but I am confident that will occur, given that all the transport ministers have now endorsed that approach. That will build a collaborative relationship between the Commonwealth and the states around the operations of our ports.

**Senator BACK:** With the chairman's concurrence, can you give us any update from your perspective on the port of Oakajee, north of Geraldton, where we are with its development?

**Mr Deegan:** I have a meeting later this week with the CEO of the Oakajee Port and Rail group. They are clearly doing a lot of work, there are lots of issues, as you have seen in the media, around the ownership structure, and we continue to work very closely with John Langoulant and his people.

**Senator BACK:** Thank you.

**CHAIR:** Before I go to Senator Rhiannon, could you just remind the committee of how much money is being committed to the Oakajee project from both the federal and state government and industry?

**Ms O'Connell:** The commitment from the federal government to Oakajee is an equity injection of \$339 million.

**Mr Deegan:** Subject to final advice from Infrastructure Australia, as the government and the industry are trying to put together the final package.

**CHAIR:** Is there a dollar figure on the table from the state government?

**Mr Deegan:** Matching amount, as I understand.

**CHAIR:** Do we have any figures from industry? It has been around for so long now, I am starting to think it is a bit like the redevelopment of the waterfront and the new football stadium for Perth. That is not a slap against the state government; it has been around for a long time.

**Mr Deegan:** Industry is clearly working through what capital amounts would be required. We are talking billions of dollars; it is a very significant project.

**CHAIR:** Thanks, Mr Deegan. I am getting fingers waved at me from Senator Heffernan. Does that mean you wish to ask some questions on this?

**Senator HEFFERNAN:** I want to ask some questions about potential—

**CHAIR:** I will come to you, Senator Heffernan. I will go to Senator Rhiannon and then I will come to you. We have still got till past 10 past 11 but I think there is a desire by your colleagues to move to Nation Building earlier, if we can.

**Senator HEFFERNAN:** This may fit into that anyhow. I will seek some guidance.

**CHAIR:** Senator Rhiannon.

**Senator RHIANNON:** Mr Deegan, I understand that \$550 million has been allocated by the Commonwealth up to 2013 on coal lines in the Hunter. Could you inform the committee how much Commonwealth money is going into coal rail infrastructure across the whole country?

**Mr Deegan:** I do not have those figures. That would be something the department may be able to respond to or, indeed, John Fullerton from ARTC.

**Mr Mrdak:** If I may, as Mr Fullerton has indicated, the Commonwealth focus on coal infrastructure is largely through the ARTC, through the ARTC projects in the Hunter. I am not aware of any other coal projects that we are supporting.

**Senator RHIANNON:** That is what I am trying to ascertain because the ARTC just said that they are only doing it in the Hunter, but there is Commonwealth money in the Hunter. I am trying to ascertain if there is anything other than ARTC outside of the Hunter.

**Mr Mrdak:** Not in the current program.

**Ms O'Connell:** If I could elaborate, there is one small project that involves coal in Tasmania and Mr Wood will address that.

**Mr Wood:** There are a number of upgrades to rail lines being made in Tasmania, one of which does support coal operations. I will turn to my notes and clarify which one of those it is. It is of a much smaller scale than the operations in the Hunter but equally of importance to the Tasmanian sector.

**Senator RHIANNON:** I am happy for you to take that on notice. No other money being spent on infrastructure related to the coal industry. Thank you very much. I was interested in, with Infrastructure Australia, understanding the relationship with ARTC in developing the Hunter Valley strategy.

**Mr Deegan:** We at Infrastructure Australia are undertaking two pieces of work: the first is the National Ports Strategy, so taking a view about the connection between supply chain and point, whether it be agriculture, coal, iron ore or other goods and services, containers, for example, in the major cities; and we released, February last year, a draft National Land Freight Strategy, which deals with road and rail issues in the freight industry. Both of those documents are publicly available. We hope to release a further piece of work on the National Land Freight Strategy in the next little while.

**Senator RHIANNON:** I was specifically interested in the Hunter Valley strategy, understanding the working relationship there.

**Mr Deegan:** I understand. ARTC are dealing primarily with the port and the industry on those issues. It is a relatively small but important part of a larger jigsaw we are trying to pull together about a long-term view of our

land freight movements across the country. In terms of the detail, that is largely between ARTC, the department, the New South Wales Government and the various operators in the Hunter.

**Senator RHIANNON:** What I was also interested in understanding, in determining the projects and the climate change implications, do you take advice from other departments or does Infrastructure Australia itself assess how climate change implications and the planning requirements sit together?

**Mr Deegan:** A combination of both of those and also getting advice from international players about the potential impact of climate change on the infrastructure with which we deal.

**Senator RHIANNON:** Do you see that the climate change policy and the carbon price is a risk in your strategic planning? How do you approach it?

**Mr Deegan:** It is probably better not to go to policy issues, but we do take those issues into account.

**Senator RHIANNON:** I would like to move on to the Sydney metropolitan freight network. We did have some discussion with ARTC but I am interested in receiving a breakdown of spending on the Southern Sydney Freight Line by financial year and by spending category.

**Mr Deegan:** Infrastructure Australia is a policy advisory group. Either the department or ARTC could give you those details. Let me say, we are hugely keen on the Southern Sydney Freight Line to move a lot more of the goods and services in and out of the port by rail freight; we think that is a positive move and the issues associated with that.

**Senator RHIANNON:** The problem we have had is that we have asked for the figures a number of times and it just keeps on being delayed.

**Mr Deegan:** There is no delay on my part. It is not an area that I have any detail of.

**Mr Mrdak:** Senator, I think Mr Fullerton did undertake to provide that information on notice.

**Senator RHIANNON:** It is just that we have asked before and it is one of those ones that has not happened. If you could speed it up, I would really appreciate it, Mr Mrdak.

**Mr Mrdak:** Certainly.

**Senator RHIANNON:** Maybe this one comes back to you, Mr Mrdak. The last estimates were the day after the Prime Minister made a statement about the Maldon to Dombarton rail line, and we had some discussions about that. Mr Wood, in response to one of my questions, because I had asked about China Shenhua's involvement, states:

I am not aware of China Shenhua's specific plans. Certainly it would be part of a rail network which would link through to the Hunter, out to Gunnedah and through Sydney.

My question is: what is Shenhua's involvement in these discussions and what are these discussions about a rail network from the Hunter to Sydney?

**Mr Wood:** It is true, as I stated last time, that the Maldon to Dombarton line, if built, would be part of the rail network; it would connect to the main north-south line, which would then travel through Sydney and would enable connections to the Hunter. That said, to clarify, the main intent by the proponents of that line over years has been more about servicing the western coalfields, Lithgow and areas there, and there have been interests there who have been pushing that. It would also enable rail connections to the Hunter. I am not aware of any involvement of China Shenhua in that.

**Senator RHIANNON:** You say you are not aware. Could I ask you to take it on notice so that can be confirmed?

**Mr Wood:** The only involvement we would have had in the development of that project is if China Shenhua were consulted in the study for the Maldon-Dombarton link. My recollection is that it was not the case, they did not choose to make a submission, but we can certainly check that and confirm on notice.

**Senator RHIANNON:** Thank you. I would like to move on to the Moorebank Intermodal. The budget allocates \$70.7 million to complete the detailed planning on this project. I was interested in understanding what the \$70 million will be spent on, in the context of that project. Within that response, could it also be clarified who the proponent is? Is it the government or is it the Sydney Intermodal Terminal Alliance?

**Ms O'Connell:** The government made a commitment to developing a business case for the Moorebank Intermodal precinct and part of that is the allocation of \$70 million in terms of doing the requisite studies. Roughly 50 per cent of that is in relation to Department of Defence and looking at the relocation of the current base and defence facilities at Moorebank, and the other half of the allocation is being managed by Department of

Finance and Deregulation and, as John Fullerton spoke earlier about the Moorebank Project Office, to develop and put forward a business case in relation to the establishment of an intermodal terminal at Moorebank.

**Senator HEFFERNAN:** How do you ever know whether you are getting value for money? I am sure she would like to know.

**Senator IAN MACDONALD:** Senator Rhiannon's questions are not to Infrastructure Australia. If that is the case, perhaps we should finish Infrastructure Australia because there are 10 senators, with 55 minutes, to ask about Infrastructure Australia. Senator Rhiannon has now been going for 10 minutes, which is more than anyone else has, because we have all curtailed ourselves. I am not being critical of Senator Rhiannon but I have curtailed mine because I know we have limited time. Perhaps, if there are no more for Mr Deegan, we could go on to Nation Building and share what would then be 65 minutes between the 10 people who want to ask questions.

**CHAIR:** I agree with you because I have listened attentively and you have not put a question to Mr Deegan for probably about the last three or four. On that, Senator Rhiannon, and I am not taking time off you—

**Senator HEFFERNAN:** Is Mr Deegan leaving?

**CHAIR:** No, not yet. I am supporting Senator Macdonald's request that, if you have finished with Infrastructure Australia, Senator Rhiannon, it would assist the committee if we could go to Senator Heffernan. You will get a chance, if the questions are better directed, in Nation Building.

**Senator RHIANNON:** Could I just finish off then? I do find it sometimes confusing to understand the responsibilities. Mr Deegan, could you just outline the current involvement in the Moorebank Intermodal Terminal Project?

**Mr Deegan:** A number of years ago we were asked by the federal minister for our advice on the development of the proposed intermodal terminal at Moorebank. The Infrastructure Australia Council is of the considered view that it is one of the most important infrastructure needs in the nation, particularly if we were to move more freight by rail, for the operation of not just Sydney but also Melbourne and indeed the rest of the country. That facility is a very important need for the nation. The departments in Canberra are working with the New South Wales government directly on the detail of that. We were involved initially in the policy work. We do not have any formal involvement, other than our chairman working with the Chair of Infrastructure New South Wales seeking to advance the cause and the commencement of that important project.

**Senator RHIANNON:** Thank you.

**CHAIR:** Thank you. Senator Heffernan.

**Senator HEFFERNAN:** We have flown on to—

**CHAIR:** No, we are still with Mr Deegan and Infrastructure Australia but, if it is your desire to ask Nation Building, I will come to you first.

**Senator HEFFERNAN:** I will seek some guidance. I want to talk about the proposed abattoir in Darwin which requires about a \$35 million infrastructure surround. It will save, according to the AA Company, 6,600,000 road kilometres a year by killing the cattle there instead of carting them south. Are you familiar with that proposition?

**Mr Deegan:** I am aware of the proposition, but not formally involved.

**Senator HEFFERNAN:** Could you give me some guidance as to where I might ask some questions about this?

**Mr Deegan:** To be honest, probably the abattoirs should come and have a talk to us and let us know what they are trying to do. I am not sure of the formal process.

**Senator HEFFERNAN:** Mr Mrdak, I might just inquire of you: should we do this in Nation Building or now?

**Mr Mrdak:** Probably in Nation Building, I think. We have had some initial discussions with the Northern Territory government but they are very preliminary.

**CHAIR:** That is great, thanks, Mr Mrdak. Thanks, Senator Heffernan.

**Senator HEFFERNAN:** Can I come back to it in Nation Building?

**CHAIR:** Yes, you can. On Senator Rhiannon's line of questioning, Mr Mrdak, which can be taken on notice, could you provide us with how many dollars the government has committed to urban passenger rail and what projects?

**Mr Mrdak:** As Mr Deegan has indicated, \$3.6 billion in urban passenger rail projects by this government, but I am happy to provide a breakdown of that.

**Senator LUDLAM:** Was that money spent or money committed?

**Mr Mrdak:** They are all projects underway, so some of the money has been spent, but I will give you a breakdown of that.

**CHAIR:** Mr Deegan, once again, thank you very much and we look forward to seeing you again in May.

**Mr Deegan:** Thank you, and thank you, senators.

**CHAIR:** Mr Mrdak, can we have officers from Nation Building-Infrastructure Investment.

**Mr Mrdak:** Certainly, Senator, I think we are right to go.

**CHAIR:** I am going to run it at six minutes each. Go for it, Senator Heffernan.

**Senator HEFFERNAN:** The development application has been lodged for the abattoir in the Northern Territory, which you will have followed about the live export drama and all that. They were expecting the public environmental review and application approval by 31 March. It involves 260 permanent jobs and a reduction in road kilometres of 6.6 million per annum. It is value adding to the Northern Territory cattle industry; development of a food export port at Darwin aligned with the clean energies policy. It is an \$80 million development budget and it requires Northern Territory and federal government support with community based asset development. In that development there is a need for 145 refrigerated points required at port, access roads on and off the highway. At the present time they have just been told, 'Just turn off at the road trains, she'll be right, mate.' There is no provision to sort out the turnoff. They need utilities delivered to the site of gas, water, electricity, medical facilities and training facilities. Total non-site infrastructure expenditure required is \$35 million, which requires either the Northern Territory or federal government. If the AA company says they cannot develop government assets, where do I go from here, because this is important for the future of the Northern Territory pastoral industry?

**Mr Mrdak:** We have had some initial discussions with the Northern Territory departments around these proposals. We have been provided with some very preliminary information as the project has been developed. I might ask Mr Jagers to give you an update, but we have been advised of the infrastructure needs. We have not been involved in other things, such as power and other things, but in road and port infrastructure we have had some preliminary discussion with the NT government. They have not gone much beyond that at this stage. I will check if there is anything more we can add.

**Mr Jagers:** That is correct, we have had some preliminary discussions with the Northern Territory government about the scope of the project, the issues that need to be resolved with the project and where they might be seeking some assistance from the Commonwealth. Those discussions occurred early December and also in January and we are still getting detailed project details through from the Northern Territory government.

**Senator HEFFERNAN:** Would it assist the federal government and the minister if we could have some direct discussions between the feds and the AA company surrounding these. Saving 6.6 million road kilometres a year is pretty fair freight saving and energy and all the rest of it.

**Mr Mrdak:** We would certainly be happy to have the discussions with the company, along with the Northern Territory government. As Mr Jagers indicated, we are waiting for a refined proposal from the NT.

**Senator HEFFERNAN:** Do I go through the minister's office? Would I have to do that and organise this meeting?

**Mr Mrdak:** We can do that or directly with officers of the department. We are happy to do that.

**Senator HEFFERNAN:** If you do not mind through you, Mr Chairman, I will be in touch with the CEO Mr Farley and promote the opportunity. It sounds like a great setup to me. Thanks very much, Mr Mrdak.

**Senator IAN MACDONALD:** The Yeppen Floodplain study: has that been released yet?

**Ms O'Connell:** My colleague Roland Pittar will address the floodplain study.

**Mr Jagers:** I understand that the study has not been released yet.

**Senator IAN MACDONALD:** Minister Albanese has had it for some time. Is that correct? When did he get it?

**Mr Pittar:** My understanding is that the Yeppen Floodplain study is still with the Queensland government and has not come to the Australian government as a final report at this stage.

**Senator IAN MACDONALD:** Have you any idea when it is to come?

**Mr Pittar:** We do not have a clear picture of that, but I would anticipate that it could well be within the next month or two. We do not have clear information on that.

**Senator IAN MACDONALD:** It was due for release mid-last year. You are saying that it is no fault of the Commonwealth that it has not been released.

**Mr Pittar:** I would say through no fault of anyone. The study is quite a complex study looking at a range of matters associated with potential alignments, hydrology and so on. It is also a process that, as I am sure you are aware, has involved some extensive public consultation, so quite a complex study. It has taken time.

**Senator IAN MACDONALD:** Does it address a third bridge across the Fitzroy River?

**Mr Pittar:** It is dealing with broad questions of alignment. There are issues associated with the crossing of the Yeppen Floodplain to the south of the roundabout. There are also matters that relate to crossing the river Yeppen Lagoon.

**Senator IAN MACDONALD:** We have to try to stick to the answers because I have only six minutes. That is funded by both Commonwealth and the state?

**Mr Pittar:** That is a Commonwealth funded study. The Commonwealth funding is \$5 million, if my memory serves me correctly.

**Senator IAN MACDONALD:** Yet you have not released it because the state has not released it to you.

**Mr Pittar:** The state is responsible for preparing the report through consultants. The normal course of events would see—

**Senator IAN MACDONALD:** You are paying for it.

**Mr Pittar:** Correct.

**Senator IAN MACDONALD:** You think it might be in the next few weeks.

**Mr Pittar:** No, in next couple of months we would anticipate, some time in that sort of timeframe.

**Senator IAN MACDONALD:** It certainly will not be in the next couple of months because there is an election in Queensland and the government should be in caretaker mode now. I assume there would be no major announcements of this between now and the Queensland election. Will it be released by you or by Queensland?

**Mr Pittar:** Generally with these sorts of studies they are released essentially simultaneously. Once ministers have had an opportunity to consider them, they will be released.

**Senator IAN MACDONALD:** I know Mr Albanese would not breach convention by in any way making an announcement like this during the Queensland election. The Yeppen crossing upgrade: where is that at the moment? Tenders were sought, I understand, earlier this month.

**Mr Pittar:** That is correct. This is the Yeppen bridge and roundabout, the intersection of the Bruce and Capricorn Highway work. Tenders were called earlier this month and we would anticipate construction starting on that around the middle of 2012.

**Senator IAN MACDONALD:** That is principally federal funding again?

**Mr Pittar:** That entire project is \$85 million and the federal government is contributing 80 per cent of the overall cost of that.

**Senator IAN MACDONALD:** Last estimates you told me about the Vantassel Street project in Townsville and that you had not then received a project proposal again from the Queensland government. Have you since received that report from the Queensland government?

**Mr Pittar:** No.

**Senator IAN MACDONALD:** You have no idea when that will come?

**Mr Pittar:** I do not have a clear timeframe on that.

**Senator IAN MACDONALD:** Again, the funding is being shared on that when it goes ahead.

**Mr Pittar:** That is an 80/20 shared project.

**Senator IAN MACDONALD:** That is another one which I am sure will not be released between now and the Queensland state election because I know everyone will follow the caretaker convention. With the reconstruction phase of roads in Queensland as a result of Cyclone Yasi and the floods, apart from the NDRRA contributions, is the Commonwealth in any way involved in that repair and construction?

**Mr Pittar:** We have projects such as overtaking lanes, strengthening and widening, which will be involved because if a stretch of highway has been damaged by natural disaster and has been brought back to current standards by NDRRA, and we are looking at, say, having overtaking lanes in that region as well, it makes sense to

coordinate some of those works. They will be coordinated. The Nation Building funded elements and the NDRRA funded elements will be coordinated to maximise—

**Ms O'Connell:** It is the Queensland Department of Transport and Main Roads that is responsible for issuing tenders, having construction work done and the road construction work.

**Senator IAN MACDONALD:** Seeing we are paying 80 per cent, can you find out on notice for me why the Queensland government now refuses to put detours along the side of the road as they have done since time immemorial? Now they insist on stopping one lane of traffic on the Bruce Highway for up to five or 10 minutes at a time with no interest, it seems to me, in the travelling public or travelling freight trucks that run up and down that road. There are places where they could put a grader in and put the road around it. I am not sure if it is just in Queensland but everywhere now. I guess they do not have the money to put a road around. There are people they pay to hold stop signs and there must be a cost to industry. People are constantly stopping and starting when they are doing four or five projects in one stretch of road. It is just incredibly, in my view, inefficient. Perhaps on notice you could find out why they do not put the passing lanes around there.

**Mr Pittar:** We will follow that up with Queensland.

**Senator EDWARDS:** I would like to take you to Adelaide to the O-Bahn project which was deferred when funds were deferred to the Queensland fund relief, particularly the city access project. What is the status of that? There was \$5 million which was spent on project feasibility, planning and everything which then just stopped. That material is still available to the department. Is there a plan to get this project up and running again in the short term?

**Mr Mrdak:** Not that I am aware of. The commitment has ended. As you have said, there was an amount spent on preplanning and design work. That material is available to the South Australian and local governments, but there is no proposal to reactivate the O-Bahn project as far as I am aware at this point.

**Senator EDWARDS:** Has the South Australian government asked you to pursue costings on that project and to provide them with costings to get that project underway, and for co-investment?

**Mr Mrdak:** I am not aware whether any further work has been done by us in South Australia since the decision was taken to withdraw the funding.

**Senator EDWARDS:** No request from the South Australian government to revisit the O-Bahn extension?

**Mr Mrdak:** I will just check with my colleagues. Not that I am aware of, no.

**Senator EDWARDS:** I go then to the Gawler rail electrification project. Is this project running on time and on budget?

**Mr Wood:** The project is running on time. South Australia has brought forward some of the electrification works into this financial year, works that had been planned for the next financial year. My understanding is the project is running on time and on schedule. For the electrification works for South Australia as a whole, there have been some changes in costs. That is an issue for the South Australian government which was addressed through the South Australian budget process. The Commonwealth contribution for the project is capped.

**Senator EDWARDS:** Define 'changes'.

**Mr Wood:** It is a matter for the South Australian government because it relates to the broader electrification project—

**Senator EDWARDS:** There has been a cost blow-out, has there?

**Mr Wood:** The electrification of the South Australian network is not an Australian government project; it is a matter for South Australia. We are funding one aspect of that. The funding that we are providing is capped. There has been a provision by South Australia of additional funding to the electrification of its network as a whole. It is a matter for the South Australian government and was dealt with through their budget process.

**Senator EDWARDS:** What has the Australian federal government capped that on?

**Mr Jagers:** \$295.5 million.

**Senator EDWARDS:** You expect to spend that by when?

**Mr Jagers:** It is being spent in the Nation Building Program, so the period to the end of 12-13.

**Senator EDWARDS:** On the Gawler project, what has the cost blown out to now, overall, in percentage terms?

**Mr Wood:** I do not have a percentage term. As I say, our contribution to the project is capped. It is not a direct attribution because it is part of a broader electrification project. I understand that South Australia has committed in the order of \$70 million to its electrification works.

**Ms O'Connell:** Specifically, the Gawler line electrification, which is the federal government project, as we said earlier, is running on time and on budget.

**Senator EDWARDS:** The track that is currently closed: there is no overrun in time there?

**Mr Wood:** The last information I had—I was in Adelaide a week or so ago speaking with the project managers—in addition to our regular reporting, I am advised that the project is running on time.

**Senator EDWARDS:** There is a private company, there have been media reports—Penrice Soda—that have said that they have been critical of the progress that has been made with the works and they have lost \$4 million in alternative freight opportunities. Is that a fair criticism?

**CHAIR:** Before you answer, sorry, Mr Wood, in the issue of fairness to members, I do have to move on.

**Senator EDWARDS:** Is it six minutes?

**CHAIR:** You have this one but, so I am not accused of any bias, if there is time left over I will come back to you.

**Senator EDWARDS:** Was that six minutes?

**CHAIR:** Unfortunately it is five now.

**Mr Wood:** I am not aware of those specific criticisms. I am aware that Penrice was closely consulted in the development of a project by the South Australian authorities; I am not aware of the recent things. There certainly has been some disruption to their activities because they use part of that—I cannot recall if they use part of that line or have a crossing there. It is an issue that was considered some time ago; I am not aware of the more recent criticisms.

**CHAIR:** Thanks, Senator Edwards. Senator Back.

**Senator BACK:** It is Senator Macdonald now.

**CHAIR:** Sure. Can I just check, Senator Ludlam, you do not have any questions?

**Senator LUDLAM:** In Nation Building I do.

**CHAIR:** Thanks, Senator Macdonald. Senator Ludlam.

**Senator LUDLAM:** Thanks, Chair. Am I watching the clock for six minutes? Is that how we do it?

**CHAIR:** Six minutes, yes. You get a bell, unfortunately, at this stage.

**Senator LUDLAM:** Crack the whip.

**CHAIR:** I am so sorry; Senator Williams.

**Senator WILLIAMS:** Clock starts now, Chair?

**CHAIR:** It starts now, at 11.03.

**Senator WILLIAMS:** Mr Mrdak, looking at the maintenance of New England Highway, there are media reports like 'Motorists dance with danger on New England Highway'. In 'Wheels wounded on wrecked New England North West roads,' one of the tyre repairers says:

On Tuesday, one lady brought in a 17-inch chrome wheel of a Mitsubishi Lancer that had been split in two after coming into contact with a pothole.

It's one of the worst I have seen ...

There is some serious trouble under our roads. I drive from Armidale to Guyra. What is the story? The federal government funds the state governments to maintain those national roads; who does maintenance? That is what I am asking.

**Mr Mrdak:** The maintenance is the responsibility of the asset owner, which is the New South Wales roads and maritime portfolio. We provide an annual maintenance amount—I will just get my colleagues to give you that number—which is provided for our contribution to maintenance on the national network.

**Ms O'Connell:** Our contribution to maintenance in the 2011-12 financial year for New South Wales is \$114 million.

**Senator WILLIAMS:** Is that for the Pacific Highway as well as New England?

**Ms O'Connell:** That is for maintenance of all of the road assets under the Nation Building Program.

**Senator WILLIAMS:** Please take this on notice for me: could you give us the three years prior to this year? How much money for New South Wales alone on maintenance—that is what I am interested in.

**Ms O'Connell:** Yes.

**Senator WILLIAMS:** That would be good. Thanks.

**Mr Foulds:** I can give you last year's: 2010-11 was \$111 million; this year is \$114 million; and the projection for 12-13 is \$110 million.

**Senator WILLIAMS:** Going down next year?

**Mr Foulds:** No. It varies on a formula and it is a zero-sum gain of 300 million on vehicle kilometres travelled, lane travelled and roughness. More or less, that is the sort of figure: 111, 114, 110.

**Senator WILLIAMS:** No doubt the weather has had a lot to do with it: extreme wet, and moisture seeping under the bitumen and foundations and the base softening; plus the trucks on New England Highway, because of the New England Highway being blocked the last couple of weeks with the floods. In times like this is there any consideration for extra funding for maintenance if they cannot maintain it?

**Ms O'Connell:** The allocation is done by New South Wales. We have agreed to take on notice to get from New South Wales their allocation by part of the National Network.

**Senator WILLIAMS:** I move on now to the Pacific Highway funding arrangements. In relation to the Pacific Highway duplication, can you please provide me an updated figure on the percentage of highway still to be duplicated and how many kilometres that is in that percentage or kilometres?

**Ms O'Connell:** Certainly.

**Mr Jagers:** To date, 346 kilometres, or 52 per cent, of the highway has been duplicated; a further 69 kilometres, or nine per cent, is currently under construction; and there is a further two per cent that is about to commence construction as well.

**Senator WILLIAMS:** Can you confirm that there was no additional funding committed to the highway in the MYEFO?

**Mr Mrdak:** Not in the MYEFO. The last commitment was done through the budget last year.

**Senator WILLIAMS:** The MYEFO, the six-month one, there was no extra money in that?

**Mr Mrdak:** That is correct.

**Senator WILLIAMS:** The funding still remains at \$6 billion to \$7 billion to have it completed by 2016?

**Mr Mrdak:** Yes.

**Senator WILLIAMS:** The New South Wales government has been arguing for an 80:20 funding split for the remaining sections of the duplication. What consideration has the department given to this?

**Mr Mrdak:** We have been engaging in discussions. The government's position has been clear and it is a consistent position of the former and current government, which is that funding should be done on a co-contribution basis of 50:50. That remains the basis on which the Commonwealth is engaging in discussions.

**Senator WILLIAMS:** Have some sections of that road already been funded under an 80:20 arrangement?

**Mr Mrdak:** Funding arrangements have varied. The history of this is that over the last few years the Commonwealth has contributed around \$4.1 billion to the project. If you look at the overall contribution since 1996, it has varied on sections. In the last few years the Commonwealth has carried a larger share of the funding, but that has not always been the case.

**Senator WILLIAMS:** There have been some sections done under the 80:20 mark?

**Mr Mrdak:** Some have. Other parts have been Commonwealth 100 per cent funded and other parts have been shared funded.

**Senator WILLIAMS:** Can you provide a list of all those sections of highway undertaken with an 80:20 funding arrangement? Take that on notice, if you like.

**Mr Mrdak:** Yes.

**Senator WILLIAMS:** Can you give me an idea of what section of the highway has been funded using the 50:50 funding arrangement please? On notice is fine. Is it correct that the Kempsey bypass was the only section built using 100 per cent federal funding?

**Ms O'Connell:** I believe that is the case. That was specifically a stimulus measure as well.

**Senator WILLIAMS:** Is it correct that, in the current five-year funding agreements, 2008-9 to 2013-14, the funding split is 80:20?

**CHAIR:** I will have to make that the last one, Senator Williams.

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

**Senator LUDLAM:** I am going to pick up on a couple of themes from the last time we spoke, which was in October, about cycling, and whether or not cycling and assisting people to get out of cars and onto bikes counts as Nation Building. The easy answer is 'No,' since we do not fund it, but I am interested to know how Nation Building 2 will be used to support the objectives of the National Urban Policy. It says that it will. Can you talk us through how it will do that?

**Mr Mrdak:** Nation Building 2 is under consideration by the government. Work is now being undertaken with the jurisdictions. They will be matters for consideration for the government in the coming years. Certainly the government has made a commitment, in the National Urban Policy that was released last year, that future Commonwealth infrastructure investment will be geared towards achieving those urban outcomes. As we discussed earlier, we have already seen a significant lift in Commonwealth expenditure in urban public transport. That commitment is now some \$7.3 billion in urban public rail alone and urban public transport. The additional areas, such as active transport, will be considered in the light of those commitments.

**Senator LUDLAM:** The minister took a question on notice last time as to whether there would be consideration of a stand-alone funding commitment for cycling and active transport in the next budget. Senator Carr said he would take it on notice and then he came back on notice and said, 'It will be announced on budget night.' He probably could have given me that at the table. Rather than asking the same thing again, Minister, how important do you consider it that there be a funding commitment for cycling, given all the other objectives that we have been talking about?

**Senator Carr:** I am sorry I cannot enlighten you further than the previous conversation, which suggested the government has these matters under active consideration and will advise the parliament in the normal way.

**Senator LUDLAM:** The National Cycling Strategy says you want to double the number of people cycling in Australia by 2016. It is not hugely ambitious but it is good. How are you going to do that without money?

**Senator Carr:** That is the issue that is under discussion at the moment. The whole issue of budgetary allocation is a question that is before government.

**Senator LUDLAM:** Has the government signed on to any national strategy to double the number of people in cars by 2016?

**Mr Mrdak:** No.

**Senator LUDLAM:** Apart from the Major Cities Unit, who I think are up a little bit later, is there any arm of the department, any section or unit, looking at active transport, or are they it—is that where our expertise resides?

**Mr Mrdak:** There is work ongoing, both in the Major Cities Unit and in this Nation Building area. As we have discussed previously, when we consider funding proposals for infrastructure—I think in the past we have had conversations about the large number of road projects that have included access facilities for cycling. On top of that, obviously, there has been a considerable Australian government investment in the \$40 million program, which we have discussed in the past. Work right across the portfolio engages on active transport matters.

**Senator LUDLAM:** Where we got to last time was that it appears you cannot fund cycling infrastructure unless it is attached to a freeway in Australia and the \$40 million you mentioned was a one-off that the Greens negotiated into the stimulus package and is long gone—very successful, well-spent, no scandals, which is why most people do not know that it existed, but long gone—and there has not, as far as I can tell, been a dollar in spending since then.

**Mr Mrdak:** As we have discussed previously, there is considerable investment in cycling facilities as part of our investment in the national road and rail network.

**Senator LUDLAM:** Yes, but that is being read a bit satirically in the cycling community: 'The only time the Commonwealth will spend a dollar on bicycles is if it is next to a freeway.'

**Mr Mrdak:** No, I think you have said yourself: a very successful Commonwealth investment in the national—

**Senator LUDLAM:** Yes, but it is a one-off. What I am asking for, and have been asking for for the last couple of rounds of this, is: is it just a fund of money that, when it is spent, is finished, and everybody goes off

and does something else? We need a standing appropriation for cycling, as many states and local governments have.

**Mr Mrdak:** As the minister has outlined to you this morning, they are matters which are under government consideration.

**Senator LUDLAM:** We will have to see during the budget. I will leave it there.

**Senator RHIANNON:** Picking up on that, I was interested in what Senator Ludlam had to say. With these programs where you are linking the cycling routes to motorways, do you have provisions that that must be retained as a cycling path? Why I ask that question is that in New South Wales there have been incidents where the cycling path had to be built as part of the motorway project but then there was nothing stopping it being removed, because they could legally do that. We have had that situation in two motorways—Cross City Tunnel and part of the Lane Cove motorway, not the Lane Cove Tunnel. Have you built something in so these bicycle routes are protected?

**Ms O'Connell:** I do not believe that the federal government was involved in either of those projects.

**Senator RHIANNON:** I was not suggesting you were; I was just giving it as an example of a problem that we are facing: that, even with this way of getting cycling infrastructure, we can lose it.

**Mr Mrdak:** I am certainly not aware of any funding agreement where we have stipulated such conditions.

**Senator RHIANNON:** In fact, the cycling route could be built beside a motorway and then it could be removed because the protection is not there.

**Mr Mrdak:** Operational responsibility for the motorways and road system rests with state and territory governments, not with the Commonwealth.

**Mr Jagers:** Certainly we are not aware of that occurring with any of our projects.

**Senator RHIANNON:** I would like to go back to the Sydney intermodal terminal, which you were giving me some responses to. I asked about the \$70 million and I understood that the explanation, I think from Ms O'Connell, was that 50 per cent of the money was going to the Department of Defence and 50 per cent was being managed by the Department of Finance and Deregulation. I would like to ask for greater detail here. Maybe if we start with the money being managed by the department. Could you outline what that money is being spent on? I was interested in the detail: how much goes into consultants who are covering environmental issues, consultants working with the community, the design of the concept plan and where that money is going to, please.

**Mr Mrdak:** Without being difficult, I suggest that question is best addressed to the Department of Finance and Deregulation, which is where the Moorebank project office is located. We could certainly take on notice those questions for you, but it may expedite consideration if you ask Finance. I am happy to take those on notice and see what additional information there is. I do not think we have a breakdown of that sort of information with us.

**Ms O'Connell:** No, we do not.

**Senator RHIANNON:** I will still try to get some understanding of how this is working. Who is the proponent here? Is it Sydney Intermodal Terminal Alliance or the government?

**Mr Mrdak:** There are two proposals which are going through planning and assessment processes. Firstly, there is a proposal by the Commonwealth government to redevelop the Moorebank School of Military Engineering base at Moorebank, which involves the potential relocation of facilities to other Defence bases such as Holsworthy and the redevelopment of that site for an intermodal terminal, both interstate and intercity freight separately. There is a private sector proposal by the SIMTA consortium, which you have mentioned, which is for the redevelopment of a privately owned piece of land in that vicinity for a port shuttle service to provide a facility for handling of containers from Port Botany. That proposal is now with the New South Wales government for planning and environmental assessment. Separately, the Commonwealth is completing a business case and design process for its Defence site which is located in that precinct but is a separate project proposal.

**Senator RHIANNON:** Is any of that \$70 million going to SIMTA?

**Mr Mrdak:** No, it is all being expended on the planning and design of the Commonwealth site on the School of Military Engineering site.

**Senator RHIANNON:** I am starting to get some greater understanding of how this all works. There is a 2010-11 project assessment brief that sets out the Moorebank Intermodal Terminal. It is just one page off one of the websites. When you come to the capital cost by proponent outturn and the contribution sought by proponent, it has got beside it that it is to be confirmed, 'TBC'. I would assume that money has now been determined.

Considering reference is made to the \$70 million feasibility study, could you now elaborate on what those figures are, please?

**Mr Mrdak:** We are not able to at this point. Those studies are now being completed. The detailed business case has just been finalised and the government will consider those matters in the forthcoming budget process.

**Senator RHIANNON:** Do I understand that your answer to my question about when we will understand what the capital cost by the proponent is and the contribution sought by the proponent, we will understand that when the budget is announced?

**Mr Mrdak:** The government will consider Moorebank. For the Defence site, those matters are now in the budget process, and the capital cost and the cost of offsite infrastructure and the like are all being picked up in the business case for the development of the School of Military Engineering site.

**Ms O'Connell:** That is a consideration for government.

**Senator RHIANNON:** I would like to clarify when that information will be released. This project has been talked about for a long time and we still have not got those amounts. Can we just clarify when we will hear that, please?

**Mr Mrdak:** The government has certainly publicly indicated its intention to make decisions in the forthcoming budget process.

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

**Senator BACK:** I have questions in two areas. First of all, the upgrade of the Tanami Road in Western Australian: can you tell me where we are with allocation of funding for that project?

**Mr Jaggars:** I do not think we have a current project on the Tanami Road.

**Senator BACK:** Is that because no application has been put forward or because it has been proposed and knocked back?

**Mr Jaggars:** I might need to check, but I do not think we have a proposal that we have assessed in relation to the road that you are speaking of.

**Senator BACK:** Can I then go to the Roads to Recovery Program. Looking again in Western Australia, the sum allocated between the financial years 2009-10 and 2013-14 was \$256 million and, for the current financial year, \$51 million. In terms of Road to Recovery for Western Australia, where are you in terms of funds expended and funds committed out to the end of 2013-14?

**Mr Jaggars:** We will get those details for you. The current Roads to Recovery Program has a \$350 million per annum allocation, but it does move around.

**Mr Foulds:** The current Roads to Recovery Program is \$1.75 billion from 2009-10 to 2013-14—t\$350 million per annum, divided between 580-odd councils. The allocations are based on two things. The total funding is divided between jurisdictions based roughly on a 50:50 split of road length and population. Then life of program allocations for the councils in each jurisdiction is determined on the basis of the recommendations of the local government grants commission in each state and the Northern Territory for roads component to the financial assistance grants for 2008-09. If a council received one per cent of the roads component of FAGs for its state in 2008-09, then its Roads to Recovery allocation is also one per cent to the Roads to Recovery funding for its state for 2009-14. This methodology has been used for the previous Roads to Recovery programs. The amount spent at the moment depends on the submissions from each council. The councils know what they are going to receive. They then get paid on the basis of the work that they do and they tell us what projects they intend to fund within the rules and guidelines set out for the program. If you had a specific question on the totality for all Western Australian councils, I would have to take that on notice.

**Senator BACK:** In that process you have described, what is the involvement of each of the state or territory governments? Is there any?

**Mr Foulds:** No.

**Senator BACK:** I do not know if it is relevant in your portfolio area, but the concern has been expressed to me in local government circles, as a result of the Pape decision by the High Court, that this in some way might impact adversely on the capacity of the Commonwealth to fund projects such as Roads to Recovery, given that it is direct now. I do not know if it is within the remit to be able to respond to that or even if it is a matter that has been addressed by the department.

**Mr Mrdak:** The consequences of both the High Court Pape decision and the forthcoming decisions which are due from the High Court on other constitutional challenges to the extent of Commonwealth powers have been

considered by the government. At this time the government has taken decisions to continue the Roads to Recovery arrangements as they are, obviously recognising some potential issues arising from that High Court decision.

**Senator BACK:** The funding in the current round is due to expire at the end of financial year 2013-14. That is correct?

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

**Senator BACK:** I would conclude with an observation—that is, local governments believe this to have been probably about the most effective model for their funding and for predicting the works that they can undertake. It has very strong support in the local government areas with which I deal, particularly in the seats of O'Connor, Kalgoorlie and Esperance—those sorts of areas. I make that observation, that they believe this to be a very good model, a very effective way of them planning their own contribution as well as that from the Commonwealth. One would hope that a program similar to it is continued beyond 2013-14.

**Mr Jagers:** You asked about the WA allocation for Roads to Recovery. Over the full six-year period of the Nation Building Program it was \$308.5 million.

**Senator BACK:** Thank you for that.

**Senator COLBECK:** I want to get an update on where the Brighton Bypass is at in Tassie.

**Mr Foulds:** I can give you that. The southern section of the Brighton Bypass is already open to traffic. The northern section is progressing on schedule. The bridge over the River Jordan has got all of its piers up and the first two box girder sections have been moved across the 70-metre gap to ensure that the levy next to the River Jordan is not impacted on in the future. The super-T prestressed concrete girders are being prepared in the local batch plant and are being progressively rolled out to cover the remaining spans. It is on target to complete in accordance with its revised schedule because of the delays. It is expected to be operational late this year, when the construction on the river is completed.

**Senator COLBECK:** What is the completion date?

**Mr Jagers:** Late 2012, so it will be some time towards November or December this year.

**Senator COLBECK:** Is there not a completion date on the contract, though?

**Mr Foulds:** The contract will have a completion date on it, but there has been a new contract negotiated as a result of—

**Senator COLBECK:** I understand that. What is the extended completion contract date, then?

**Mr Foulds:** I would have to take this specifically on notice.

**Ms O'Connell:** We will find out what the extended completion contract date is.

**Senator COLBECK:** What was the period of the delay for the bridge?

**Mr Foulds:** It was delayed in late May 2009 for approximately six months. I will have to get precise details, but it is of that order.

**Senator COLBECK:** Does the extension granted to the contract match the delay on that particular issue?

**Mr Foulds:** I do not have that detail with me.

**Senator COLBECK:** If you can give me, then, details on the delay; the request of extension of time on the project; the granted extension of time on the project; the original completion date; and the revised completion date for the project.

I am not sure if I am in exactly the right place for this. I am interested in any progress on works for the Bridgewater Bridge.

**Mr Foulds:** The Bridgewater Bridge planning project is under way, and a value management workshop was held mid last year on the proposed design for the replacement Bridgewater Bridge.

**Senator COLBECK:** Have we settled on a proposed design?

**Mr Foulds:** There is a concept design in place and that design is being progressed within DIER.

**Senator COLBECK:** Are we settled on a design yet?

**Mr Foulds:** There is a concept design in place. That is the settled one which is now being worked through with stakeholders, property owners and the Tasmanian department.

**Senator COLBECK:** So are we looking at four lanes? Two lanes?

**Mr Foulds:** It will be two lanes in each direction, and it will have active transport lanes attached to it as well.

**Senator COLBECK:** Active transport?

**Mr Foulds:** Meaning bike lanes.

**Senator COLBECK:** Height?

**Mr Foulds:** I do not have that detail with me. I have seen the plans, but I do not recall that off the top of my head.

**Senator COLBECK:** As you know, that is an issue.

**Mr Foulds:** But it is high enough and it will be high enough to allow maritime traffic and the Royal Hobart Yacht Club vessels and the ferries to travel underneath it. It will be at least the same height as the current Bridgewater Bridge when it is open, if not higher.

**Senator COLBECK:** At least the height of the opening section of the Bridgewater Bridge.

**Mr Foulds:** Correct.

**Senator COLBECK:** Funding allocations?

**Mr Jaggars:** There is no current commitment to funding at this stage.

**Senator COLBECK:** Applications for funding, though—discussions about funding?

**Mr Foulds:** Not at this stage. The bridge is likely to be 10 to 15 years away. As you may be aware, the government, in the current program, paid \$14 million to refurbish the current bridge.

**Senator COLBECK:** Yes, I am aware of that.

**Mr Foulds:** It was built in the 1940s; that is likely to give it a life lasting 15 to 20 years from now.

**Senator COLBECK:** I was under the impression that there were currently some discussions between the state and the Commonwealth about funding for the project.

**Mr Foulds:** There is a planning project for the replacement Bridgewater Bridge but not for construction or anything related to construction.

**Senator COLBECK:** Do we have a proposed budget for the project, based on the concepts? What are the parameters of the cost of the project?

**Mr Foulds:** I do not have that information—the detail for that particular project or even that concept. There is no concept price at the moment; there is no estimate that I could give.

**Senator COLBECK:** There are no estimated costings around what has been proposed?

**Mr Foulds:** They would be strategic estimates that you could give but I do not have them with me. They do clearly exist because, if you are going to build a four-lane bridge, you could have some idea, but they do not have any rigour around them at the moment.

**Senator COLBECK:** We are talking about a concept design and, by the nature of that, any estimates would be based on the concept, so I understand that there would be some flexibility around what the concept figures might be. I am interested to know what they are but I was under the impression—I do not know whether it is work that is being done through Infrastructure Australia, for example—that there are some discussions or an application from the Tasmanian government. You might not be able to help me with that.

**Ms O'Connell:** We will take on notice to give you the broad costings available for the concept design, acknowledging that they will be very broad because it is still a concept design.

**Senator COLBECK:** I understand that.

**Ms O'Connell:** We will also confirm whether there have been any discussions or representations about further funding beyond the current study at the moment; we will ask IA and get back to you on that.

**Senator COLBECK:** Thank you. What about the Bell Bay port proposal?

**Mr Mrdak:** There is a notional allocation to a project.

**Senator COLBECK:** \$150 million, I think, was the number that has been—

**Mr Mrdak:** I think there was a proposal put to Infrastructure Australia for that amount. I do not think it has progressed much further in terms of Infrastructure Australia's assessment, but if I may I will take that on notice and come back to you in relation to where Infrastructure Australia has got to with the Bell Bay proposal.

**Senator COLBECK:** Do you have anything else to help us with, Mr Wood?

**Mr Wood:** There is a second proposal at Bell Bay through the works that are being funded through Rail in Tasmania. I think it is a different project to the one you are talking about.

**Mr Mrdak:** We will get some details for you—that is probably the best way—of where it has progressed to.

**Senator COLBECK:** Can you give some details of the rail project that is being done? That is part of the overall rail upgrade process, is it not?

**Mr Wood:** That is right. It was a commitment made by the government in 2007 of \$9.6 million. It was about the realignment of road and rail access into Bell Bay. I am advised by TasRail that they were anticipating that a detailed proposal for that would be forthcoming in the near future; we are yet to receive the details for that. It is not currently scheduled to commence until later this year, at the earliest.

**Senator COLBECK:** Sorry, I did not quite catch that last piece.

**Mr Wood:** No funding has been scheduled for that project until at least the latter part of this financial year, so it is yet to commence.

**Senator COLBECK:** Thanks. Mr Mrdak. If you could come back to us on those other things, I would appreciate that.

**Mr Mrdak:** Certainly.

**CHAIR:** Are there any further questions?

**Senator IAN MACDONALD:** I have a few more. We have been so efficient that we now find ourselves with 30 minutes, although I suppose we—

**CHAIR:** I am delivering on my promise; I said I would come back to you, Senator Macdonald.

**Senator IAN MACDONALD:** Yes. If others indicate again, Mr Chairman, I am happy to try and—

**CHAIR:** We have still got a good 30 minutes, so you and Senator Williams have two questions, I think. Senator Ludlam, did you have any further questions?

**Senator LUDLAM:** I will come back after these two, if that is possible.

**Senator IAN MACDONALD:** I want to know how much time to leave you, though.

**Senator LUDLAM:** That is fine.

**Senator IAN MACDONALD:** Senator Back asked about the Tanami Highway; I know Senator Eggleston is very keen on that. You said you had no current activity on that. It reminds me of the Outback Way. Could you tell me what funding the federal government has put into the Outback Way—which I think you know is from Winton to Laverton—in the last year, or did they not put anything this year?

**Mr Jagers:** There is an Australian government commitment of \$10 million to the Outback Way.

**Senator IAN MACDONALD:** In which year?

**Mr Jagers:** Over a number of years. This current financial year, \$580,000 is the commitment.

**Senator IAN MACDONALD:** That is 2011-12.

**Mr Jagers:** It is 2011-12.

**Senator IAN MACDONALD:** Is there anything in the forward estimates for that—any forward commitments made?

**Mr Jagers:** This is the last year of that \$10 million current commitment.

**Senator IAN MACDONALD:** Any new funding would have to be in this year's budget, I guess.

**Ms O'Connell:** Any future funding would be subject to budget considerations.

**Senator IAN MACDONALD:** Have there been any announcements by the government or any indication of commitment towards the Outback Way?

**Mr Jagers:** There have been no new commitments.

**Mr Mrdak:** As I indicated, the government is currently undertaking work on Nation Building 2 but no commitments have been made at this point.

**Senator IAN MACDONALD:** Perhaps I should ask whether the minister knows this but, Mr Mrdak, you might know. Do you know if any approaches have been made by the Outback Highway Development Council to the government for funding?

**Mr Mrdak:** Not that I am aware of at this point, but we can check that for you.

**Senator IAN MACDONALD:** As you may or may not know—it is irrelevant—Senator Crossin and I co-chair a Friends of the Outback Highway group in parliament, and I know Senator Crossin would join me in urging someone to look at that. Can you tell me, perhaps even on notice, what money has been spent by the government

or projected to be spent, or committed to be spent, on what I would call roads in remote Australia? I name them as being the Outback Highway, the Tanami Highway, and the Gulf Savannah Way up across the very north. There is a highway between Kununurra, I think, and Katherine; it has a name that I do not have before me. They are major iconic highways. Could you, on notice perhaps, tell me if there has been any funding either committed to that in the past year or proposed for future years?

**Mr Pittar:** There are a number of broad sub-elements of the Nation Building Program that provide funding to Community, Beef and Mining Roads in the Northern Territory. We also have funding which is directed toward upgrades of roads in the Cape York area of Queensland.

**Senator IAN MACDONALD:** You have sort of answered the question. Could you, on notice, give me the details, rather than wasting limited time now. Would that be possible?

**Mr Pittar:** Certainly.

**Mr Mrdak:** Just while we are dealing with this, I just realised there have been funding submissions made by the Outback Highway Development Council, both to Infrastructure Australia and directly to the government, more recently, and the last of those was September last year, just to clarify.

**Senator IAN MACDONALD:** Thanks for that clarification, because I would have been surprised if they —

**Mr Mrdak:** No, it was my misunderstanding. There certainly have been approaches made through the IA process and also directly to government, and obviously they will be under consideration as we look at the future investment programs.

**Senator IAN MACDONALD:** On the same tack, there is some work advancing on the Hahn Highway, of which I am sure you will be aware. Can you tell me what the latest on that is?

**Mr Pittar:** The work on the Hahn Highway in North Queensland is funded by the Queensland government. The Commonwealth does not have funding attached to that specific work at the moment.

**Senator IAN MACDONALD:** That is from Hughenden up to Cairns?

**Mr Pittar:** Hughenden to the Lynd, I think.

**Senator IAN MACDONALD:** Yes, that is right.

**Mr Pittar:** There has been previous funding, though, from the Commonwealth in areas of that; there is nothing there at the moment.

**Senator IAN MACDONALD:** The councils are using their Roads to Recovery money on what is in effect a state road. You would probably know about that if you went through your Roads to Recovery things, but I do not really need that. I know that they have made submissions to the Commonwealth government in recent times for assistance. Are you aware of those submissions?

**Mr Pittar:** The state government is undertaking the works that are currently underway. I would have to check on notice as to whether we have received anything specifically from the state government on the Hahn Highway. I do not recall anything in recent months.

**Senator IAN MACDONALD:** It would have been from the Hughenden and Tablelands Regional Councils rather than the state government, I would have thought.

**Mr Pittar:** We would need to take that on notice.

**Senator IAN MACDONALD:** Thank you for that, and thank you for your quite informative answers on questions 50, 53 and 54 from last time, about certain projects in Queensland and the money. You did tell me that the \$25 million Burdekin Road Safety Audit Nation Building project was entirely Commonwealth-funded. You did also talk about new overtaking lanes and rest areas in target-known crash black spots:

Six of the safety projects are located between Home Hill and Townsville and are being undertaken progressively through to 2013-14.

You did not actually say whether that is entirely Commonwealth money.

**Mr Pittar:** The Bruce Highway Upgrade Strategy work on overtaking lanes and so on is funded entirely by the Commonwealth. The Burdekin road safety work, which I think is around \$25 million—

**Senator IAN MACDONALD:** That is right.

**Mr Pittar:** is also funded by the Commonwealth.

**Senator IAN MACDONALD:** The work between Ingham and Cardwell, over the Cardwell Range, which is progressing well after decades of inaction because some little lizards live there or something—

**Mr Pittar:** Cassowaries.

**Senator IAN MACDONALD:** After four or five deaths of human beings, fortunately it is going ahead. Who is funding that?

**Mr Pittar:** The Cardwell Range realignment work is a \$115 million project. The Australian government contribution to that is \$90 million.

**Senator IAN MACDONALD:** So \$25 million was the state.

**Mr Pittar:** It is fully Australian-government funded, because the additional \$25 million comes from the Accelerated Bruce Highway Upgrade Package. So it is entirely funded by the Commonwealth but out of two buckets.

**Senator IAN MACDONALD:** You have told me before—I have struggled to understand this—that it used to be the case that the national highways, like the Bruce Highway, were entirely Commonwealth funded and state roads were entirely state funded; this is going back decades. You have told me in recent times that those rules no longer apply and now there is ad hoc funding for the Bruce Highway that is state and federal. Can you explain that to me any better? Is that correct?

**Mr Pittar:** I would not suggest that it was ad hoc. There is a greater attempt to have an agreed approach to where priority work sits where the priorities are on the Bruce as it is with other highways. It comes down to that sort of partnership approach. Increasingly we are seeing projects on the Bruce being funded at an 80-20 level.

**Senator IAN MACDONALD:** It is ad hoc because you tell me it is sort of 80-20 and yet we have been through four projects just now which are 100 per cent Commonwealth funded and, despite their names, they are all Bruce Highway upgrades. Is there a written agreement or some understanding or protocol that says 80-20?

**Mr Mrdak:** If I may give some of the context, as we have discussed, the decision in 2004 with the Auslink program was to move away from the former national highway system into joint funding. That has been continued. It has been a longstanding position, certainly by the former government and now this government, that there will be co-funding. The Commonwealth starts at generally a position of fifty-fifty. On some projects it is 80-20, depending on the nature of the commitment that is made by the Commonwealth or, on some occasions, where there has been, say, election commitments, they may be fully Commonwealth funded or, in the case of fiscal stimulus programs, where we made commitments of 100 per cent, it is not ad hoc and there often is—

**Senator IAN MACDONALD:** It is case-by-case then perhaps.

**Mr Mrdak:** As Mr Pittar has indicated, it generally tries to reflect Commonwealth interest and also where we see the greater national benefit vis-a-vis state benefit. This culminates in a protracted negotiation process in some cases but we, wherever possible, do try and seek at least a minimum co-contribution of, if not fifty-fifty, 80-20.

**Senator IAN MACDONALD:** As I have told you before, the state minister wastes no time in blaming you people for every poor road in Queensland. It is all your fault because you do not put the money in, forgetting—

**CHAIR:** The same as the Western Australian stakeholders.

**Senator IAN MACDONALD:** It is state governments generally.

**Mr Mrdak:** I think, as you know, Senator, there is record investment now taking place on the Bruce Highway in Queensland. That has certainly been the case the last few years.

**Senator IAN MACDONALD:** If there is ever a complaint it is your fault for not funding them and there is never any comment about the state government not having the money to put in theirs. Let me just go on to the carbon. I will finish here, Mr Chairman. We spoke about NDRRA funding with Cyclone Yasi which hit Cardwell and destroyed the main road on the beachfront. The money for reinstatement of that would be entirely Commonwealth?

**Mr Pittar:** The funding for the highway through Cardwell that was damaged by Yasi will be funded by the NDRRA arrangements. Generally that ratio is 75 per cent Commonwealth, 25 per cent state.

**Senator IAN MACDONALD:** Up to a certain figure and over that it is then—

**Mr Pittar:** There is a lower threshold figure that has to be crossed. It is in the order of \$240,000. Queensland crossed that obviously with Yasi. Then it moves to about a 25-75 per cent ratio under NDRRA.

**Senator IAN MACDONALD:** There is talk about a bypass. I do not know if you know the area: Cardwell is on the seaside; the main road goes along the seafront. There is talk about a bypass around the back of the town, so to speak. Would you be conscious of that? Would Commonwealth approval, interest or comment be sought if there were some new road built around Cardwell?

**Mr Pittar:** I am aware of conversation about a bypass. Currently there is nothing that is formally in front of the Commonwealth. The Queensland government late last year prepared a Bruce Highway upgrade strategy

which is looking at upgrades of the Bruce over the next 20 years. I cannot recall off the top of my head whether it specifically mentions a bypass of Cardwell and, if it does, where in the time frame it would be, but it is not in the next one to four years.

**Senator IAN MACDONALD:** Are you funding, or contributing to the funding, of what is called the upgrade of the entrance into Cairns that I mentioned to Mr Deegan before?

**Mr Pittar:** We are contributing \$150 million towards that southern approach to Cairns project.

**Senator IAN MACDONALD:** Of how much?

**Mr Pittar:** It is entirely Australian government funded. Work started on that, as you are probably aware, around October of last year and is due to be concluded around the end of 2013.

**Senator IAN MACDONALD:** The Commonwealth had no say in where the road went, the design, or the resumptions; that was all done by the state.

**Mr Pittar:** The state is responsible for preparing the business case, the project proposal report, which is then assessed by the Commonwealth in terms of costs and the like. It is a state government responsibility.

**Senator IAN MACDONALD:** Thank you, Mr Chairman, I have had more than my share.

**CHAIR:** Senator Williams.

**Senator WILLIAMS:** Mr Mrdak, back to the Pacific Highway: in the year ending December 2011 road and bridge construction costs rose by 5.2 per cent. Is that correct?

**Mr Mrdak:** I would have to check that.

**Senator WILLIAMS:** I believe that is the case. If that was the case over that year to the end of December 2011, if those costs rose by 5.2 per cent, surely the \$6 billion shortfall for the road funding would have to rise as well?

**Mr Mrdak:** Certainly, and the work we have been doing in New South Wales to try and finalise some of the costing. The costing remains within that \$6-7 billion range. I think there is no doubt it is now nearing the \$7 billion mark, based on some estimates.

**Ms O'Connell:** Hence, I think when the estimate is used it is used as \$6-7 billion.

**Senator WILLIAMS:** If we go on \$6 billion, 5.2 per cent is another \$312 million, just on the extra increase in costing. That is what happened through that fiscal year of 2011.

**Ms O'Connell:** My understanding is that \$7 billion figure is a figure that is outturned to 2016, so takes account of that.

**Senator WILLIAMS:** Does that take into account the carbon tax cost, because the government has said in their figures that the cost of goods and service may rise one per cent? No doubt there will be an increase in the cost of road building under the carbon tax. Does that also take into account the extra cost of the carbon tax?

**Mr Jaggars:** That is the current cost.

**Senator WILLIAMS:** That is the current cost, yes, but that current cost was put forward before the carbon tax was introduced.

**Mr Jaggars:** These are the updated costs.

**Senator WILLIAMS:** \$6-7 billion.

**Ms O'Connell:** The \$7 billion is the outturned figure at 2016.

**Senator WILLIAMS:** That will take in the cost of the carbon tax extra building construction costs?

**Mr Jaggars:** It is taking into account all costs of the construction.

**Senator WILLIAMS:** Including increase in fuel for the transport industry on 1 July 2014?

**Mr Jaggars:** They are the costs that are provided by the New South Wales government.

**Senator WILLIAMS:** These costs were put forward in May 2011, were they not, these forward estimate costs and the money required to complete the duplication of the Pacific Highway?

**Mr Mrdak:** There has been ongoing work. As the officers have indicated, what we have given you today is the latest outturn cost estimate based on updated work by New South Wales.

**Senator WILLIAMS:** Wasn't that \$6-7 billion forward estimate of the cost to complete it put out in May 2011? Is that right, Mr Foulds? Have you got those details there?

**Mr Foulds:** Yes, it was, but they have also done additional work on all of the remaining sections and it is an iterative process; as work goes on, so the estimates are refined as the work is progressed in the planning.

**Senator WILLIAMS:** In May 2011 that figure was \$6-7 billion; correct?

**Mr Mrdak:** That was the range and I think, as Ms O'Connell has indicated, what we are now saying is the outturn cost estimated by New South Wales is \$7 billion in 2016.

**Senator WILLIAMS:** What was that?

**Mr Mrdak:** The outturn cost estimate is \$7 billion for the remaining work in 2016.

**Senator WILLIAMS:** You are saying in May last year it was \$6-7 billion; now it is \$7 billion.

**Mr Mrdak:** That is the outturn cost estimate that is—

**Senator WILLIAMS:** How do you define outturn cost?

**Mr Mrdak:** The actual delivery cost to have the duplication completed by 2016.

**Senator WILLIAMS:** There has been some media speculation about how projects have been prioritised for the work on the Pacific Highway. Can you run me through how the priority list of projects are determined?

**Mr Mrdak:** There were three categories of priorities set with New South Wales which was done by the New South Wales Roads and Maritime Services portfolio. Priority 1 projects are determined on the basis of traffic numbers and accident rates.

**Senator WILLIAMS:** You get a recommendation from the RMS of New South Wales, for example.

**Mr Mrdak:** That is correct, and our officers work through those recommendations. The priority 1 projects that were set were the sections between the F3 to Port Macquarie, Ballan to the Queensland border and sections north and south of Coffs Harbour. The priority 2 sections were Port Macquarie to Coffs Harbour. Priority 3 sections were all remaining works between Woolgoolga and Ballina. It has largely been done on traffic projections and accident rates in those areas.

**Senator WILLIAMS:** I want to tackle Mr Mrdak on the fatality rates on sections of the road. That is taken into consideration as well?

**Mr Mrdak:** Yes.

**Senator WILLIAMS:** There was a terrible situation at Nurrunga over the Christmas break.

**Mr Mrdak:** Yes, and most disturbing were the recent news reports of the causes of that accident and the deaths; it seems like a very tragic incident. I have heard media reports of the state of the driver of the utility which was tragic.

**Senator WILLIAMS:** I read the report in last Friday's *Sydney Morning Herald* of, unfortunately, his alcohol level. It is very sad when that occurs. With that stretch we were just talking about where that tragic accident occurred, that Nambucca to Nurrunga section, what was the advice from the RMS about the rebuilding of that section?

**Mr Mrdak:** When we were looking at the allocation of the additional money which is being put forward, as you know, the Australian government made an additional \$1.1 billion commitment last budget and New South Wales has made a commitment of, I think, some \$400 million on top of that. There have been discussions taking place since that time about the prioritisation. That section was certainly put forward by New South Wales as an area which should be dealt with within that allocation.

**Senator WILLIAMS:** Can you tell me what the RMS from New South Wales advise as far as that Nambucca to Nurrunga section. Was it a priority above the F3 to Port Macquarie or was it to come later?

**Mr Mrdak:** Given that what I have set out is the priorities for work—and there is already work scheduled in those priority areas—looking at the next stage—

**Senator WILLIAMS:** Nambucca to Nurrunga is a priority area?

**Mr Mrdak:** It falls within categories of priority areas; yes, that is right.

**Ms O'Connell:** The advice from New South Wales is that the awarding of construction tenders for Nambucca to Nurrunga could take place in the first quarter of 2013.

**Senator WILLIAMS:** According to RMS documents, the Nambucca Heads to Nurrunga project was a preferred additional project on the Pacific Highway because it would provide the greatest benefit in terms of crash reduction. Is that the case?

**Mr Jagers:** Yes, and the expression of interest has been released. The New South Wales government announced registrations of interest to design and construct the Nambucca to Nurrunga project. They announced that in consultation with the Australian government in January. That is a project that will proceed and we are expecting construction to commence in mid-2013, which is the earliest we understand that it could possibly commence.

**Senator WILLIAMS:** When was that document dated, that third document from the then RTA and now RMS of New South Wales?

**Mr Jagers:** It is dated 20 January.

**Senator WILLIAMS:** When did that unfortunate accident occur; does anyone know, roughly?

**Ms O'Connell:** It was in early January.

**Mr Jagers:** Before 20 January.

**Senator WILLIAMS:** Do you have figures for the number of fatalities on the existing stretch of the highway between Nambucca and Nurrunga?

**Ms O'Connell:** We can get that information, looking at both the fatalities and the crash rates.

**Senator WILLIAMS:** How does this compare to the fatality figures for the Pacific Highway section from the Oxley Highway to Kempsey? Do you have any figures on those as far as fatalities go?

**Ms O'Connell:** We can provide those.

**Senator WILLIAMS:** If you could take them on notice that would be good, please. In relation to tendering for the Nambucca to Nurrunga section, is it correct that the tender process was due to commence in 2011?

**Ms O'Connell:** The expression of interest was released for the Nambucca to Nurrunga section in January 2012 by the New South Wales government.

**Senator WILLIAMS:** That is when they called for the expression of interest for that section of the road.

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

**Senator WILLIAMS:** The tender process was not due to commence in 2011 for that section?

**Mr Jagers:** Not to my knowledge. We are trying to move forward on all sections of the Pacific Highway to have the duplication completed by 2016. The Commonwealth's interest has been to speed up the delivery of the project to the extent that we can, and the additional money is allowing that to happen now.

**Senator WILLIAMS:** It is a decision by the minister and the government as to when the tender processes do commence or would commence?

**Ms O'Connell:** Between the two governments, yes.

**Senator WILLIAMS:** Between New South Wales and?

**Ms O'Connell:** And the federal government.

**Senator WILLIAMS:** Thank you.

**Senator LUDLAM:** This might be fairly quick, and I realise that it is not necessarily the Nation Building focus. My questions are directed mostly at Mr Mrdak, because there is a favourite theme of mine around oil prices as the key variable underlying transport policy in that we still do not appear to have institutionalised the concept that oil is about to get a lot more expensive. Agencies like BITRE and ABARE do the thinking and the international analysis and so on. Infrastructure Australia make the spending recommendations and establish the pipeline. Nation Building go out and spend it and implement. Who else is there on the institutional map who cares or is thinking about world oil prices as a component of infrastructure development? Have I missed anybody important?

**Mr Mrdak:** At the federal level you have captured the key agencies. States and territories, in terms of their planning and their work in project identification, factor these matters in quite heavily and there is quite a lot of analysis taking place across the jurisdictions.

**Senator LUDLAM:** Apart from Queensland, that is probably not true. You ask the West Australian government, as my state colleagues did last year, and they say it is a federal matter, which I found bizarre. So I have not missed anybody. Where does Minister Ferguson's Department of Energy, Resources and Tourism fit into that—or don't they?

**Mr Mrdak:** They have a responsibility for energy policy and the settings of the Australian government in relation to energy policy are determined through Minister Ferguson and his portfolio.

**Senator LUDLAM:** The three bodies I named before, not including that; we need to fit somebody from Minister Ferguson's department in there as well.

**Mr Mrdak:** Responsibility for energy policy and planning for long-term energy needs, as evidenced by the Australian government's draft white paper, are the responsibility of Minister Ferguson and that portfolio.

**Senator LUDLAM:** How much do they talk to you about how energy policy impacts on infrastructure policy?

**Mr Mrdak:** We work quite closely with them; our bureau worked quite closely in the development of aspects of the draft energy white paper that has been released by the government.

**Senator LUDLAM:** Yes, I will take that up with them later in the day. There is no other agency at a Commonwealth level thinking about how rising oil prices will impact on infrastructure spending?

**Mr Mrdak:** It is predominantly shared between ourselves and the resources portfolio.

**Senator LUDLAM:** Would you say that the current infrastructure funding, the pipeline that you are working through and that IA is working through, reflects a future which is a high oil price environment or a low one? Are we building for this century or for the last one?

**Mr Mrdak:** I think we are building for this century.

**Senator LUDLAM:** We are building infrastructure; we are making and prioritising funding decisions as though it is going to be a very high oil price future.

**Mr Mrdak:** We have factored in the price rises we have seen and projections of oil price. As Mr Deegan indicated, in terms of the benefit cost analysis that has been provided for projects, they factor in the latest thinking by IAEA and other leading bodies in relation to future direction of oil price.

**Senator LUDLAM:** Mr Deegan has never been able to share with me the methodology, though, or the weighting, the sensitivity, that is given to oil price. That is apparently a closely guarded secret. We do not really have any idea about what sort of future it is that we are planning for and whether we are building infrastructure that is fit for purpose or whether we are going to need to chuck a lot of these projects over the side and do different things if there is an oil price shock that is sustained.

**Mr Mrdak:** It is fair to say that governments are building infrastructure which is fit for purpose. We discussed earlier today the government's commitment to urban public rail; there are a whole range of projects which are taking place which recognise the changing dynamics of fuel supply.

**Senator LUDLAM:** Road to rail funding is still, rule of thumb, in this current budget, outspending by a factor of about five to one.

**Mr Mrdak:** We have made important steps forward in rail funding. You have heard this morning from Australian Rail Track Corporation a longstanding program of investment in rail track and investment in urban passenger rail. Similarly, we have also to factor in continuing growth in demand for road infrastructure which needs to be met.

**Senator LUDLAM:** Yes, but that demand is entirely a function of cheap petrol. There is nothing else behind it, cheap and convenient petrol.

**Mr Mrdak:** We have seen, certainly in the last decade, significant price increases in global oil prices. That has been reflected in changing patterns of demand. We have seen that, but within that we have also seen rising demand for road infrastructure.

**CHAIR:** We have run out of time, Senator Ludlam. I would ask that if you would put the rest of your questions on notice, please. Senator Colbeck, you have one very quick question?

**Senator COLBECK:** Yes. You might have to take this on notice. Do you have any involvement with the Gladstone harbour redevelopment projects based around Curtis Island and the construction of those expansions?

**Mr Mrdak:** There are government commitments in relation to access roads in that vicinity, for which we are going to provide you with the details.

**Senator COLBECK:** The port expansion project itself?

**Mr Mrdak:** Not the port expansion itself, no. That is being funded by the Gladstone Port Authority.

**Senator COLBECK:** Any Commonwealth approval would be based around environment department if there was anything happening?

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

**Mr Mrdak:** That is correct.

**Senator COLBECK:** Do you have any information around commencement dates for any of those projects?

**Mr Mrdak:** I have been briefed by the port authority in relation to their plans. We could provide some details from them if that would assist you in terms of their planning.

**Senator COLBECK:** I am interested in the commencement dates of the dredging process. My understanding is that the port is insistent that dredging did not start until May 2011, but there is also an alternative date of October 2010 for commencement of works.

**Mr Mrdak:** They are not matters which the portfolio has been involved in, I am sorry.

**Senator COLBECK:** Thanks.

**CHAIR:** Thank you. I now call officers to the table from Surface Transport Policy. Senator Colbeck.

**Senator COLBECK:** I want to go to the shipping reform process first. You have an exposure draft of the Coastal Trading (Consequential Amendments and Transitional Provisions) Bill 2012 and you called for submissions by 31 January. When are the submissions going to be made public?

**Mr Wilson:** We have received 22 submissions as at the date of closing. The department has spent the last week or so clearing with those people that have made submissions as to whether they are comfortable to have the submissions made public. I envisage that those submissions should be on the web sometime today.

**Senator COLBECK:** Were there any particular issues?

**Mr Wilson:** I will give you a broad analysis of it. The submissions vary from saying that the legislation is not prescriptive enough and does not provide sufficient benefit to the Australian domestic industry through to the opposite view, which is that it is too prescriptive and provides a situation which closes the coast. It varies between those positions, but it covers the full gamut.

**Senator COLBECK:** There are a number of other pieces of legislation that form that overall package: International Shipping Register Bill, the Shipping Reform (Tax Incentives) Bill; and Tax Laws Amendment (Shipping Reform) Bill. Given that this whole deal is supposed to start on 1 July, when are we going to see those pieces of legislation?

**Mr Wilson:** The department is working with the Department of the Treasury to finalise the draft bills at the moment. I would hope to have the package of bills out for consultation this Friday.

**Senator COLBECK:** That is a tight time frame; to get something up and running and operative by 1 July?

**Mr Wilson:** The package has been in the development stages for a period of three years. The department and the minister have consulted with the industry, both ship owners and shippers, over a very long period of time. The technical details that will sit within the bills have been discussed for some considerable time, but the actual detail is now being shown to the industry. The time frame is fairly tight, but the industry has been very responsive in terms of providing feedback and providing information in regards to the development of the legislation and the technical aspects of that legislation.

**Senator COLBECK:** There is nothing like seeing the legislation, is there? You can have all the consultation you like; until you see the final form of words that is when you really know what is being dealt with.

**Mr Wilson:** That is correct. In addition to the exposure of the draft legislation, we are planning to have an industry forum, a roundtable, over the next little while, to bring all of industry together so that we can get their feedback again on the technicalities that sit within the bill. But, yes, you are right, there is nothing like seeing the bill.

**Senator COLBECK:** We are talking about the end of this week to see these other three pieces of legislation, so all that has to go through the processes of the parliament.

**Mr Wilson:** Correct.

**Senator COLBECK:** And be passed before 30 June for this to take effect?

**Mr Wilson:** Correct.

**Senator COLBECK:** Do we have the necessary priorities for the pieces of legislation to do that?

**Mr Wilson:** The priorities are in place, as far as I am aware. The government's priority is to have these pieces of legislation enacted and in operation from 1 July.

**Senator COLBECK:** Given that the RIS for this project indicated there was going to be significant cost to industry, what process is the government undertaking to manage the impact of those costs, particularly some of those that are quite reliant on shipping?

**Mr Wilson:** The regulation impact statement modelled four different scenarios which, depending on the assumptions that underpinned the behaviour, the response of industries to the way in which the package was

delivered, delivered economic gains ranging from \$192 million to \$42 million in net present values. As I said, depending on the assumptions that you take, there is a range of outcomes, so I would not necessarily accept the premise of your question, which is that there are necessarily costs associated with the package that will flow through to the economy. It will in many ways depend on the response of the ship owner, the shipping industry, to registering Australian ships within the Australian register.

**Senator COLBECK:** I have had one business come to me in my local patch that says that this is going to cost them \$7 million a year. They are a food processor. It is good that Minister Carr is in here as the Minister for Manufacturing because they see that as a direct impost on their business. They are already starting to lose business because of changes that this government has made in relation to coastal shipping. They see this as—this is their costings—a \$7 million cost to their business as a manufacturer here in Australia. In that context, you are talking about 192 or 142, depending on the assumptions; they see that as a direct cost. There are others that are heavy users of shipping—cement, fertiliser, sugar, soda ash and minerals—that are highly dependent on coastal sea freight and are going to have additional cost, particularly those that are involved in manufacturing. They are under significant pressure on the global market for a range of things. Cement and food processing, for example, are going to be exempt, subject to the carbon tax. We get this on top. How many additional costs do we layer on our manufacturing businesses in a tight global environment and high-dollar circumstance and still leave them viable? I understand you cannot comment on that.

**Mr Wilson:** Leaving aside the carbon tax and any other policies that the government may have introduced, the Coastal Shipping Policy in itself will not necessarily increase the costs associated with Australian shipping. The package is a balanced package that does not involve the closure of the coast and the requirement that only Australian ships be used to transport Australian goods around the coastline. It provides a balance between the utilisation of Australian shipping and the revitalisation of Australian shipping and the needs of those industries that use the shipping industry.

**Senator COLBECK:** At no extra cost?

**Mr Wilson:** It provides tax incentives for Australian ships, tax incentives for Australian seafarers, an Australian international shipping register, which provides a capacity for international competitiveness, as well as utilisation of Australian internationally registered ships on the Australian coastline.

**CHAIR:** I am loving it.

**Mr Wilson:** It provides a range of measures to address some of the cost imbalances between Australian shipping and international shipping. It is true that Australian ships are more costly to operate than foreign ships, but the government's package seeks to address some of that cost imbalance through tax measures.

**Senator COLBECK:** Why not subject the process to, say, a Productivity Commission review so that we can get somebody completely independent, not the department, to do an assessment of that because the industry is quite concerned or they would not be coming to us to talk about it. As I said to you, one particular business in very close proximity to where I operate is saying this is going to cost them \$7 million a year. The carbon tax is going to cost them \$1 million a year, even after they spend 17 to try and mitigate it. These are costs that are being imposed on Australian manufacturing businesses. These are their costs; they have done the numbers. Why not subject this to someone like the Productivity Commission who can have a look at it broadly, independently, and do a decent cost analysis of it?

**Mr Wilson:** Whether the issue is considered by the Productivity Commission or not is a call for the government, not for me.

**Senator COLBECK:** I accept that, Mr Wilson.

**Mr Wilson:** What I would add is the department, with the industry, has been through a very long consultative process. We started the consultative process in 2008 through a House of Representatives inquiry; following that I chaired a meeting with industry—ship owners, ship management firms and shippers, including the cement industry. The process has been a very long consultative process, but a call for a Productivity Commission inquiry into the reforms is one for the government.

**CHAIR:** You have made that clear too, Mr Wilson.

**Senator COLBECK:** I accept it is a call for government.

**CHAIR:** Yes, you have.

**Senator COLBECK:** And I am not asking you—

**Senator IAN MACDONALD:** But you are asking the minister.

**Senator COLBECK:** It would be nice if the Minister for Manufacturing had some perspective on these additional costs being imposed on businesses in his portfolio, but I understand he is here as a representative of the minister.

**Senator Carr:** I do. I have quite a considerable view on the topic. What you will find is that when you look at the evidence, as distinct from the hyperbole, the effects are very small.

**Senator COLBECK:** Tell that to the vegetable processor in my patch who is going to cop \$7 million a year.

**Senator Carr:** All we can do is rely on the evidence that is available to us at this point.

**Senator COLBECK:** This is evidence, minister, this is cost, this is what is happening to this business. It is happening to other businesses as well, and they are coming to us to tell us. So why not do the work? We hear of the manufacturing crisis in this country, and I know that you have a passion for it. I acknowledge that it is one of your passions, minister; it is your portfolio.

**Senator Carr:** Yes.

**Senator COLBECK:** Why not subject this measure to the Productivity Commission so that they can do an independent analysis of what is happening?

**Senator Carr:** I am probably not the person to ask about referring matters to the Productivity Commission.

**Senator COLBECK:** No, I accept that that is not your portfolio responsibility.

**Senator Carr:** Given the Productivity Commission's advice on these matters on other questions, I think we can rely more effectively on the advice the officers have provided us.

**Senator COLBECK:** So you are questioning the credibility of the Productivity Commission now, minister?

**Senator Carr:** We have reached—

**Senator COLBECK:** That is a fairly novel approach.

**Senator Carr:** We have—

**CHAIR:** Sorry, minister, I have to come in here. It is starting to creep into this committee a little bit lately and it is starting to pee me off, to be honest with you, this competition of senators trying to scream over ministers and likewise. I remind senators if a question is asked of the minister give the minister the opportunity to answer the question without interruption. Minister.

**Senator Carr:** What I have indicated is that the government relies on the regulatory impact statements that have been produced, on the modelling that has been produced, and we take the view that the claims made about these issues are excessive. It is going to be difficult to persuade you, senator, of that view, but I remind you that in terms of these initiatives there is no impact at the moment because they are not in place.

**Senator COLBECK:** I am not making a claim that there is any impact; I am telling you this is what industry has costed the impacts at. Give them some credit for knowing their business.

**Senator Carr:** I have seen claims made by a number of industry groups and, upon analysis—you will be surprised to appreciate this point I am sure—that people will peddle a barrow in their bids to secure additional resources from government. That is not unknown to us all here.

**Senator COLBECK:** I do not think anyone is asking for additional resources. What they are asking for is a policy that does not negatively impact their manufacturing business. I thought you might have some interest in that, minister, as the Minister for Manufacturing.

**Senator Carr:** I have considerable interest in it. What I do know is that there is very substantial support that is available to assist industry as well, and my experience in a number of these industries is that claims have been made that do not bear close scrutiny.

**Senator COLBECK:** Minister, I have already acknowledged the support, particularly for the carbon tax, for this business in relation to their issues. I have acknowledged it today and I acknowledged it yesterday. It is still going to cost them a million dollars a year after they get that support. I am not saying there is no support, I am saying why don't we scrutinise this at a reasonable level through an acknowledged authority. And I am quite surprised that you are questioning the efficacy of the Productivity Commission. I find it quite interesting that a minister of the government would question the Productivity Commission's work. But that is for you to deal with, that is your business. I am saying why don't we put it through some form of independent process so that we can get a decent sense of what is going on—because of the pressure that manufacturing is in at the moment and the mantra that the government is trotting out about how it supports manufacturing.

**CHAIR:** Senator Colbeck, I am not going to throw any fuel on that fire, but I just remind senators that we have five minutes left to go.

**Senator MILNE:** I wanted to get an update on the mandatory vehicle fuel efficiency standards and where we are up to on that. I wondered where the process of settling the light vehicle CO2 standards is up to.

**Mr Sutton:** There was a discussion paper released by the minister in September last year; comments on that have closed. We received 38 submissions; they are all available on the department's website. We have also commissioned a consultant to provide advice on the technical issues involved with the standards and how the Australian industry compares to particularly the EU and US industries given the mandatory standards systems that they have introduced. We are anticipating that that technical consultancy work will be completed around May and that will be followed with the preparation of an implementation regulation impact statement around midyear.

**Senator MILNE:** I want to go to what has happened in the last six months or so. President Obama in August last year announced the new standards that have been agreed in the United States. They are going to, as I understand it, 100 grams per kilometre by 2025 and 156 grams by 2016. The Europeans are going to 95 grams per kilometre by 2020; the Australian industry aspiration of an average of 190 grams per kilometre by 2015 and 155 grams by 2024 seems to be considerably behind what both the US and the EU are now proposing. Does this change the scenario planning that you put out in the discussion paper, or is this something that the technical experts are now taking into account in the light of that change?

**Mr Sutton:** Yes. The overall target is a key issue in the determination of the standards. The EU and US figures translate to annual reductions of the order of five to six per cent per annum, which is consistent with the upper range of the options that were identified in the discussion paper last year. The discussion paper did not say these are the only options; it gave a range of options and left it to people providing submissions to comment on whether they thought they were achievable, or whether something more ambitious or less ambitious was possible. The figures that were included in the government's election commitment involve a reduction of the order of 2.25 per cent per year, to 2024; a flat line. Yes, it is true that the EU and US figures are significantly more than the Australian figures, but, as I say, a key issue that we are working through, and the advice will be given to the government, is just what is an appropriate system of standards and appropriate target in the Australian situation.

**Senator MILNE:** What is the lead time, if you like, between designing a car in Australia and manufacturing it in 2020?

**Mr Sutton:** The advice we have been getting is that you are looking at least five years. The targets in the government's election commitment are to be implemented from 2015 and a number of people have commented that the lead times involved in the automobile sector, not just the manufacturing but the ordering and the logistics and everything associated with that, will make it difficult to adjust planning significantly prior to 2015. The advice we have been receiving is that 2020 is a realistic time frame for desirable long-term targets to be introduced.

**Senator MILNE:** The problem I have with that, if there is a five-year lead time between design and rollout, given where the EU and the US are, surely it is time for a step change. It is all very well to say there is a percentage increase each year, but if you are coming off a lower base than everybody else, in order to be competitive do you not have to make a significant step change? Maybe the minister may wish to respond to this: why would we not tie assistance to the car industry in Australia to a step change some time between now and 2015 so that we start rolling cars off in 2020 that are heading towards that top bracket that would be competitive with the EU and the US?

**Senator Carr:** A couple of points there. I agree with the officer's assessment that the timelines for model changes are very long term. Decisions, for instance, that have been considered now in regard to production of vehicles for 2015-2016 are being made next month. Within that there is a possibility that you can do relatively minor retooling and you can have the introduction of new technologies, as we have seen with a number of programs over the last four years. The scope of the design itself is set; the platform is set in those timelines. There has to be another consideration in all of this, and that is the capacity to attract the investment capital. In any scenario there has to be some commercial reality put into the consideration as well.

**Senator MILNE:** But GM, Ford and Toyota have all agreed to meet the US standards, so why would they not meet similar standards in Australia? Did we tie any of this assistance to the car industry in the last round to pushing for those higher standards; the green design?

**Senator Carr:** Not necessarily. There are different standards that apply in Australia because of the different conditions that apply. Fuel standards are different. The other factor is the capacity to attract the investment that is necessary, given the nature of the Australian market. It does vary substantially from those in Europe and the

production runs that are inevitably involved in Europe. So there are some commercial realities that need to be considered here as well.

**Senator MILNE:** The question: did you tie the recent round of funding to higher standards, environmental standards?

**Senator Carr:** We did. You have seen there are very substantial improvements in the environmental standards for the production of Australian vehicles over the last four years. The Green Car Fund investments were very much geared to that. They varied from project to project, but you have seen, I think in general terms, an improvement of up to 25 per cent in some of these projects.

**Senator MILNE:** Thanks, Chair.

**CHAIR:** Thank you very much, Senator Milne. I thank the officers from Surface Transport Policy and now call the Australian Maritime Safety Authority. Just to remind senators that we will go to one o'clock when we will take an hour lunch break. Senator Williams will have the call. I welcome officers from the Australian Maritime Safety Authority.

**Senator WILLIAMS:** Mr Peachey, who authorised that Australia's maritime training certification standards, which are historically higher than international safety standards, should be reduced to those recently weakened international standards?

**Mr Peachey:** I assume you are talking about our work on Marine Order Part 3, which goes to the qualifications of seafarers and so on.

**Senator WILLIAMS:** Marine Order Part 3, that is it, seagoing qualifications, yes.

**Mr Peachey:** We are responsible, through the usual marine order setting process, to set those standards and requirements.

**Senator WILLIAMS:** Yes. Traditionally, Australia was above international standards, is that correct?

**Mr Peachey:** We have been consistent with international standards and the work that we are doing now is in the same vein—consistent with international standards. In fact, in some areas we are higher.

**Senator WILLIAMS:** The reductions in safety standards is affecting training, abandonment of academic entry and trade entry standards, and the watering down of the requirement for AMSA to audit college courses before issuing certificates of competency. Does AMSA or the minister accept these downgraded standards could lead to more maritime incidents or even accidents?

**Mr Peachey:** If I can put some of this into context; I know where this is coming from. We have had quite an extensive consultation on this particular one, most recently in Sydney, Melbourne and Western Australia, and it has been put about that we are reducing the standards and potential impacts have been raised.

**Senator WILLIAMS:** Can I stop you there for a tick? Was it a case where an apprenticeship would be a three-year apprenticeship, has now been reduced to 12 months?

**Mr Kinley:** No.

**Mr Peachey:** If I can continue?

**Senator WILLIAMS:** Yes, sorry, go ahead.

**Mr Peachey:** If I can paint a general picture, these standards have not been reviewed for some time. There are some pretty extraordinary requirements in them, and it is a part of history that they are there, and we are taking the opportunity to look at the standards to make sure that they are contemporary, they meet the needs of industry, they provide clear pathways for seafarers and the industry, and to get rid of some of the anomalies and pretty odd arrangements that are in place. I will give you an example: we go to the engineers. A lower level engineer to be qualified has to pass the academic requirements to become a watchkeeper, he or she has to pass half the requirements to become the next level up, plus half the requirements to become the next level up, just to become a watchkeeper. An analogy could be, if you wanted to become a doctor you would be required to pass the doctor's exam, half the surgeon's exam and half the special exam to be a GP operating in a suburb. That does not ring true to meet the requirements of the industry, so we are looking at those sorts of anomalies to try and sort them out.

**Senator WILLIAMS:** You and other senior officers, did you enter into an agreement in October 2009 with the Australian Institute of Marine and Power Engineers to improve training and safety standards, as was discussed, Marine Order Part 3?

**Mr Peachey:** The discussions with the AIMPE have been ongoing for some time. We have gone backwards and forwards, and yes, we sought to understand their issues; we made undertakings, they made undertakings. The history of this is not very straightforward or simple, we make undertakings so we come back with a revised

position from them, it just goes backwards and forwards and backwards and forwards. At the end of the day, these negotiations went on for a couple of years and, quite frankly, the time was up, we do need to make progress on this marine order. We chose to put a draft marine order out for everyone. We could not be accused of sitting doing deals with particular unions, this is something that affects the whole industry and everyone should have an opportunity to participate in that discussion. We put the paper out, and it is out there for discussion at the moment.

**Senator WILLIAMS:** Did you put out a paper and then withdraw it? I refer to 23 December 2009: did AMSA policy division send AIMPE a draft Marine Order 3 which was contrary to the standards agreed in October? In June 2010 did you and the deputy CEO instruct the policy division to withdraw the offending draft Marine Order 3?

**Mr Kinley:** I was in the chair when that occurred. There was a preliminary draft of the marine order which was ready to be released, but there were some errors in it and it was decided to withdraw the draft and then spend much more time on making sure it was absolutely correct. It had to be redrafted in a contemporary style, there were some changes that happened following that time to the current draft we have now, which has gone through a very rigorous process before being released for public consultation.

**Senator WILLIAMS:** What were the errors in that original draft?

**Mr Kinley:** I would have to go back—we are talking some years ago—and look what those issues were. There were some issues around some of the drafting that was used in the document.

**Senator WILLIAMS:** One year later, 23 June 2011, AMSA's manager of operations sent AIMPE an email proposing to meet the following week to implement the original October 2009 agreement and indicated he would direct those who were drafting that Marine Order 3 to attend and participate. However, on 27 June, four days later, the same person had been made to back down from his position of three days earlier and indicate Malcolm Larsen is now in charge of the matter. Mr Larsen has come out of Minister Albanese's office, is that correct? Why was it handed to Mr Larsen?

**Mr Peachey:** I think it is extraordinary that the discussion about the qualifications of seafarers ends up in discussion around individual staff members of the organisation. This has been raised with the AIMPE, and I do not think it is very productive. The fact is we use the best skills we have and the people looking after those issues are the best people equipped within the organisation to deal with the issues.

**Senator WILLIAMS:** I will ask the question again: who and by what authority was Mr Larsen authorised to override AMSA's manager of operations from his previous position of 23 June?

**Mr Peachey:** I do not know the details of that, I do not understand.

**Senator WILLIAMS:** Would you take them on notice?

**Mr Peachey:** My starting point is that I do not accept that there has been a debate and someone overriding the issues within the organisation. This is a moving feast and that is why it has not settled for the last two years. We have talked to a whole range of people with different views and our aim is to get the best view that suits the maritime sector. I do not think it is a matter of someone saying 'I do not agree that I changed it', it is a matter of us distilling the views and putting it out there to the public.

**CHAIR:** Senator, I just remind you that both Senators Siewert and Colbeck also have questions.

**Senator WILLIAMS:** Yes. One last question: AMSA is preparing the draft of the Navigation Act and the National Maritime Law which will combine the maritime jurisdictions of each of the states; correct?

**Mr Peachey:** We are involved in the work associated with the single jurisdiction, that is the National Law Bill.

**Senator WILLIAMS:** Is it correct that under these draft bills cargo ships, oil tankers and the *Spirit of Tasmania* vessels, which are currently under the highest safety standards set by the Navigation Act, will now default to a lower safety standard under the National Maritime Law?

**Mr Kinley:** No, that is not correct. The system is designed so that the vessels which operate under the international regime, the Safety of Life at Sea Convention, for example, will remain under the jurisdiction of AMSA.

**Senator SIEWERT:** Can I go to the Christmas Island issue, please?

**CHAIR:** Why, what is happening up there?

**Senator SIEWERT:** The small matter of a wreck. I would like to know what involvement you have in the discussions of the salvage operation.

**Mr Peachey:** We are working closely with the department of regional Australia on the matter.

**CHAIR:** Who will be here this afternoon.

**Senator SIEWERT:** What does that mean, 'working closely with'? I have been checking the legislation and it seems a little bit unclear—it certainly is to those of us that are not expert on this area—who takes responsibility when it has occurred where it has.

**Mr Peachey:** I will not going into the jurisdictional stuff, you have obviously crossed those issues. The legal issue for us is we have issued a direction to the owners of the vessel to remove it, under the Navigation Act. It is on the basis of that direction we will then become more directly involved to ensure that that occurs.

**Senator SIEWERT:** What is the timeline for the removal of the vessel?

**Mr Peachey:** In an ideal situation it would have gone.

**Senator SIEWERT:** I understand, yes.

**Mr Peachey:** As you know, the weather has been pretty ordinary, it is the cyclone season. We are not doing anything that is going to jeopardise the lives of anyone involved in that, whether it is the salvor or us. There are a number of steps involved: there is one that is the discussion with the owner of the vessel; discussions with insurers; the issue of the weather; and then the logistics involved in getting a vessel down to move it. All of those contribute to the timeline. If I could give you a date I would, but I just do not know the exact date.

**Senator SIEWERT:** I appreciate that. Maybe we will just step through some of those processes you just articulated. For a start, I understand the weather has calmed off quite a bit.

**Mr Peachey:** I looked at the forecast today too, and I was hoping that it would be big seas and trouble, but it is not, it is a beautiful day out there, but tomorrow, who knows what it is going to be like. That is the history of the weather forecasting around there, it is this time of year; cyclone season.

**Senator SIEWERT:** Yes, I understand the difficulties. You just went through a number of things that need to be done; the issue around the weather conditions is a variable that is added on top of those issues, so let us ignore the weather issue for the time being. What is the process when this sort of thing happens in terms of how you resolve these issues about the discussions with the owners and the discussions then of issues around insurance, and the timeline that would normally occur and how soon that ship would have been off it if it was not for the weather—because what I am looking at is not only this incident but whether the delay is likely to occur into the future, because this vessel still has the potential to cause pollution.

**Mr Peachey:** If I can open the batting on that one and maybe Mr Kinley can help. Under normal circumstances there is an obligation on the owners of the company to sort out the salvage. We have issued the direction to them; they would normally talk to a salvor, get a quote or whatever, talk to their insurers, and away we would go. Those negotiations might take several weeks or a month, I do not know. The removal of the vessel is no easy task, and you would no doubt have seen the photos of it, this is a big ship.

**Senator SIEWERT:** I also have been on the island in the past so I know the area that we are talking about and I understand that.

**Mr Peachey:** Yes. Going back to your issue about the ongoing pollution, my understanding is yes, there might be some leakage of residual oil, but you are talking litres a day at the moment. Our concern is for the safety of people doing the work; that is the primary issue that we are dealing with at the moment.

**Senator SIEWERT:** I understand that and I want to come back to the issue about the plan for when it is moved. The issue is not only of course the current situation but if it highlights some issues into the future. What we are talking about is, if a wreck occurs somewhere else, to resolve these issues may take a matter of weeks is what I just understood you to say.

**Mr Peachey:** Or longer.

**Senator SIEWERT:** Therefore, you have potentially a vessel in a similar situation that could be continuing to leak into the marine environment while these issues are resolved.

**Mr Kinley:** There are two sets of legislation, from our point of view, at play here, that is without getting into the complexities of this being a territory. Under the Navigation Act we have the power to direct that the act be removed to the owners. If the owner does not take action then we have the authority under that act to take action to remove the wreck and recover the cost from the owners.

**Senator SIEWERT:** You are going where I was going to go next.

**Mr Kinley:** Alternatively under the Protection of the Sea (Powers of Intervention) Act there are also powers under there to direct that people remove pollutants and remove the threat to the environment. Those powers are

much stronger than the Navigation Act powers because it is about protecting the environment. There have also been those directions to remove any remaining pollutants from the vessel.

**Senator SIEWERT:** Have you done that as well?

**Mr Kinley:** There were various directions issued in this incident. The issue that remains is the practicalities of mobilising people and equipment to do those things. We know that hot tapping those tanks or doing what has to be done to remove any remaining fuel, which we now believe is very low risk because all the main fuel tanks have been breached, there could be some remaining lube oils or hydraulic oils on there, but even accessing what is left of the wreck to ascertain that, you need a decent weather window to do that. The process would be different in all cases, I would have to say, but the powers are very much there to direct things to make the wreck safe; remove the environmental threat that it causes.

**Senator SIEWERT:** Would it be correct to say that, if you get a weather window from now on, you could move the wreck and then recover the costs?

**Mr Kinley:** In theory, yes.

**Senator SIEWERT:** How long a weather window do you need?

**Mr Kinley:** You are talking for a wreck removal like this, you are going to have to mobilise some serious heavy equipment, probably Singapore would be the closest area for that, it is specialised equipment, you would be looking at some weeks to get the equipment prepared and then get it located. You do not want to have that equipment sitting around idle for a long period of time, it is very expensive to have it there. We are looking past the cyclone season.

**Senator SIEWERT:** At this stage that wreck is going to stay there now until the cyclone season is finished; in other words weeks or months?

**Mr Kinley:** I would suggest so.

**Senator SIEWERT:** We are looking at months.

**Mr Peachey:** We are waiting for the cyclone season to end. As I said earlier, we are not about to send people out there that is going to create a hazard to them or a safety issue for us all.

**Senator SIEWERT:** You are not going to look for a window where it may be calm for a number of days?

**Mr Peachey:** I think we are talking more than a couple of days, or some days. If I did have that crystal ball and we knew that there was going to be a break in the weather, and it suited the time for the equipment to come from Singapore and the people to be mobilised and all the logistics to be sorted, we would do it tomorrow.

**Senator SIEWERT:** Thank you for letting me know about what you think is the situation with the fuel. How much phosphate remains on board, do you know?

**Mr Kinley:** From evidence I would say there is nothing remaining on board. The structure of the vessel is completely broken down, the holds have been awash for some time, the phosphate is soluble, so it would appear it has all gone.

**Senator SIEWERT:** In terms of the process of coordination across the government agencies, as a follow on from the Montara report, one of the commitments the government gave was to improve the coordination across government agencies. Is that the process that has now been put in place, that you had some central responsibility under that process?

**Mr Peachey:** The national plan kicked in and people went over there. We had a role in coordination of that. Unlike the Montara stuff, we are now dealing with the wreck, as you were talking about earlier. That is an issue principally between AMSA and Regional Australia, and we have suggested how we might like to pursue it if there is no action on the direction that we have given them under the Navigation Act.

**Senator SIEWERT:** In terms of the coordination with SOPAC, for example, in National Parks Australia, did you operate the process of improved coordination? I understand the comment you just made about working with Regional Australia, but they have an ongoing role in terms of ongoing environmental monitoring, particularly when the wreck is moved, in case there is anything else that does leak from the vessel, are you still coordinating with them as part of that coordinated across departmental response?

**Mr Peachey:** There is coordination in relation to the monitoring that is going on. There are people out there doing some of that stuff, doing the water quality surveys and so on, so that will continue for however long it needs to.

**Senator SIEWERT:** Funding for the ongoing monitoring: are you also negotiating that? Who is responsible for negotiating that with the company involved?

**Mr Kinley:** Some of those issues that flowed on from the Montara issue are still ongoing with the overall review of the national plan which we are undertaking at the moment, and we are still in discussions with SOPAC about those. At the moment those things are being funded directly through SOPAC, but we are yet to have those discussions about longer term.

**Senator SIEWERT:** I have just been told I have got one more question, and I wanted to go to the national plan and ask about where that process is up to.

**Mr Peachey:** There have been two fairly comprehensive studies, one is a risk assessment of where we are going into the future—both these have been done by independent consultants—and there is a second study, a bit of a report card on the national plan. We have been very closely involved with all the jurisdictions and all those people involved in the national plan work. Coincidentally, we only met last week with all of them and we sat there with every recommendation that has been proposed; it is a room with about 40 people. It was a great day, we went through everything. We have decided to tidy up any minor errors of fact or whatever, get the report finalised, and then we will sit down and work out what is going to be implemented and the timelines for it. It is well underway.

**Senator SIEWERT:** This is only a supplementary, it is not a new question. Is the report taking both those studies and will it be publicly released and, if so, when?

**Mr Peachey:** They go hand in hand; one informs the other. Our hope is to get the bulk of this stuff done by midyear. My expectation is that stuff will be publicly available, yes.

**Senator SIEWERT:** Thank you.

**Mr Kinley:** The risk assessment is going to be on our website.

**Senator SIEWERT:** But the overall process, the overall report is not? Yes, thank you.

**CHAIR:** Thanks, Senator Siewert. Senator Colbeck.

**Senator COLBECK:** Thanks, Chair. At previous estimates we talked about the barge that was loose in Gladstone harbour, and the discussion was that it did not come within Commonwealth jurisdiction because it was a state issue; it was a port-controlled asset within the confines of that port. One thing that I was not aware of at the time of that event was that there was a death involved in that. That is not something that would actually trigger your involvement, that it got to that tragic—

**Mr Kinley:** I understand in that event the tug was called the *Adonis*.

**Senator COLBECK:** Yes.

**Mr Kinley:** There was a fatality, that is under investigation by the ATSB, the Australian Transport Safety Bureau.

**Senator COLBECK:** In the context of the discussion we had before about conflicts of interest in relation to the chair of AMSA, does that trigger any of those provisions, Mr Mrdak?

**Mr Mrdak:** Not in relation to this issue, I do not believe so; I do not think that has been the subject of any AMSA orders or any regulatory action by AMSA.

**Senator COLBECK:** Have we had any further circumstance of having to manage conflict of interests since the one that we discussed, which I think February last year was the first conversation that we had?

**Mr Mrdak:** No.

**Senator HEFFERNAN:** Is that a conflict of interest?

**Mr Peachey:** We have a very clear understanding between myself as the CEO and the chair, and I am responsible for all operational activities of the organisation.

**Senator HEFFERNAN:** I do not give a rats what understanding you have got.

**CHAIR:** It is Senator Colbeck, I will—

**Senator HEFFERNAN:** Right.

**CHAIR:** There are only a couple of minutes left.

**Senator COLBECK:** Going back through the transcripts, the chair's appointment was due to expire at November last year, is that correct?

**Mr Mrdak:** Yes.

**Ms O'Connell:** I think it was, around that time.

**Senator COLBECK:** Has there been a reappointment?

**Mr Mrdak:** Yes, the chair has been reappointed.

**Ms O'Connell:** Yes, for a further term, yes.

**Senator COLBECK:** For a further term of three years.

**Ms O'Connell:** I think it is three years.

**Mr Mrdak:** Three years, yes.

**Senator COLBECK:** There was no consideration of the issues that have been raised around conflict of interest. It was my intention to raise some further issues about his activities in relation to his critics in the management of the port, so the fact that his propensity to threaten legal action against anyone who speaks out against him, none of those things were taken in consideration by the government in relation to the reappointment?

**Mr Mrdak:** The government looked closely at a whole range of matters in deciding to reappoint the chair of the authority.

**Senator COLBECK:** We have raised questions about this appointment over 18 months, two years, and I have to say I am highly concerned that this reappointment was made. In fact, I think we talked about it at the last round of estimates even in November. The type of activity that is undertaken, I question whether this appointment should have been recommitted; that is up to the government. I am sure there is going to be a lot of people very disappointed to hear that that appointment has been effectively just rolled over. Effectively bullying behaviour to silence opponents of what he might do, or the operations in the port. Huge concerns within the fishing industry up in Gladstone harbour about the operations and the way things are being managed up there, and the government takes absolutely no regard to that.

**Mr Mrdak:** As I said, the government has reappointed Mr Zussino to the chair, that is all I can comment on.

**Senator COLBECK:** I understand your position, Mr Mrdak, but I just want to put on the record my concerns.

**CHAIR:** We have a minute left, Senator Colbeck. There is one minute left, Senator Heffernan.

**Senator HEFFERNAN:** Like the bullying by legal, you do not know about it or do not care about it or do not think it is bullying? We have got all the paperwork here—

**CHAIR:** Just put the question, Senator Heffernan, we are running out of time. I am going to shut it at 1 o'clock on the dot.

**Senator HEFFERNAN:** Do you not think that there is the possibility of a conflict of interest between one job and the other?

**Mr Mrdak:** As we have discussed previously, where there are issues which impinge on the chairman's role as the chairman of AMSA and the exercise of regulatory functions by AMSA, we manage those, as we did in the incident we discussed with Senator Colbeck last year. We have not seen any issues like that emerge since that time which impinge on the—

**CHAIR:** On that, thank you, Mr Mrdak. It is 1 o'clock and we are running to a very tight time schedule, so I will just say thank you, we will now go to a one hour break and we are finished with AMSA. We will see you back at 2 o'clock. Mr Mrdak, we will have policy and research straight after. AMSA are finished, thank you.

#### **Proceedings suspended from 13:00 to 14:00**

**CHAIR:** I welcome officers from Policy and Research. We will go straight to questions from Senator Edwards.

**Senator EDWARDS:** I have a few questions concerning recent media reports about a report conducted by BITRE. Did the department complete a report entitled, Report 117: Transport energy futures, long-term oil supply trends and projections?

**Mr Williamson:** The draft report you are referring to was not completed through to publication, no.

**Senator EDWARDS:** If not, have you completed any other report on a similar subject that the article may be referring to? I am referring to an article by Piers Akerman on 20 January 2012. Do you know the article?

**Mr Williamson:** Yes, I believe so. I will ask Dr Dolman to elaborate, but certainly the bureau has undertaken a range of work in the area of transport energy around fuel prices, transport emissions, projections and so on. That work manifests sometimes in formal publications, sometimes in papers delivered at conferences and sometimes in contributions to other processes across government, but it is certainly true to say that we have done considerable work in that area. I will ask Dr Dolman to give you some examples of what we have done.

**Dr Dolman:** Some examples of the other work that we have done in this area include working paper 73, which looked at greenhouse gas emissions from Australian transport and made projections out to 2020. We have done

information sheet 30, fuel consumption by new passenger vehicles in Australia; report 124, road vehicle-kilometres travelled, estimations from state and territory fuel sales. We have a forthcoming report, which will be number 127, looking at traffic growth in Australia. We have also published a number of staff papers principally through the Australian Transport Research Forum by a number of researchers. David Cosgrove has published one on long-term emission trends in Australian transport. David Gargett has published one on petrol prices in Australia, which looks at some of those peak oil issues that you specifically asked about. David Mitchell has published a paper on Australian intercapital freight demand.

**Senator EDWARDS:** So there has been an extensive amount of reports done in this area. Why was report 117 called for, given that you have just rattled off all the other reports and you have only ever produced a draft?

**Dr Dolman:** That report was prepared in the normal way and sent out to reviewers for comments. A number of reviewers looked at the paper.

**Senator EDWARDS:** I am new here. Who are the reviewers? Is it a peer review?

**Dr Dolman:** It is essentially a peer review process. In this case we sent the paper to the International Energy Agency, the global authority on these sorts of things; the OECD; the German Federal Institute for Geosciences and Natural Resources and a number of relevant Australian government departments for comment. That process of eliciting comments drew our attention to some weaknesses in the report. We think the report is a good piece of analysis based on what it did. It looked at discovery trends and then forecast production trends from that. However, the referees pointed out that there were a number of weaknesses in the report, things that it did not cover adequately. For instance, according to the referees, it underestimated the influence of oil price and enhanced recovery techniques, which would mean that there would be more oil produced at higher prices than the draft report looked at.

**Senator EDWARDS:** Who called for the report to be undertaken and why was it prepared in the first place?

**Dr Dolman:** The research program of the bureau is agreed annually. It is based on a set of priorities that are discussed within the department for the research that is required. Unfortunately, none of us were in our current positions, so we do not know the detail of exactly how that happened, but it would have been formulated as part of the bureau's research program.

**Senator EDWARDS:** Is there anybody in the building that used to be in the position that could answer that?

**Dr Dolman:** Not here at the moment.

**Ms O'Connell:** It was back in 2006 to 2008. It was quite some time ago. The report was initially developed and put out for peer review, but subsequent to that there have been other reports that now make it irrelevant.

**Senator EDWARDS:** You probably know where I am going with this. You would be aware that there have been allegations that the report has been censored by government as it is unavailable for public release on the department website. Indeed there are allegations in the public that everything leads to report 117 and thereafter it is all a jumble. Do you or the minister have a comment on that?

**Mr Williamson:** There was no suppression and the report was not withdrawn. As I said, initially it did not proceed to publication. We are quite happy to make that clear. That is not being hidden. The copy of the draft report that is floating around is a draft. It is one of the versions that Dr Dolman referred to that was sent for referring. That is out there in the ether. The bureau, itself, has not suppressed the work, nor has the government.

**Senator EDWARDS:** How many reports that you commission like that normally hit the deck and crash and burn?

**Mr Mrdak:** I do not think that you can say it would crash and burn. The bureau produces a number—

**Senator EDWARDS:** You did not publish it, though.

**Mr Mrdak:** We produce a number of draft reports which often circulate within government or key agencies and which of themselves might not be published. They then lead to further work. In this situation, as Dr Dolman and Mr Williamson have indicated, the initial work was done and the draft was prepared. It was unfortunately misreported that this was a final report; that is not the case. In fact, the report then fed into work such as the energy white paper and the like that was undertaken for the government. It is not unusual that bureau internal reports do not finalise themselves into official reports that we publish. They may then feed into other reports like the ones that Dr Dolman has outlined.

**Senator EDWARDS:** So I am likely to see other reports missing in the chronological sense?

**Senator Carr:** The word 'missing' is pejorative. I have heard the officers say that reports are commissioned. They are used as part of a deliberative process. They are subject to peer review. There are occasions when the peer review demonstrates that a report is really not up to scratch.

**Senator EDWARDS:** Only on one occasion.

**Senator Carr:** I am indicating to you my experience of research reports in universities, for instance. There are occasions when a peer review is critical. In this case the advice that I have here is that they are very substantial criticism that went to the methodology. As I understand it, the department has made a decision not to publish it.

**Mr Mrdak:** That is right.

**Senator Carr:** So it is a departmental decision. There is no government intervention in this matter. There is no attempt in any way to suppress it. It is a simple fact that, according to the peer review, the referee criticisms are such that the department chose not to publish the report.

**Senator EDWARDS:** I have heard that evidence, but is it unusual for a report not to go on and be tabled?

**Mr Mrdak:** No. We produce a whole range of draft reports and papers which do not become officially published. They feed into conference papers or other work. No, it is not unusual.

**Senator EDWARDS:** So your department generates reports that, after being peer reviewed, are not published?

**Mr Mrdak:** That happens, yes.

**Senator EDWARDS:** Is that often?

**Mr Mrdak:** Occasionally. We would occasionally have situations where we feel the work needs to be redone. We will do that and feed it into another process.

**Senator EDWARDS:** I am not being partisan here.

**Senator Carr:** It is a normal process of research that a person will come forward with a proposition, it will be subject to peer review and as a result of that criticism, reports will need to be resubmitted.

**Senator EDWARDS:** Let me reframe it. How many reports that were commissioned went unpublished last year?

**Mr Williamson:** I would have to take that on notice to provide an answer. What I can say is that the bureau undertakes research in a range of policy areas around transport and infrastructure. That research work manifests in a variety of ways, including formal published reports, but not exclusively formal published reports. The substantive work around transport energy issues, fuel price issues and so on continues and, indeed, as Dr Dolman has outlined, has seen further publications since and will see further publications in the future. Therefore, I cannot give you answer that this number of reports did not proceed to publications because the bureau is a research organisation that is undertaking research in a range of priority areas.

**Senator EDWARDS:** I will finish up on this topic. It would be embarrassing to keep commissioning reports that get peer reviewed and then do not go on to be published. I would like to refer to a media release, which I am sure the minister will remember, on 23 October 2011 in relation to the Nation Building Program which stated a return of \$2.65 on every dollar invested in the program. The release relies on data which is prepared by your department. Can you tell me what data you provided on that occasion? I am very excited that a dollar can turn into \$2.65, but I am not sure how long it takes and how you get there.

**Dr Dolman:** The bureau was asked the question: what return is coming from investment on nation building projects and the bureau's role was to estimate the average benefit-cost ratios as a result of a package of nation building projects, both road and rail projects, separately and together. We took the benefit-cost ratios and the costs that were provided by the proponents of those projects, often state governments who put forward their projects. We did not review the methodologies that were used; we took them at face value. We converted the benefit-cost ratios to a consistent discount rate of 4.4 per cent, which is the prescribed discount rate in the Nation Building Program and we calculate the weighted averages. That is how the \$2.65 and the \$77 billion of benefits were calculated.

**Senator EDWARDS:** Would that be publicly available, how you went about that and how you settled on that data for the report that you compiled?

**Dr Dolman:** No. The data that was used is not publicly available. It is the information that the nation-building division of the department holds on individual projects.

**Senator EDWARDS:** With the \$2.65 for every dollar invested, the release says that it is the economic, social and environmental benefits of the projects. Can you give further information on the definition of these terms and how you quantify them, particularly in the social environmental benefits of road projects?

**Dr Dolman:** As I said, we did not look at the detail of each of those, but often road and rail projects, or most transports, have similar sorts of benefits that are captured in the benefit-cost analysis that is undertaken for them. So the economic benefits are typically time savings from the introduction of the road or rail project. The social benefits are often safety benefits that come about from improving roads and the environmental benefits are typically the improved lower emissions from more efficient road systems or rail.

**Senator EDWARDS:** Is that modelling that you develop or do you accept that from other agencies that you use? Is this a high level overview that you get to that point or is this a big project for your department to drill down so the minister can release that and stand behind it?

**Dr Dolman:** No. As I said, we took at face value the analysis that was done by the state government. It is usually state government proponents of the road and rail projects. We did not look into the detail of whether or not they had calculated those benefits accurately, but we believe the nation building division would have done so as part of their assessment of those projects. All we were doing was taking a high level overview of what the aggregate benefits were.

**CHAIR:** Senator Ludlam wants about 10 minutes. We have 15 to go

**Senator EDWARDS:** I am finishing up. So that was not one that you would put out to a peer review? You would expect me to accept that one and that would be okay?

**Dr Dolman:** We do not put everything out to peer review. The bureau is filled with experts in these areas. This work was done by an expert in benefit-cost analysis. The person involved also lectures at ANU in terms of benefit cost analysis.

**Senator EDWARDS:** Presumably the report which was subject to my previous topic was prepared by similarly qualified experts before it was binned.

**Ms O'Connell:** As earlier identified by Mr Williamson, there is a range of work that the bureau does that does not manifest in direct public reports. This was a piece of work that relied on the benefit-cost work for each project and then a methodology applied, as Dr Dolman outlined, to derive that productivity benefit.

**Senator EDWARDS:** Ms O'Connell, would you have committed five people to this project for three weeks so that the minister could make that statement, or would you have committed Dr Dolman for half a day to overview it?

**Ms O'Connell:** As Dr Dolman stated, it used the benefit-cost ratios that were available for each of the projects, and this was the methodology applied. I will ask Dr Dolman to outline the resources required in doing that.

**Dr Dolman:** It was something between those two. There were three people involved in doing the calculations. They did not spend full time on it, but their calculations were done over a three-week period in total.

**Senator EDWARDS:** It really would not pass the acid test. You cannot stand behind that because it is subject to other people's data that you have relied on, so there is your get-out clause.

**Dr Dolman:** In terms of what we did, we would be happy to vouch for that, but as you say, it relies on the validity of the cost-benefit analysis that was done. The detailed analysis was done—I forget the number—for a large number of projects that were involved. It relies on that good analysis being done first up.

**Senator EDWARDS:** In essence, if I came back to you and said it is wrong then you could rely on that information being flawed at the start. Thank you.

**Senator LUDLAM:** I will pick up where the previous senator left off. You were being asked before, but I apologise that I missed the beginning of your line of questioning, about a missing report. Was that 117 or were you referring to a different document?

**Senator EDWARDS:** Yes, the binned one. It is in France.

**Senator LUDLAM:** It is in France?

**Senator EDWARDS:** It is on a website in France, I believe.

**Senator LUDLAM:** This is the Ian McPherson blog. Can you give us a background as to what the eventual fate of that report was? It was pulled and then it was eventually published?

**Mr Williamson:** The report did not proceed to publication.

**Senator LUDLAM:** Can I just check that we are talking about the same one—Transport energy futures: long-term oil supply trends and projections?

**Mr Williamson:** That is correct.

**Senator LUDLAM:** What was wrong with it?

**Mr Williamson:** Dr Dolman has been through, in some detail, the comments we received, but in essence, the report was sent out effectively for peer review and, whilst a number of aspects of it were received positively, there were some concerns expressed by referees about some of the methodology and the department took the view not to proceed with publishing that particular report. The point we also discussed earlier was that that does not mean that the bureau has not continued to do quite a lot of work in this broad area of policy, it simply means that a particular publication did not proceed.

**Senator LUDLAM:** Is it over simplifying to suggest that on peer review and on balance, after this thing had been reread, it was felt that the bureau may have been a bit pessimistic in its projections for future supply of various kinds of fuels?

**Dr Dolman:** No, I do not think that is the case. As Mr Williamson has just explained, the main concern that we were aware of was the methodological issues. The sorts of issues that the referees raised with us were that we had underestimated the influence of oil price and enhanced recovery techniques. We had underestimated nonconventional sources. We had not taken account of above-ground factors that influence oil availability.

**Senator LUDLAM:** What does that mean? What is 'above-ground factors'?

**Dr Dolman:** Essentially, political and physical effects that limit the availability of oil supply from existing resources.

**Senator LUDLAM:** It sounds as though you have just answered yes to my question. If you took all of those things into account, you would have been considerably less pessimistic. Maybe 'pessimistic' is the wrong word, but it sounds as though the economists have got to it and said, 'No, price signals will create more oil for us.'

**Dr Dolman:** There was one other criticism regarding the data used that it was from sources that were not reliable.

**Senator LUDLAM:** Are you able to table that peer review or anything that was written and provided to the department—the critique, if you will, of 117?

**Mr Williamson:** We can take that on notice to see what we have. I am saying that because it goes back a number of year and neither Dr Dolman nor myself were around then.

**Senator LUDLAM:** Can Dr Dolman table the document that he is reading from?

**Senator Carr:** No.

**Senator LUDLAM:** I have had that happen before.

**Senator Carr:** That might be good, but it is unreasonable to ask the officers to table the document.

**Senator LUDLAM:** Why is that? Can I just test if Dr Dolman is happy to do so?

**Senator Carr:** Under the standing orders I think you will find that I have no say over these matters. These are briefing materials provided to me.

**Senator LUDLAM:** I have had agents—

**Senator Carr:** You might have, but you have not got this one.

**Senator LUDLAM:** Is there something a bit sensitive in there?

**Senator Carr:** No.

**Senator LUDLAM:** You have not even seen the material.

**Senator Carr:** I have seen it. I have it in front of me.

**Senator LUDLAM:** You can table it, Minister.

**Senator Carr:** The answer is no.

**Senator LUDLAM:** It seems that we suddenly hit a bit of a nerve.

**Senator WILLIAMS:** The transparency of the new government.

**CHAIR:** Senator Williams, you know I am pretty flexible, but I think that was uncalled for and I would ask you to retract.

**Senator WILLIAMS:** I will retract that.

**CHAIR:** Thank you. Senator Ludlam.

**Senator LUDLAM:** Is that report going to be republished at some point. Will you go through the data and republish at some point in the future.

**Ms O'Connell:** Dr Dolman has outlined subsequent reports that have overtaken that report. That report was done in the period 2006 to 2008, so there has been subsequent material on the topic that now negates that report.

**Senator LUDLAM:** One of the findings—and not to paraphrase too loosely—was that there was a recommendation, effectively, that went to preparation for the long-term task of replacing oil as a source of energy. Does the government acknowledge that the long-term task still remains before it, or has the dumping of this report offset that view? Has that recommendation appeared in future or subsequent reports?

**Mr Mrdak:** The government's position on energy future has been set out in the draft white paper.

**Senator LUDLAM:** So the white paper has overtaken this in this instance?

**Mr Mrdak:** As Dr Dolman outlined earlier, the bureau provided information which fed into that white paper development process in the Resources, Energy and Tourism portfolio.

**Senator LUDLAM:** If I asked you, and I think I have asked you before, who in the federal government takes the lead on oil depletion and oil or energy security issues, you would bump me over to Minister Ferguson.

**Mr Mrdak:** Those matters rest with Minister Ferguson and that portfolio.

**Senator LUDLAM:** But then we have this agency and this portfolio doing some quite good primary research into exactly the same topic, supply constraints, so how does that work?

**Mr Mrdak:** We work quite closely with other departments, including the Department of Resources, Energy and Tourism.

**Dr Dolman:** We are particularly interested in transport fuels.

**Senator LUDLAM:** In the sense of the previous portfolio, or the one before, surface transport policy, we were talking about infrastructure decisions with tens of billions of dollars being spent on the basis of reports such as the one that was not eventually published by the bureau, which would tend to tilt heavily the cost-benefit or the benefit-cost analyses that go into deciding whether or not you build a road or railway line. With documents like this it is very interesting when something like this is about to be published and then pulled, particularly when it is dealing with sensitive issues like this.

**Mr Mrdak:** I can clarify. We have explained that the report has not been pulled in any sense. There was work undertaken and that report was then reconsidered. Subsequent work has been undertaken in similar fields which has been published by the bureau. This particular piece of work did not proceed to publication. I would not use the term 'pulled'.

**Dr Dolman:** One of the ways that this work has been progressed is through an Australian low carbon transport forum, which we are running with CSIRO and ARRB, which is looking at a number of issues around alternatives for low carbon transport, which looks at fuel efficiency in particular. One of the things that it is coming up with is the most likely ways of dealing with these issues, the improved fuel efficiency for vehicles and biofuels and other alternative fuels becoming viable.

**Senator LUDLAM:** That kind of thing is going to take decades to wash through, even if there was some sign of urgency, which I am afraid I am still yet to detect. Has there been any work done that you can point me to that would describe Australia's state of readiness or preparation from an oil price shock, something akin to what happened in the 1970s.

**Mr Mrdak:** The best statement on this matter would be the draft white paper.

**Senator LUDLAM:** It certainly does not do that.

**Mr Mrdak:** If you have a look at that white paper it goes through a range of medium-term scenarios. It is probably a very good exposition of the issues.

**Senator LUDLAM:** So if there is an oil price drop we are going to start feeding coal into our cars?

**Mr Mrdak:** You asked about projections of future scenarios of oil constraint. I think the white paper sets out a position. It also goes into some length about the alternative developments that are taking place in vehicle technology and fuel supply.

**Senator LUDLAM:** Can I take that as a no, that the bureau has not been asked to do that kind of modelling or research, that has been handed across to the people writing the white paper?

**Mr Mrdak:** I think Dr Dolman has indicated to you that we are continuing work in this area and that is feeding through to processes like the white paper.

**Senator LUDLAM:** What would you say is the closest that you have got? I am still intrigued as to why this document—I will not use the word ‘pulled’—was not published. What is the closest you could point me to on your website that was published that attempts to do what that report was doing.

**Mr Mrdak:** I will get Dr Dolman to run through that list of items again, if you do not mind.

**Senator LUDLAM:** Just the most recent. What is the closest analogue to that document?

**Mr Williamson:** There are a number of publications and conference papers that deal with these issues. Dr Dolman can give you some examples or we can provide you with a reasonably long list of—

**Senator LUDLAM:** Time is short; could I just invite you to table the list. I would greatly appreciate that.

**Dr Dolman:** We can do that.

**Senator LUDLAM:** Are there any other senators with questions?

**CHAIR:** No, you have the call.

**Dr Dolman:** I would say there is one paper that in particular looks at some of those issues. It is a staff paper by Dr Gargett, who is the author of the paper that you were referring to earlier, and it looks at petrol prices in Australia. It looks at a number of scenarios, including peak oil scenarios, and calculates likely maximum petrol prices in Australia under those scenarios.

**Senator LUDLAM:** Is it the view of the bureau that we have come into the age of peak oil or is it still your view that that is some years or decades away? If there is not a view as such then—

**CHAIR:** You are bordering on an area that is not policy.

**Senator LUDLAM:** I am sorry?

**CHAIR:** No, it is all right. Keep going.

**Senator LUDLAM:** This is a research outfit.

**Dr Dolman:** I do not think we have a firm view. We look at that evidence. There are a number of authoritative publications in this area from the International Energy Agency, for instance, that show that oil production is at least plateauing—

**Senator LUDLAM:** So, it is no longer doubling, it is plateauing; do you consider that to be—

**Dr Dolman:** But also the International Energy Agency shows that demand is also plateauing. The growth in demand in China and India, for instance, is being offset by shrinkage in demand for oil within OECD countries.

**Senator LUDLAM:** I will take this up with Treasury. I think it is a terrifically important thing to note that economic growth is now constrained by rising oil prices. We have just been through a century where that was not the case.

**Dr Dolman:** I think there is also included in the energy white paper a lot of evidence to show that the amount of oil used per unit of GDP growth is shrinking in all countries, including Australia.

**Senator LUDLAM:** The irony is when you Google report 117, which I did just as Senator Edwards was speaking, you come across a paper on aviation. So the 117 that was eventually published was about aviation.

**Mr Williamson:** That is correct.

**Senator LUDLAM:** I presume if I look at the conclusions of that report out to 2029-30 it will say that aviation is just going to double and then double again presumably out to that period. Does anybody else at the table share the irony that the report into supply constraints never got published; the report into never-ending expansion of aviation ended up being report 117?

**Mr Mrdak:** I do not think anyone shares your notion of irony, because I do not think that is an accurate representation of what the research is saying.

**Senator LUDLAM:** What is the research saying?

**Mr Mrdak:** I think if you have a look at the projections that have been done on aviation demand, they are being modelled on the best projections available of supply and demand of oil. Also, as Dr Dolman said, alternative fuel sources and technologies are coming into the market.

**CHAIR:** On that, I am going to have to pull up, because we have gone over.

**Senator LUDLAM:** That was nonetheless my favourite awkward silence of the day so far. But thanks very much for your time.

**CHAIR:** I thought Mr Mrdack was rattling off at 100 million miles an hour. But, anyway, if that was awkward silence I wish you were my mentor in the seventies. I thank the officers from policy and research and call the Major Cities Unit.

### Major Cities Unit

[14:32]

**Senator WILLIAMS:** I want to turn to discussions from the last Senate estimates hearing in October. At that time you said you were working through the results of trials in Sydney and Melbourne. Is that right?

**Mr Mrdack:** This is major cities rather than the Office of Transport Security. I think they are on next. We can bring security on next.

**Senator WILLIAMS:** I can come back.

**Senator EDWARDS:** I asked some questions in relation to the implementation of the national urban policy at my first estimates last October. How is the implementation of that going? When do you expect to have it fully implemented?

**Ms Ekelund:** There is no timetable for the complete implementation of the National Urban Policy. It is a policy framework that informs a number of activities in cities and since the last estimates there have been a number of actions implemented. They include the 2011 *State of Australian cities* report, which was launched two days after the last estimates. They also include the release of the Australian urban design protocol and also the Urban Policy Forum, which is a stakeholder engagement forum. Whilst not administered by the Major Cities Unit, which is a policy area, there is also the Liveable Cities program, which is administered by the nation building division of the department. There have been a number of actions since last October.

**Senator EDWARDS:** Since you released the urban design protocol, has there been any interaction from local government or any other stakeholders that, you know, you are choking on now?

**Ms Ekelund:** When you look at the actual urban design protocol you will notice that it does not actually have the Australian government logo on the front of it, because it is a collaborative effort from a number of stakeholders, including the Australian government. Inside the urban design protocol you will see that is signed on to by numerous organisations that were partners in the development of the protocol. We now have 37 organisations that call themselves champions of the protocol and have indicated their willingness to embed the work in their organisations, and that does include local government. Toowoomba, for example, is one local authority that has indicated it is using the urban design protocol as part of its policy suite for the council.

**Senator EDWARDS:** When will you see the benefit of this? How much did it cost to get you to that point? Where is the bang for the buck? The protocol is released. You have done that. That has been out for three months now. When will you expect to see the benefit of tabling that?

**Ms Ekelund:** There are two pieces of work that are underway at the moment by the private sector, one under the Green Building Council and one under the Green Infrastructure Council. They are ratings tools that are being done to progress the sustainability of buildings, communities and infrastructure. Rather than reinventing their own urban design components of those ratings tools, they are embedding the Australian urban design protocol. If you consider cost savings and efficiency of resources, that is already evident in industry picking up a policy framework that has been broadly embraced by all the state architects and many other stakeholders in Australia.

**Senator EDWARDS:** What is the cost of that program to deliver all of that to the community?

**Ms Ekelund:** On top of staff resources and some travel associated with the consultations we have undertaken the expenditure in terms of consultants and support from the New South Wales state architect and the urban design office of Melbourne City Council is less than \$50,000.

**Senator EDWARDS:** That is a good result. In any of your work—and all of that going forward—did you ever look to price in a carbon pricing mechanism as a consideration for your protocol?

**Ms Ekelund:** That is not directly our policy area.

**Senator EDWARDS:** My questions only relate to travel costs and things like that. I will put those on notice.

**Senator WILLIAMS:** In relation to the Liveable Cities program, which is advertised on the MCU website, can you advise what role, if any, the MCU plays in assessing grant applications?

**Ms Ekelund:** I mentioned that we are a policy unit. We are not a program management area, and for more detailed questions the nation building division can answer. But we are participating in the evaluation of the applications received, providing advice on how applications align with the objectives of the national end policy and also alignment with the COAG criteria for cities.

**Mr Jagers:** The nation building infrastructure investment division is managing the program, but we are currently assessing applications and we are working closely with the Major Cities Unit in relation to that assessment process.

**Senator WILLIAMS:** Applications closed on 15 December last year. Can you advise how many applications were received?

**Mr Jagers:** We received 170 applications.

**Senator WILLIAMS:** When will the successful applicants be announced?

**Mr Jagers:** We are currently assessing the applications. We hope to have advice to the minister in the next few weeks.

**Senator WILLIAMS:** In the next few weeks?

**Mr Jagers:** But certainly in terms of the announcement, the minister still needs to consider the applications himself and make determinations in relation to those prior to announcements.

**Senator WILLIAMS:** Can you provide more details on what projects would be eligible under stream 1 and stream 2?

**Mr Jagers:** Certainly. The first stream of the Liveable Cities program is around providing support for planning and design. The kind of projects that we were seeking were strategic planning for regional major cities; precincts planning; public and active transport network planning; corridor planning and protection and planning for projects, for example, feasibility studies that may meet the objectives of the criteria.

In relation to demonstration projects, we were seeking projects that demonstrated a mixed-use precinct that optimised public transport projects; projects that improve the usability of public transport, walking and cycling networks; urban renewal; delivery of higher-quality public spaces and streetscapes; innovative residential developments that promote affordability, adaptability and accessible design; projects that optimise existing infrastructure by using technology; and improving the environmental outcomes of precinct developments.

**Ms O'Connell:** These streams and the guidelines appropriate for the streams are publicly available and outline the criteria that Mr Jagers was outlining.

**Senator WILLIAMS:** Would it not be cheaper just to move out to rural areas, where we have plenty of room? You do not have to answer that. The program is budgeted at \$20 million over two years, \$10 million per year. How many rounds will be held and is it two rounds of \$10 million each or will there be more smaller rounds?

**Mr Jagers:** It is currently our intention for there to be a single round.

**Senator WILLIAMS:** Just one round of \$20 million?

**Mr Jagers:** A single round for the \$20 million.

**Ms O'Connell:** With two streams within one round. You could apply for one stream or the other.

**Senator WILLIAMS:** Also advertised on the website is the Sustainable Jobs program administered by the department of environment. What role does the MCU have, if any, in this program?

**Ms Ekelund:** We have had some input into the guidelines for the program and as we deliver the Liveable Cities program we will be involved in the evaluation of the program. Applications, I should say; we will be involved in the evaluation of the applications rather than the program.

**Senator McKENZIE:** The most recent budget committed this area to working on establishing special tax provisions to improve certainty for private sector investment in nationally significant projects by removing the continuity of ownership test and the same business test and uplifting early stage losses by the government bond rate. Can you please update me on the progress?

**Ms O'Connell:** That is not actually for the Major Cities Unit. That is part of nation building infrastructure investment, but I am happy to cover that.

**CHAIR:** Can I just say that in all fairness to Senator McKenzie that she did have some questions earlier, so if we can cover that here that would be very helpful.

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

**Mr Jagers:** The measure is being worked up by the Department of Treasury and we are providing some assistance to the Department of Treasury in the final design of how their measure will work.

**Ms O'Connell:** There is legislation being written by the Department of Treasury. They are currently undertaking the putting together of the legislation to give effect to the measure.

**Senator McKENZIE:** Do you have any idea of a timeline from your perspective?

**Ms O'Connell:** I can ask the Department of Treasury and come back to you.

**Senator McKENZIE:** That would be really helpful. Thank you. I have a question about Albury-Wodonga. Late last year they were announced Australia's 18th biggest city. What does this actually mean for them? Will they be able to access additional funding programs and other types of support?

**Ms Ekelund:** I guess one of the obvious things with their being over 100,000 is that they became eligible to apply for the Liveable Cities program, and they are also now featured therefore in the *State of Australian cities* report.

**CHAIR:** Is that the liberal cities program?

**Ms Ekelund:** The Liveable Cities program.

**Senator McKENZIE:** Both liveable and liberal.

**CHAIR:** Oh, 'liveable'. I was going to say, what is a liberal city?

**Senator McKENZIE:** We were talking earlier about the suburban jobs program, which was announced at the last budget. How much of that funding has actually gone to Victorian cities?

**Ms Ekelund:** Again, we do not administer that program. We are only providing input into the evaluation of applications. It would really have to be SEWPaC that would be able to respond to that question.

**Senator FAWCETT:** Could you talk to me about your involvement in the National Airport Safeguarding Advisory Group?

**Ms Ekelund:** Again, we are not responsible for those groups, but our colleagues in aviation and airports do consult us about items that might be of interest to those consultative groups. Our role is a little indirect, but certainly there is a dialogue between divisions in the department about matters of relevance that we are involved in that could be of interest to those groups.

**Senator FAWCETT:** Could you talk to me about your engagement with state government authorities around planning and development in major cities?

**Ms Ekelund:** We have a continual dialogue with states and territories and some of the peak local government organisations, such as the Australian Local Government Association, Council of Capital City Lord Mayors and National Growth Areas Alliance. It is not a formalised process except in relation to our cities agenda on the Standing Council of Transport and Infrastructure, which is represented by all jurisdictions and now includes the strategic planning agenda for cities as well as infrastructure and transport.

**Senator FAWCETT:** What are the specific outcomes you are looking for? Is it better policy? Is it common understanding of policy constraints?

**Ms Ekelund:** There is an ongoing dialogue through the COAG framework about metropolitan planning of cities, and the Standing Council on Transport and Infrastructure has an interest the relationship between planning for cities and the infrastructure that underpins them. The COAG reform council, you may be aware, has been reviewing metropolitan planning systems against COAG agreed criteria, and we expect COAG will be considering this matter at the next meeting. There is a desire for improved outcomes in metropolitan plans and continuously improved alignment and integration between infrastructure planning and metropolitan planning.

**Senator FAWCETT:** Would it be fair to say, though, that you would be the Commonwealth's primary voice interfacing with state and local government based bodies in major cities around their planning?

**Ms Ekelund:** One of them, yes.

**Senator FAWCETT:** Could you talk to me about your understanding of prescribed airspace?

**Ms Ekelund:** Again, that is for my colleagues in aviation, who will be on later.

**Mr Mrdack:** That is for our aviation division, and the whole NASAG process is being handled there.

**Senator FAWCETT:** I understand that, but if we are talking about policy and policy development and the common understandings of frameworks from a whole-of-department perspective, it strikes me that there is a gap there at that very foundational level of liaising with state authorities. Sure, you have a dedicated group in NASAG who are working it, but there should be an understanding and a focus with an MCU, because some of the issues that have been raised in that area come back to that.

**Mr Wilson:** There are representatives in NASAG from state transport and planning agencies and from the Commonwealth point of view from the department, from Airservices, from the Department of Defence and from the Civil Aviation Safety Authority. Ms Ekelund's unit has been assisting us in terms of a Commonwealth understanding of the integrated planning arrangements, but we have had at our disposal resources that are well

attuned with prescribed airspace and the interaction between developments and the operations of the aviation sector. So, Ms Ekelund has been able to provide advice in her field of expertise, as have the Civil Aviation Safety Authority and Airservices Australia.

**Senator FAWCETT:** I am not at all surprised to hear that that cooperation is occurring in terms of feeding in. My point is that the information should also be flowing back so that with MCU's interaction there is an awareness, an understanding and an ownership of that Commonwealth imperative to make sure those considerations flow the other way. That is the point I am making.

**Senator LUDLAM:** Last October I asked about the active transport strategy. Can you give us an update of where you are getting to with that?

**Ms Ekelund:** We have progressed work on the active travel discussion paper/position paper, but I have to say it has taken a little bit of a backseat in the last month or so as my staff has concentrated on evaluating the Liveable Cities program. As you are aware, we do not have a huge team so that was a priority task that we have been focusing on. Likewise, the team that is also dealing with active travel was responsible for getting out the *Creating places for people: an urban design protocol*. It is tackling one project and priority at a time.

**Senator LUDLAM:** It sounds like perhaps you need more people. The minister is busy, but it will be in the *Hansard*.

**Senator Carr:** I am sure the officers would be only too happy to put their case.

**Senator LUDLAM:** I am sure that is not what Ms Ekelund was doing. Nonetheless, this is important work. It is a shame that an active transport strategy is having to take a back seat. Minister, I might put this one to you while I have your attention. In question on notice 84 from last time, I was asking whether that document would be made public. The answer that came back on paper was, 'The government has not considered the release of this work.'

**Senator Carr:** Can I just get the paperwork?

**Senator LUDLAM:** Yes. It is No. 84 from last October.

**Senator Carr:** I am advised that work has not concluded and therefore no decision can be made.

**Senator LUDLAM:** I am not asking you to release it before it is finished.

**Senator Carr:** But that is the nature of the document. It is not concluded.

**Senator LUDLAM:** I am not asking you to release a not concluded document. My question was: when it is finished will it be put into the public domain?

**Senator Carr:** We will have to take that on notice, because it is obviously—

**Senator LUDLAM:** No, it is exactly the question that you took on notice last time. I am just trying to work out whether there is any clarification. Often you will—

**Senator Carr:** The answer is provided.

**Senator LUDLAM:** Yes, but it is a non-answer.

**Senator Carr:** It is an answer.

**Senator LUDLAM:** No, it is not—'The government has not considered the release of this work.' Are you telling me you still have not considered it or are you offering to take it on notice and not consider it for another couple of months?

**Senator Carr:** That is right.

**Senator LUDLAM:** I feel like I have just stumbled into a Monty Python sketch.

**Senator Carr:** You are the one who keeps referring to these dead parrot routines.

**Senator LUDLAM:** It is the first time today, to my knowledge. Will you be releasing that report when it is completed?

**Senator Carr:** That is a matter for the minister.

**Senator LUDLAM:** Wow! If you are going to take it away on notice and not consider it until probably May, which is the next time I will have an opportunity to ask, I would suggest that it would be strongly in the public interest to release it, since you are doing it.

**Mr Wilson:** In terms of the work that Ms Ekelund's unit is doing, the minister has not yet considered a position in terms of releasing the document. The answer is as the question is phrased and answered, which is, the government is still to consider this. As you said, the answer is as it is stated there.

**Senator LUDLAM:** That is five minutes of our lives that we will never get back. Could I maybe phrase it differently this time and ask the minister to consider whether or not he will release it when it is concluded? I invite that consideration and we will leave it there. This is valuable work. It is strongly in the public interest that it is released, but I will leave that with you. Ms Ekelund, does that make a material difference in the drafting of the document when you do not know whether or not it is going to be for public release? Is that an unusual constraint to work under?

**Ms Ekelund:** At this stage, no. We are looking at facts and figures and issues around active travel and we will be preparing material for the minister to consider, which may include some internal options, but at this stage that has not figured in how we are progressing our work.

**Senator LUDLAM:** Given the resource constraints you identified earlier, when is the estimated time that you would be passing a copy to the minister for consideration?

**Ms Ekelund:** We expect to be able to provide the minister with material in the first half of this calendar year—so, this financial year.

**Senator LUDLAM:** Again, all I will do is encourage the minister to consider releasing it so I do not have to go around referring to the government's secret cycling strategy, which I will do even though it sounds ridiculous.

**Senator Carr:** I am sure that will not stop you.

**Senator LUDLAM:** With regard to Liveable Cities, would you describe that program as oversubscribed and can you give us an idea of how oversubscribed it is?

**Ms O'Connell:** We answered this question before in terms of 170 applications within the Liveable Cities program.

**Senator LUDLAM:** Are you able to give us a dollar figure, though? There is \$20 million on the table. How many hands were stuck out and for what value in total?

**Mr Jaggars:** As I mentioned, there were 170 applications requesting Australian government funding totalling \$141 million.

**Senator LUDLAM:** So, we are massively oversubscribed. Does that lead you to conclude that the program is a very good idea and should perhaps be scaled up?

**Mr Jaggars:** We are still assessing the applications at the moment. Whilst there were 170 applications, clearly not all of them will be applications that meet all of the criteria. A fair bit of work will still need to be finalised before we could draw any conclusions about the program.

**Senator LUDLAM:** Are the applications generally of a high quality, though?

**Mr Jaggars:** With all program rounds there is a mix in the quality applications. There were what we would consider to be good-quality applications and also others that were obviously not as good. There is a mix.

**Senator LUDLAM:** Are you still expecting to be able to make announcements in March and April?

**Mr Jaggars:** We are hoping to conclude our advice to the minister in the next few weeks. It would be possible to have announcements by March/April.

**Senator LUDLAM:** Are you still on track for that?

**Mr Jaggars:** We are still on track with the program.

**Senator LUDLAM:** Is the Major Cities Unit doing any work on perverse tax incentives or misallocated infrastructure funding? I am not trying to put you in a tight spot here, but we have a huge amount of institutional inertia, if you will—

**Ms Ekelund:** No.

**Senator LUDLAM:** You are going to short-circuit the line of questioning; you are not doing anything on that. I have come across a piece by Rob Adams, who said that by 2029 some 90 per cent of the infrastructure has already been built. I guess you are familiar with that general concept. By 2029 only 10 per cent of what you look around and see will actually be new and the rest of it will have had to have been retrofitted or modified and that is just how cities grow. Last time we were here I did ask you about the retrofitting task upon us and whether that huge amount of infrastructure is going to need to be turned about to be fit for purpose by then. You directed me to the *State of the cities* report, but it is actually only mentioned once. Is that retrofitting task or modification of existing infrastructure task anybody's specific job? Is it anybody's specific job to think of that?

**Ms Ekelund:** It is principally the states and territories, of course, that have to manage the change that needs to happen in that urban form, whether that is expansion at the edges or within the existing urban footprint, and whilst

our work certainly canvasses the merits of various approaches to managing growth and change in cities, we also work quite closely with others working in that area, such as Rob Adams. We monitor other research that shows cost-benefit ratios of different sorts of urban form. For example, the metropolitan planning for Sydney has been evaluating that, too. You are probably familiar that within Sydney somewhere between 70 per cent and 90 per cent of new residential development happens within the existing urban footprint. How to make that more liveable and how to make the urban form more sustainable is certainly core business to us and is reflected in the national urban policy and it is reflected in the COAG criteria for cities, but we do not evaluate the cities as such. The COAG Reform Council has had a look at that issue and to what extent the metropolitan planning systems are addressing it, but it is certainly an area of continuing interest for us.

**Senator LUDLAM:** I was going to come to that, because their processes are close to winding up.

**CHAIR:** I will have to get you to wind it up. Last question and then we need to move on.

**Senator LUDLAM:** That being the case, I will ask a different one, and I might put a couple on notice. To what degree have you been brought into discussions about Nation Building 2 and modifying the way that Infrastructure Australia allocates funding for large infrastructure projects?

**Ms Ekelund:** We have certainly been consulted about Nation Building 2 and the national urban policy makes it very explicit that Nation Building 2 will be consistent with the aspirations of the national urban policy. I have worked quite closely with my colleague Mr Jagers on this issue.

**CHAIR:** Thank you very much. Senator Ludlam, you will have to put further questions on notice. I thank you and the officers of the Major Cities Unit.

#### Office of Transport Security

[15:00]

**CHAIR:** Senator Heffernan, I believe there are five questioners, three of whom are in the room. I will get you to kick off and we could always come back to you if the other two do not come.

**Senator HEFFERNAN:** I understand that in the Strengthening Aviation Security Initiative funding there may be \$19.6 million not really accounted for yet. Would you like to comment on that?

**Mr Retter:** Within the funding that has been provided to us under the Strengthening Aviation Security Initiative there is \$19.6 million that is available for use to purchase equipment for use in screening of air cargo in the supply chain.

**Senator HEFFERNAN:** I understand that the allocation of those funds has been held up; is that correct?

**Mr Retter:** At this stage the funding is due to be utilised this financial year. Following some discussions with industry last year I am examining whether, in fact, before we proceed with the purchase of that equipment we have the associated policy settings in place that will minimise the impact on industry, and that will be the subject of advice to the minister.

**Senator HEFFERNAN:** Of the overview of programs, the Optimal Technologies program, Regional and Domestic Aviation Security program and Securing the Supply Chain program, which program was that under?

**Mr Retter:** It was part of the Supply Chain program. The \$19.6 million is administered funds specifically for the purchase of appropriate screening equipment for the air cargo supply chain.

**Senator HEFFERNAN:** Is the spend in that area a competitive grants process?

**Mr Retter:** It would be a normal grants program where there would be a full-blown tender process once the guidelines are provided to industry, and they would then use that as the process for seeking contracts.

**Senator HEFFERNAN:** So, there are funding rounds. When is the next round due?

**Mr Retter:** The intention was for the funding round, as advised to industry, to occur early this calendar year and, as I have just stated, due to some concerns that I had in terms of the results of consultation with industry and the impacts that might have been produced, I have just held off on that until we further consider how best to employ that money.

**Senator HEFFERNAN:** Under the guidelines and under the desired outcomes is there a chance that that money may be diverted away to a different program altogether?

**Mr Retter:** That is not the intention.

**Mr Mrdak:** I just want to clarify this. As Mr Retter is indicating, we are trying to design the whole regulatory regime that will sit around this air cargo supply chain. That work has not advanced to a stage where we believe

we are in a position to issue the guidelines for the program as yet. They will be decisions for government to take, but there is no suggestion that those funds will be not available to the security program.

**Senator HEFFERNAN:** On your website the last grant was in January 2012.

**Mr Retter:** There has been a series of grants under the Strengthening Aviation Security Initiative; that is correct. The last of those has been in the last few weeks related to other programs within that overall initiative. As you might recall, there was a total of about \$134 million provided to the department for a range of initiatives. Only a portion—the \$19.6 million I have talked about—related to air cargo.

**Senator HEFFERNAN:** Which is part of the \$54.2 million under the—

**Mr Retter:** That is correct.

**Senator HEFFERNAN:** Obviously, there are some concerns for me to be asking the question as to whether that money might disappear down a rabbit warren it is not designed for.

**Mr Retter:** As the secretary has noted, that is not the intention, but we do need to ensure that we have the associated policy settings correctly framed before we embark upon spending money.

**Senator HEFFERNAN:** Have you made any further funding announcements in any of these programs in recent days? If you have, are they on the website?

**Mr Retter:** To my knowledge, we have not made any announcements this calendar year on any of the Strengthening Aviation Security Initiative related funding. The other programs are proceeding as planned and our intention will be to implement those in accordance with the government's program.

**CHAIR:** Senator Heffernan, a couple of your colleagues have some questions.

**Senator HEFFERNAN:** I will put the rest on notice.

**Mr Mrdak:** The website is current in terms of that.

**Senator HEFFERNAN:** I have some other questions. I am tight for time.

**CHAIR:** Senator Fawcett and then Senator Williams.

**Senator FAWCETT:** Can you explain to me the impacts of the funding cuts to the air marshal program?

**Mr Retter:** That is a matter for the Attorney-General's Department. That program is managed by it. It is not this department's concern.

**Senator FAWCETT:** Do you as the Office of Transport Security have any relationship with the Defence Security Authority?

**Mr Retter:** No relationship in a formal sense. Obviously, the Defence Security Authority is now responsible for whole-of-government vetting and in that sense we are a customer like every other department.

**Senator FAWCETT:** So, when it comes to the security passes, I am aware that you have AusCheck and other people who work on things like ASICs, but in terms of the security clearances for your air marshals, for people working on tarmacs and in the secure area of the aviation world, given what happened within DSA and the data entry errors and processes that were allowed and have been disclosed over the last 12 months, are you satisfied that there have been no people, either in the air marshal stream or in terms of people with ASICs, that similar errors, either through DSA or through the data that has been fed into the groups that process ASICs, have had similar errors?

**Mr Retter:** I have no concerns that have been raised with me or indeed that I have considered on the basis of what I have seen and heard.

**Senator FAWCETT:** The Senate inquiry looking at the issue of ASICs was recommending a centralised government agency as opposed to your current distributed model. Can you update me on the department's response to that?

**Mr Retter:** As part of the Parliamentary Joint Committee on Law Enforcement report, you would recall they made a series of recommendations, to which the government responded, I think, in early November last year. I will now hand off to Mr Dreezer, who might address that particular recommendation and the government's response.

**Mr Dreezer:** In relation to your question regarding the centralised government agency—I think it was recommendation 22—the department is currently conducting a functional review of a range of issuing body models, including a government centralised agency. We are looking at the cost-benefits of such a proposal.

**Senator FAWCETT:** Media reports of last year indicated that some 12,000 cancelled or expired ASIC cards had not been returned as required. Has that issue been addressed?

**Mr Dreezer:** That is an ongoing issue.

**Senator FAWCETT:** What causes that issue? What part of your process is not robust in terms of getting those back?

**Mr Dreezer:** It is an ongoing issue, because an ASIC or an MSIC is treated by some such as a driver's licence. For example, cards are left in people's drawers and so on and not returned. The activities that issuing bodies and airports and seaports are undertaking in order to try to recover those cards include putting in place arrangements such as penalties for not returning your card to your issuing body. In some cases, they are referring those matters to the Australian Federal Police for inquiries to return the cards. There is a specific offence for not returning your card within 30 days.

**Senator FAWCETT:** Do you have any examples of expired cards that have been obtained by criminal elements for counterfeiting?

**Mr Retter:** No, we have not. In fact, we believe the security around the card itself, in terms of the hologram and the kinogram that it has on it, is quite robust. At the moment, as part of our ongoing continuous improvement process, we are undertaking an analysis of how the ASIC and MSIC cards stack up against other cards in terms of their security features against other cards. What we have found is that it is incredibly robust, particularly with the kinogram that is used.

**Senator FAWCETT:** Thank you.

**CHAIR:** Senator Williams.

**Senator WILLIAMS:** I turn to the discussion at the last Senate estimates hearings from October. At that time you said that you were working through the results of the trials in Sydney and Melbourne. Can you give me a summary of those findings?

**Mr Retter:** Certainly the generic findings were that we conducted over 20,000 scans of volunteer passengers during the two periods where we conducted the trials, firstly in Sydney for about two and a half weeks and then about 10 days, I think it was, in Melbourne. The results of those trials were all about facilitation, communications with passengers, education of passengers and layout, to see what impacts we would have in terms of the flow of passengers and improved security outcomes. In other words, to contextualise the use of the technology in an Australian city.

The results were that we got about 40 per cent alarm rates, that is, at least one alarm on a passenger in 40 per cent of occasions. In fact, that was not unexpected, because when you consider the nature of the technology and the fact that it looks for non-metallic as well as metallic objects whereas our conventional systems just look for metallic items, we are getting about a five- to six-fold increase in the chances of detection. The good news is that because we employed a range of resolution techniques that did not unduly delay facilitation. The way we intend to set up the screening point design I think you will find we will get a better security outcome once we implement the body scanners without any undue overall impact on facilitation.

**Senator WILLIAMS:** Did you have many false positive readings? Are you saying it was 40 per cent, because it was not only metal?

**Mr Retter:** I do not have the precise data in front of me, but there were a number of false alarms. As part of any screening equipment we get false alarms, but many of those had to do with passengers not correctly divesting themselves of things like watches, and there were metallic objects in their clothing. Many people wear cargo pants and the like that actually alarm the machines. We found that this was actually quite a useful demonstration for us of how we needed to be flexible in terms of how we resolve these issues.

I still would make the point that this is the best available technology in the world today to actually achieve the security outcomes we need in light of the threats that we face from extremists trying to undo our way of life. My view is that, as we move forward, not only will the technology improve but so will our ability to resolve alarms, whether they are false alarms or real alarms, such that anybody who is carrying items that should not get through the screening point will be detected, but anybody else will get through pretty much as they expect to today.

**Senator WILLIAMS:** At the last Senate estimates hearings a false positive rate of between 20 per cent and 40 per cent was identified, which you advised varied on a weekly and daily basis. Can you give me any more information about that? Is the latest information that it is still on a weekly and daily basis of variation and why is that?

**Mr Retter:** I might suggest that to address that particular issue I would need to have all the detail in front of me to give you a complete answer, but let me go back to this issue of false alarm rates and alarm rates. The technology is far more sensitive than the existing technology we are using at our domestic screening points and

international screening points today. It detects a much wider range of items. If a passenger fails to take something off, or indeed if they are wearing a particular type of garment, there is a likelihood that the machine will default to an alarm situation.

**CHAIR:** I know Senator Back has a question on this, too, and with your indulgence can I quickly go to Senator Back. I have heard on good authority that not one single bone in your body will look any smaller than the rest of them, so there is no need to be embarrassed. Senator Back.

**Senator BACK:** Following up from Senator Williams, have we yet had an actual positive with all the sampling that is undertaken? I know we had false positives as a result of people—

**Mr Retter:** I guess your question is: have we detected a prohibited item in amongst the 20,000 scans? I do not have the report in front of me, but I suspect there were a number of prohibited items a passenger may have accidentally been taking through, but the vast majority of those alarms were because of the nature of the technology, say, the fact they did not take off their watch.

**Senator BACK:** I am actually specifically interested in the test after you go past that aspect of security when a person is trying to detect explosive residues and so on. Have we actually yet had a true positive from that testing?

**Mr Retter:** Have we detected somebody with explosive residue on their—

**Senator BACK:** I know you have. In WA every second or third person coming off a mine site does, but having dealt with those and having understood the reason for those, I am still wanting to know—

**Mr Retter:** I am pleased to say that to my knowledge nobody has successfully contravened Australia's requirement that they not carry explosives onboard aircraft.

**Senator BACK:** Can I just suggest to you—you and I have engaged in this before—my wife has always been the person who has been detected, but now it seems to be me. The reality is that all you have really to do—and we watch this all the time now—if you wanted to evade being detected or being assessed, is stand there fiddling around waiting to pick up your laptop to put into your briefcase until someone else is the subject of a test and you could walk straight through, or you can just hasten and pick everything up and walk straight past and then put your laptop and so on into a briefcase. I am putting this to you quite seriously. I know what Senator Heffernan gets up to with his pocket knives. I am saying to you that it actually is quite simple, if a person was of such a mind that they wanted to get an explosive residue past, to be able to do that. I would ask you to have a look at that, because there has not yet been a case I have seen where someone has actually said, 'Excuse me. I am testing someone else, but will you wait there and I will do you next.'

**Mr Retter:** Without getting into the operational bits and pieces, you would be aware that the government, as part of the Strengthening Aviation Security Initiative, has increased the number of explosive detection machines at airports. The aim is to capture more people more often, so that it is less random and we capture more people in the net because of our concerns about homemade explosives and other types of explosives that might get through undetected.

**Senator BACK:** But you do see the point I am making?

**Mr Retter:** I take your point that you have made and, yes, we are aware of that issue.

**CHAIR:** Thank you, Mr Retter. We will now call Aviation and Airports.

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

[15:20]

**CHAIR:** I welcome officers from Aviation and Airports. Senator Fawcett, we might as well kick off with you. We have half an hour and we have some five questioners, so I will judge as we go. Thank you.

**Senator FAWCETT:** The minister, in a letter he wrote to me, spoke of bringing together all levels of government to develop a national framework, but I notice that in May this year only federal and state transport ministers will evaluate the framework that it comes up with. How is local government going to be tied into this?

**Mr Wilson:** I can give a little bit of context to it. The National Airports Safeguarding Advisory Group, which I chair, has a representative from the Australian Local Government Association on it. We are working under the auspices of the Standing Committee on Transport and Infrastructure, which is a COAG committee of ministers, which has on it the president of the Australian Local Government Association. That is the direct linkage between the group that I am chairing and the local government authorities. But in addition to that we will be—we are in the process of finalising documentation at the moment—undertaking a consultation process with local councils

that potentially are affected by the work that we are doing over the next four-week period. So, local councils will have the opportunity to comment and provide us with advice in regards to the work that we have been doing.

**Senator FAWCETT:** Once this has been through that COAG process—and I note your references to local government—is the intention that this will be a binding framework on all levels of government around Australia?

**Mr Mrdak:** We would like to see an agreement reached by all three levels of government. As you know, the safeguarding initiative has been a major outcome of the white paper process. We recognise that Australia's aviation infrastructure is increasingly under pressure from development. We would certainly like to get to a position where we have sign-on by all three levels of government. What form that takes is yet to be settled. Mr Wilson will take you through what sorts of guidance we are trying to get agreement on at this stage, but we would hope to get a level of sign-off certainly by ministers if not COAG itself.

**Senator FAWCETT:** In the white paper on page 156 it states that the government's position is that the primary purpose—and in this case you talk about federal leased airports—is aviation. What does that actually mean?

**Mr Mrdak:** I think that reflects the very strong view by the government that the primary development on airport sites should be aviation focused. As you know, there has been criticism in the past that at some of the leased federal airports there has been development, which in the view of some in the aviation industry has diverted from the primary purpose of the airport. In leasing the airports we are always seeking to maximise non-aeronautical revenue to support the airport. I think in that statement the government is clearly stating its view that in reviewing master plans, major development plans and the way in which the airports develop, it is looking to make sure that the primary planning focus is allowing for aviation growth.

**Senator FAWCETT:** Does the Commonwealth government, and your department in particular, currently have an approval function in terms of the master plans?

**Mr Mrdak:** Under the act, the minister approves all of the master plans.

**Senator FAWCETT:** So, if your position is that the primary purpose is aviation, where you see something that will potentially limit the potential for growth or operations at an airport, would you expect to advise the minister to not approve that element of the plan?

**Mr Mrdak:** That has certainly been the case in the past. If I go back and give you a couple of examples in the past, for instance, there was a commercial development proposed at Sydney Kingsford Smith Airport about three to four years ago—or perhaps a bit longer, I think—where the view of the department, based on the long-plan process was that would constrain future aeronautical development and also constitute a hazard in terms of the runway and safety areas. In that case the minister rejected the major development plan.

**Senator FAWCETT:** The Archerfield plan at the moment indicates simultaneously a proposed extension of runway 28 right and at the same time has zoned an area for light industrial that would be slap in the middle of the runway and safety area. So, there is a direct conflict there straightaway, because if that development goes ahead then the runway extension cannot go ahead, which means the airport loses the potential to expand its operations. Why did that get approved?

**Mr Mrdak:** The Archerfield master plan is currently in the process of development. There is an approved master plan, but Archerfield is currently going through the process of obtaining approval of a new master plan. To the best of my knowledge, we have sought resolution of a number of issues that we identified with the draft master plan, and Archerfield is currently working through those issues and we are awaiting a response from the airport.

**Senator FAWCETT:** So, a conflict like that, if it was in this current plan, would not be approved?

**Mr Wilson:** I would have to take the detailed question on notice rather than try to provide you with an answer off the cuff in regard to the technical aspects of the operation of an airport. But the underlying premise, as Mr Mrdak indicated, was that we would provide advice in regard to the ongoing operation of the aviation sector.

**ACTING CHAIR:** Can you place further questions on notice. We have three other senators.

**Senator HEFFERNAN:** Would it be possible for the committee to get a touch and feel briefing, because this same thing is coming up with Bankstown, is it not; this encroachment?

**Senator FAWCETT:** It is coming up with Bankstown. A lot of your plan here talks about leased airports, and if time was permitting I would have a lot more questions to ask about leased airports. But the same issues are arising at airports under the ALOP scheme that are run by local councils. Can I get the department's impression as to whether the same imperative and your perception that aviation is the primary use at leased airports also applies to airports that are now run by local councils?

**Senator Carr:** Did I understand you correctly, Senator Heffernan? You are requesting a briefing on these issues?

**Senator HEFFERNAN:** I think because it is such an important issue—

**Senator Carr:** I also understand what the officers are saying to me, that it is custom and practice. Would it be helpful if there were a briefing organised?

**Senator FAWCETT:** A briefing would be fantastic, but today in estimates I would like some answers to these questions.

**Senator Carr:** Sure, they will give you the answer you need. But there is a whole series of questions you are asking about this issue. If the officers are telling me that is custom and practice, we could organise through the committee to have a—

**Senator HEFFERNAN:** What I am interested in is a separate issue. There is obviously a hell of a lot of pressure from developers to encroach—

**Senator Carr:** I am not seeking to deny your questions.

**Mr Mrdak:** In relation to those aerodromes which are owned and operated by local government, clearly there have been issues. The industry has raised issues with those owners. Clearly, the Commonwealth's regulatory powers are not there in the same way as they are under the Airports Act, under the leased airports, which is why we have focused very much on the safeguarding process of intrusions into safety areas. Certainly, if there were developments which conflicted with the ongoing operation of the airport that would be a concern. The transfer deeds for the airports require the agreement of the Commonwealth for any closure of an airport.

**Senator FAWCETT:** Having identified that those deeds still give the Commonwealth that direct link for its intent for airport development, I noticed in your white paper that it specifically highlights things like residential, aged care and so on.

At Evans Head at the moment a local government is actually looking to build an aged care facility right next door to a runway. How can the Commonwealth allow that to occur, given that that council operates the airport under a deed and you still have the reach through that deed to enforce the primary purpose of the airport and the prevention of development that will decrease its utility as an aviation facility?

**Mr Mrdak:** From recollection, the deed puts requirements in relation to Commonwealth approval for the closure of the airport site. I am not too sure in that situation whether the development would lead to that situation. We are certainly aware of the Evans Heads situation that has been developing, but I am not too sure if that takes us to our powers under the deed.

**CHAIR:** Senator Fawcett, I said that there are other people who wish to ask questions so I will have to ask you to put further questions on notice.

**Senator HUMPHRIES:** My questions also flow on to the NASAG issue. Before I ask the questions I need to declare, for the sake of completeness, that some of these questions have been suggested to me by a company called Village Building Company, which is a donor to the Liberal Party in the ACT. I want to put that on the record before I ask these questions.

I have a copy of a letter which Minister Albanese has written to the New South Wales Minister for Planning and Infrastructure, Mr Hazzard, on 2 May 2011 where he talks about the need to ensure that aircraft noise did not impact on communities. He states:

Specifically, where a new development would expose future residents to more than six 60 decibel events between the hours of 11pm and 6am, it is the Government's view that such development should not be approved. This is particularly relevant for airports not subject to a legislated curfew.

That test appears to be a novel test. It has not previously been articulated, at least in a publicly executed document. Is that new test being considered at the moment by the NASAG process?

**Mr Wilson:** Yes, it is. As I indicated to Senator Fawcett before, the Commonwealth is chairing a group of Commonwealth, state and territory local government officials, including representatives from the Department of Defence, the Civil Aviation Safety Authority and Airservices Australia, as part of the implementation of the government's aviation white paper to look at measures to safeguard the operations of airports in developments that occur around airports.

One of the issues that we have been working with our state and territory colleagues on is the additional noise metrics that may be applied to developments around airports, such as the Tralee development just outside of the ACT. We are currently in the processes of finalising the principles and the guidelines that underpin those principles with the view to circulating them to a broader consultative audience to inform a higher level debate by

ministers. We have taken in the order of something like 18 months to work through a number of the issues. One of the issues, as you have indicated, is the M60 six events overnight to bring those into a guideline. It is fair to say that Commonwealth and state relations take some time to land the document. We are now in a position where I am confident that we have a document that officials are reasonably comfortable to consult on—not necessarily agree on, but consult on—to get community views in that regard.

**Senator HUMPHRIES:** You said that they had already been consulted on within NASAG?

**Mr Wilson:** Yes.

**Senator HUMPHRIES:** I have in front of me copies of the minutes of what I understand to be the six meetings of NASAG from May 2010 to August 2011 and in none of these minutes is any reference made to that new test that the minister makes reference to. The minutes have been redacted, admittedly. Are the references to the new test in the redacted parts of these minutes?

**Mr Wilson:** I cannot comment on the minutes because I do not have them in front of me. The meeting that I chaired in November of last year had a document that had the M60 six events overnight in it. It is an issue that we have discussed at NASAG prior to that. It may not have been minuted in detail within the minutes of the group, but the documents and the discussions raised that.

**CHAIR:** Senator Humphries, we are out of time and your colleagues have questions. Could you put further questions on notice?

**Senator WILLIAMS:** Just in relation to the second Sydney airport, you would be aware of media reports naming the Nepean area covering Luddenham, Wallacia and Greendale as the site of the second Sydney airport. What consideration has the department given, if any, to this site?

**Mr Mrdak:** As you are aware, the government established a joint Commonwealth-state taskforce to look at the future aviation needs of the Sydney Basin. That is not solely looking at future airport sites, but looking at the whole issue of capacity in the Sydney Basin. We have looked exhaustively at potential areas that may be suitable for future airport development within 90 minutes of the Sydney population centre.

**Senator WILLIAMS:** Ninety minutes?

**Mr Mrdak:** Within 90 minutes of road travel time of Sydney. We have looked exhaustively at all sites that may be available for future airport development, and it is correct to say that we have looked at that geographic location in terms of what sites may be available that may have developable areas for future airport sites. It is fair to say that that work is yet to be completed, but we have looked exhaustively at all possible locations within that travel time distance and short-listed them.

**Senator WILLIAMS:** Can you give me an update on the progress of the joint study underway between the New South Wales and the federal governments? Is that possible?

**Mr Mrdak:** Certainly. We are nearing completion of that work. We anticipate the report being available to both the New South Wales and Australian governments within the next couple of months.

**Senator WILLIAMS:** Can you provide a list of the members undertaking the inquiry and their positions?

**Mr Mrdak:** Certainly. I can give you the steering committee for the review. The department is doing the work through the secretariat, and that is held within the department. The committee is jointly chaired by me and Sam Haddad, the Director-General of Planning and Infrastructure in New South Wales. It contains Mr Les Wielinga, the Director-General of Infrastructure and Transport in New South Wales. It also contains four independent members—Jennifer Westacott from the Business Council of Australia, Dr Warren Mundy from the Productivity Commission, Mr Warwick Smith from ANZ Bank, and Mr Chris Brown, who is a private consultant.

**Senator WILLIAMS:** You think that study will be completed in a couple of months. Will it be completed in a couple of months' time and be released or will it be some time after the completion of the study before it will be released?

**Mr Mrdak:** That will be a matter for both the New South Wales and Australian governments as to what they decide to do with the report. It is a report which is being provided to the two governments.

**Senator WILLIAMS:** So it will be up to those two governments to see if the document is made public?

**Mr Mrdak:** That is correct.

**Senator WILLIAMS:** What is the scope of the study's inquiry?

**Mr Mrdak:** It has very broad terms of reference. It has been asked to look at the future aviation needs of the Sydney region. It covers regular public transport, general aviation and freight needs. The study has looked at future forecasts and current capacity of existing aviation infrastructure. Essentially, we have looked in the study

area at existing infrastructure from Williamstown to the north, right down to Canberra and Nowra in the south, and all available infrastructure that is currently existing for aviation. So it is what the capacity of those is and what can be done with those assets, and also looking at the need for greenfield airports development to serve the various market segments.

**Senator WILLIAMS:** Looking back on Badgerys Creek, is it still on the agenda or is it no longer considered a viable second site?

**Mr Mrdak:** The government has set out its position in the aviation white paper.

**Senator WILLIAMS:** Which government?

**Mr Mrdak:** The current federal government has set out its position that it does not believe that Badgerys Creek is—

**Senator WILLIAMS:** So it is off the agenda, basically?

**Mr Mrdak:** That is the position of the Australian government.

**Senator WILLIAMS:** Thank you.

**Senator FAWCETT:** I will come back to the issue of fees between the federal government and local government. You questioned whether or not they would be applicable. Part 2 subparagraph H sub 1 talks about the local authority taking action such as within its power to create land use zoning around the aerodrome that would prevent residential and other incompatible development. I would like to get on the record the Commonwealth's position as to how they intend to enforce the deed, because yesterday in South Australia the local government association released a report into regional airports which indicates that a number of them are operating at a loss, and there is a growing pressure on local government authorities to divest themselves of the land for other purposes just to remain viable. That obviously puts pressure on the viability of the airport as an aviation asset. So for the certainty of all players, even ahead of this process of the planning group that you are chairing, Mr Wilson, I think it is important that the Commonwealth states whether it is intending to enforce the terms of this deed under which these airports were transferred to local government.

**Mr Mrdak:** The Commonwealth's position has been that we would like to see these airports remain as aviation infrastructure. Obviously, the local governments are the owners of these assets and they are best placed to make the judgments for their local communities; but the Commonwealth's priority interest is to ensure that aviation users' needs are met, and I think that has been our consistent position. I will just check with Mr Doherty, but I think that consistently our advice has been that, where there is an aviation need, we would like to see that met by the aeronautic infrastructure.

**Senator FAWCETT:** When you say 'you would like to see that met', does that indicate the Commonwealth is actually prepared to enforce the terms of the deed?

**Mr Mrdak:** We have, in the past, made clear our position to various councils and developers that we believe the deeds require the continuing ongoing operation of particular aerodromes.

**Senator FAWCETT:** Have you done that in the past with airfields like Archerfield?

**Mr Mrdak:** Archerfield is captured by a completely different regime. It is captured by the Airports Act.

**Senator FAWCETT:** I understand. It still has that linkage of a lease through the various acts, including the Airports (Transitional) Act, that bind the current owners of the airport, or the leaseholders, to have the same relationship with sublessees and use of the land that was the intention of the Commonwealth.

**Mr Mrdak:** The airport lease requires the operation of an aerodrome. That is a fundamental requirement of the airport lease.

**Senator McKENZIE:** It is interesting that you talk about local governments. My question relates to that. The Bendigo Airport has confirmed \$10 million of the \$15 million needed. There is \$5 million from the state government and \$5 million from the local Bendigo government. It is our largest regional centre in Victoria and, obviously, the development of an airport would really build a lot of productivity to that regional city. So council is seeking the remaining \$5 million from the federal government. I am just wondering what the department is doing about this project?

**Mr Mrdak:** We do not have any aerodrome-specific programs within the portfolio to support general development of aerodromes. There are programs available in the Regional Australia portfolio. I am not aware of any investment proposals, but I will check with my colleagues. We are not aware of any investment proposal being put to this portfolio.

**Mr Doherty:** I have seen media about it.

**CHAIR:** Senator McKenzie, we have a session later on this evening which you would already know about. I am sure we will see your smiling face then.

**Mr Doherty:** Just to confirm, I certainly have seen media about Bendigo Airport proposals, but I am not aware that the department has been approached. Over the last year or so there have been a significant number of projects at regional airports funded by the government, but those have essentially been through the regional programs, rather than through any program that we run in the department. The department's programs have been limited to more remote operations.

**Senator HEFFERNAN:** I hear that you are talking about a consultative process with Tralee?

**Mr Wilson:** That is correct.

**Senator HEFFERNAN:** We have had some very bodgie groups start up in recent times that allege they represent the communities. I will not take you through the distress of having to disclose who they are, but that is quite well known. This happened earlier on in the Tralee thing, where an activist group was set up by an interested party to prosecute a certain view at public meetings. This has been ongoing for so long—and I can remember the original option that was taken out on the land by my dear friend, Mr Winnell. I understand the development potential over the next 30 or 40 years of Canberra Airport as a hub. I understand the opposition from everyone from the airlines to God knows who regarding the proposition to build a suburb under the hub air zone, so why the hell do you not do a deal: swap the land and let Mr Winnell go and build his suburb somewhere else and leave that land for whatever is a suitable purpose to enable the future development of Canberra Airport to its maximum extent as a hub? Would that solve a lot of problems?

**Mr Wilson:** That is not really a question I can answer.

**Senator HEFFERNAN:** It is something that the government should think about.

**CHAIR:** I do not think you will get any objections from your fellow committee members on that, but it is not a question.

**Mr Mrdak:** The first step remains with the New South Wales government as to their decision on rezoning. That is the first threshold question.

**Senator HEFFERNAN:** I am questioning you on procurement of community—

**CHAIR:** I am going to pull it up now. Senator Heffernan, I know how passionate you are.

**Senator HEFFERNAN:** I want to see it solved.

**CHAIR:** You sucked another minute out of me, well done! I thank the officers from Aviation and Airports. We will now call Airservices Australia.

#### Airservices Australia

[15:46]

**CHAIR:** Welcome, Mr Russell and officers from Airservices Australia. We are sorry to rush you, but we have gone over a little bit.

**Senator IAN MACDONALD:** I want to talk about the ILS, the instrument landing system, at the Gold Coast—or the lack of it. Can you tell me where that is at? I understand from the local member, Karen Andrews, that there is talk about this happening. Can you tell me the cost? Can you tell me if the flight path will have to change? Will it now have to, as some people are suggesting, come from Surfers Paradise if it is coming from the north, some 15 kilometres away? Can you also tell me what your thought is about the required navigation performance or the satellite alternative to the ILS, and perhaps if you have any difference in costings? With both of those could you indicate to me who pays and where it all comes from?

**Mr Russell:** Let me see if I can. The short answer to the question of whether we are going to build an ILS at the Gold Coast Airport is yes. The cost is in the order of \$2 million, depending on whether there is an ILS at both ends of the runway or one end. We are trying to work out with the airport which is the most appropriate. Depending on that, there may be some change to flight paths that will require community consultation, but it is a little too early to be definitive on that.

Your other question related to a ground based augmentation system, or a satellite system, that we are developing with the American company, Honeywell. We almost have that to a point of installation for permanent use in Sydney. The issue with that technology—although it is certainly technology of the future and the ILS technology is, in fact, quite old technology—is the equipage rate on aircraft that are able to use that system, which at the moment it is pretty small.

**Senator IAN MACDONALD:** Would it be fairly expensive?

**Mr Russell:** No. It has some cost advantage because it is literally one aerial on an airport rather than an ILS at every end of every runway. It has some real cost benefits in that process.

Just to add to that, we are meeting with the airport next week to work through how we are going to do that.

**Senator IAN MACDONALD:** Is this the Gold Coast Airport?

**Mr Russell:** Yes, we are.

**Senator IAN MACDONALD:** Would you suggest this as an alternative to them, particularly if it is cost effective?

**Mr Russell:** I would like to, but I think it is a shade too early for the mix of aircraft that currently use that airfield.

**Senator IAN MACDONALD:** With either or both, it has been suggested to me that you need a 15 kilometre straight glide path for the ILS, which would take the route over Surfers Paradise which, of course, would not be popular. Is that accurate? Currently they mainly come in over the sea and do a left turn.

**Mr Russell:** I would like to take that issue under notice, if you do not mind. It is subject to some further discussions that we are having with the airport next week. I am happy to provide an answer to you after that time.

**Senator IAN MACDONALD:** Yes. I would like to ask more questions, but my three minutes is up.

**Senator BACK:** I have a couple of questions on airspace regulation. From your annual report in 2007 there is a milestone where you have transferred regulatory functions from the Air Space and Environmental Regulatory Unit to CASA, so on that basis, Airservices acknowledges that the transfer of all regulatory functions from Airservices to CASA was a consequence of the Airspace Act 2007 and the repeal of the Airservices regulations titled Airspace Management. Does that ring a bell?

**Mr Russell:** That transfer took place some time ago and it now resides in the Office of Airspace Regulation within CASA.

**Senator BACK:** Coming to the question of airspace management functions from one to the other, do you acknowledge that the function of airspace management was transferred to CASA as part of that process?

**Mr Russell:** Almost all of the functions relating to that particular regulatory suite were transferred. I would need to check. There were a couple in the environment area that I think we still retain.

**Senator BACK:** I want to go to two areas. Firstly, under the Environmental Protection and Biodiversity Conservation Act and secondly, if time permits—but otherwise on notice—on the Required Navigation Performance, the RNP-AR system. Going firstly to the EPBC, speaking of that particular act, it makes reference to the minister's advice on authorising actions. Does Airservices agree that the authorisation of actions by another person is the function of a regulator or is it the function of a service provider?

**Mr Russell:** I am not sure. Is this in connection with Required Navigation Performance?

**Senator BACK:** That is correct, and also aircraft noise.

**Mr Russell:** I would probably need a little bit more information, if you would not mind.

**Senator BACK:** I will give you that on notice. I will come to the question of airspace management. That is really the point of it. Does Airservices Australia believe that airspace management is the function of CASA or Airservices and, if so, which and why?

**Mr Russell:** Let me answer that by saying that the regulations relating to classification of airspace are within that suite of regulations that transferred to CASA some year ago. In terms of the day-to-day management of the operations of that airspace, that is the air traffic provider, being us.

**Senator BACK:** Under what legislative jurisdiction does that reside or remain with you, if the overall function has gone to CASA?

**Mr Russell:** It is under our act that we have that accountability to provide those services.

**Senator BACK:** As an agency of government, would you agree that you are subject to the provisions of the EPBC Act, especially as it relates to, in this case, effects on the environment?

**Mr Russell:** Yes.

**Senator BACK:** I think it was at our Perth hearings of the Airservices inquiry where you gave evidence that since 1997 the environmental principles and procedures for minimising the impact of aircraft noise have been applied at every airport and wherever Airservices does air traffic procedure. Can I ask you the question: would it be correct to say that the environmental significance of all proposed actions causing aircraft noise have been determined by yourselves in accordance with the comment you made to us at the committee hearing?

**Mr Russell:** Yes.

**Senator BACK:** Could you explain to the committee why the agency has not determined the environmental significance of any proposed action in accordance with the guidelines produced for the purpose by the department administering the act, the title of which, of course, is 'Actions on or impacting on'? Is there any gap, in your view, between your obligations and the actions?

**Mr Russell:** This issue hinges around the interpretation of a word that is called 'significant'. I cannot generalise, but the changes that have been made in recent times, in our view, do not meet the criteria of 'significant' and hence are not referred under the act to the minister for the environment.

**Senator BACK:** I will put the rest of my questions on notice.

**Senator FAWCETT:** Can you give me an update on the status of the Queensland Scouts application to utilise some surplus Airservices land for their aviation facility?

**Mr Russell:** I am not familiar with those details. Can you let me know where and I will take it on notice to respond to you?

**Senator FAWCETT:** My understanding is they had applied to use some land adjacent to Archerfield Airport.

**Mr Russell:** I am not familiar with it. That is not to say that they have not, but I need to know more information and then I will get back to you.

**Senator FAWCETT:** Mr Mrdak, perhaps you could explain for me why the Scouts have actually had to apply for that land, given that they used to have a purpose-built almost million-dollar facility at Archerfield Airport?

**Mr Mrdak:** I do apologise, but I am not familiar with that issue. Along with Mr Russell, I will take it on notice.

**Senator FAWCETT:** Coming back to our previous discussion around leases, if a group has a lease with the Commonwealth which was duly signed and approved by people with delegations in the Commonwealth, when that was transferred to the Federal Airports Corporation did all those obligations on behalf of the Commonwealth to the leaseholder transfer to the Federal Airports Corporation?

**Mr Mrdak:** The Federal Airports Corporation is a successor of the department. Leases that were in existence at the time that the airports were leased under the Airports (Transitional) Act are effectively all assigned to the airport lessee company who stepped into the rights of the Federal Airports Corporation.

**Senator FAWCETT:** That was the next stage and that was under the transitions act.

**Mr Mrdak:** That is right.

**Senator FAWCETT:** Essentially, leases that were transferred should have put on the lessor—in other words, the airport companies—the same obligations to deal with the people who held leases at the airport on the same terms and conditions.

**Mr Mrdak:** Without knowing the specifics of the case that you are asking about, that is essentially the position under the transition act, yes.

**Senator FAWCETT:** This is the subject of some considerable correspondence between then Prime Minister Rudd and Minister Albanese. There was some considerable media coverage. Are you saying that you were not aware at all of the issue of the Scouts having to demolish their building at Archerfield Airport?

**Mr Mrdak:** I will check with my officers. I am sorry, I personally do not know, but I will check and get back to you. Our airports people have just left, so I do apologise. We will come back to you with the details as quickly as possible.

**Senator FAWCETT:** I will put some additional questions on notice because it appears, reading through the chronology of events, that an obligation that the Commonwealth had to enforce the terms of a lease were not upheld, which resulted in significant financial detriment to the scouting organisation in Queensland, which I think has been a travesty of natural justice.

**Mr Mrdak:** I will provide details to you in relation to your question on notice.

**CHAIR:** Mr Russell, thank you to you and your officers. We will now take a 15 minute break and we will resume at 4.15 pm with CASA.

**Proceedings suspended from 16:00 to 16:14**

**Civil Aviation Safety Authority**

**Senator GALLACHER:** In the interests of time I have four questions. I am happy if they are taken on notice and you supply the answers in a written form. The Qantas CEO has given evidence to a former parliamentary

committee in relation to the Qantas fleet being 11.2 years old. Clearly, there are 34 out of 146 aircraft in their fleet, being 737s, 767s and 747s, which are over 20 years old. I am familiar with the number of landings, take-offs and pressurisations in relation to the life of aircraft. My question to CASA is: do you have any safety concerns about the age of the Qantas fleet on the second or third busiest route in the world, Brisbane-Sydney-Melbourne?

**Mr McCormick:** No, we do not.

**Senator GALLACHER:** Do you have a policy on aircraft age, or do you leave it to the marketplace or the operators?

**Mr McCormick:** We have an aircraft policy which is continuing to be developed for ageing aircraft. It is primarily targeted at the general aviation market at the moment, but we do monitor the age of aircraft as they come up to their designed life.

**Senator GALLACHER:** What is the designed life for a wide-bodied aircraft? Is it 27 years?

**Mr McCormick:** I will take that on notice. It relates to cycles and hours of flying rather than actual years of age.

**Senator GALLACHER:** That goes back to my earlier point. But there is no policy on aircraft age for wide-bodied aircraft in Australia. You do not monitor that?

**Mr McCormick:** As far as a policy mandating a replacement, no, we do not have a policy.

**Senator GALLACHER:** Does CASA keep a log of reportable incidents or maintenance failures?

**Mr McCormick:** Yes, we do.

**Senator GALLACHER:** How do Qantas, Virgin and Jetstar compare on that log, allowing for the differing fleet sizes and ages?

**Mr McCormick:** I would have to take a comparison on notice, but I can give you the figures for Qantas if you like.

**Senator GALLACHER:** Thank you.

**Mr McCormick:** The basic issue is that we have what is called service difficulty reports. Service difficulty reports mean for any major maintenance difficulties that they encounter an airline or anybody else subject to that has to report that defect within 48 hours. In the case of Qantas, their service difficulty reports for October to December 2011 numbered 92.

**Senator GALLACHER:** Do you have the stats for Jetstar or Virgin?

**Mr McCormick:** Not as a comparison. We will take that on notice.

**Senator HEFFERNAN:** At Brisbane airport on 19 October 2011 a Virgin pilot suffered serious injuries when the force of the engines of a taxiing plane blew him over the rear stairs of a 737. What was the result of the investigation undertaken regarding this incident?

**Mr McCormick:** I think that would be a question for the ATSB.

**Senator HEFFERNAN:** If that is your judgment, righto. These may all be then. What about the Jetstar pilots who were down to 51 metres short on the final, well short of the airport?

**Mr McCormick:** The missed approach into Melbourne?

**Senator HEFFERNAN:** Yes.

**Mr McCormick:** There is an ATSB investigation on that. I do not know what the status of that report is. I do not have it in front of me.

**Senator HEFFERNAN:** It is thought that both pilots believed the other was monitoring the altitude. Does CASA recognise this as a major concern?

**Mr McCormick:** CASA monitors approved procedures. Not only do we look at their manuals, but we also do flight inspections on board the aircraft to see how the crew cooperate. We also observe simulated sessions where the crew are trained and relicensed. If we see deficiencies, we do broader—

**Senator HEFFERNAN:** What contingencies do you put in place to ensure such an elementary mistake—which is fairly elementary—is not made by other pilots in the future? Were they just relying on the autopilot? Do you know what—

**Mr McCormick:** Again, I do not think it is appropriate for me to speculate on the outcome.

**Senator HEFFERNAN:** Okay, it is still underway?

**Mr McCormick:** To my knowledge, yes.

**Senator HEFFERNAN:** Is the A380 matter, the cracked wings, a matter for you?

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

**Senator HEFFERNAN:** Is there a known risk of cracks in A380s internationally? If so, which airlines experience these cracks and what was the subsequent treatment?

**Mr McCormick:** There are two types of cracking described by the European Aviation Safety Agency. They are generally defined as type 1 and type 2. Type 1 cracks originate from holes that attach the ribbed feet to the wingskins, and that is a bracket at the end of the wing rib basically holding the covering of the wing on board. Those type 1 cracks were discovered in September 2011 on the Qantas A380 QFA, which is under repair in Singapore following the uncontained engine failure last year. EASA advised CASA on 6 January 2012 of the existence of type 1 cracks and provided an update on work by Airbus EASA. CASA has requested additional information from EASA.

Type 2 cracks though occur in the vertical webs of the feet originating from the ribbed feet. That was initially reported after an inspection of an Emirates Airlines A380. It appeared to be fatigue related and thus they will be flight cycle dependent, depending on how many cycles the aircraft has done. More significant type 1 cracks may develop in other aircraft after a period of time in service.

**Senator HEFFERNAN:** According to my information of February, the Qantas A380 fleet was grounded after cracks were found in the wings of the planes. Current regulatory requirements in the EU require all A380s to be checked after 1,300 flights, yet no Qantas planes have achieved that many hours yet; have they?

**Mr McCormick:** I do not know whether any aircraft has achieved that yet, but the Qantas fleet in total will not achieve a 1,300 flight cycle until the end of February this year.

**Senator HEFFERNAN:** Was a check on the wing scheduled for the future? What time distance was this schedule for? Was there a forward plan?

**Mr McCormick:** For repairs or inspections?

**Senator HEFFERNAN:** Yes.

**Mr McCormick:** The inspections come with the air weather director from EASA, the European Aviation Safety Agency, and we incorporate any ADs that they—

**Senator HEFFERNAN:** Is there a time and distance requirement in that for the inspections?

**Mr McCormick:** If I could—

**Senator HEFFERNAN:** You can take that on notice if you like.

**Mr McCormick:** I think we will take it on notice, yes.

**Senator HEFFERNAN:** The current EU is 1,300 flights. Given these cracks occurred well before this limit, does the agency see a need to review the limits imposed in Australia? If so—you may have to take this on notice—what would the new limit be? If not, why not? If not, could you provide the cost-benefit analysis decision? Who made the decision, the date on which it was made and who were the experts who were consulted?

**Mr McCormick:** I think it is fair to say that we are continuing to seek information from EASA and Airbus Industries, the manufacturer of the aircraft. Our experience has been that sometimes information is a little bit hard to come by, or is a bit slow in forthcoming, so we have requested more information. The investigation is ongoing and then we will review any directives that come out of EASA for applicability in Australia and whether it is appropriate for the Australian fleet. We do not have the ability to gather the fleet data.

**Senator HEFFERNAN:** We would be interested to be kept updated and I am sure the Australian public would, too. The local one, a Qantas plane on 3 February was forced to return to Canberra after it suffered an engine failure. I have to say it would have been quite an exciting thing to look out the window and see the engine stopped. Has there been a report into this incident? What have the findings been so far? Obviously, if it is ongoing, these questions would be premature. When will the report be made public?

**Mr McCormick:** Again, that is a question for the ATSB. But as to your earlier comments, Mr Mrdack was on that flight so he could perhaps enlighten you on what it is like to look out the window at the propeller.

**CHAIR:** Senator Heffernan, can you put the rest on notice, please?

**Senator EGGLESTON:** I would like to ask a question about a company called Polar Aviation based in Port Hedland. Are you aware of that company?

**Mr McCormick:** Yes, I am.

**Senator EGGLESTON:** I wish to make some inquiries about the cost of CASA's various legal cases against Polar Aviation. Polar Aviation is a small Port Hedland aviation company which I understand has been in dispute with CASA since 2004. This has led to a series of legal actions beginning with the Administrative Appeals Tribunal and then the Federal Court, all of which Polar Aviation has won and all of which cases have been appealed by CASA. I understand that now, eight years later, CASA is still appealing the decisions made about Polar Aviation. In fact, the managing director of Polar Aviation has said to me in a letter describing this process:

What followed was a relentless vendetta to close the company down. The court action that followed was defended in the AAT and the Federal Court and Polar Aviation has won on all occasions.

This case is now eight years old, as I said. All this man, Clark Butson, says he wants to do is:

... tell my story to a judge. All CASA wants to do is avoid that process at any cost. This case has real relevance and should be tested in a court. If CASA has nothing to fear why will they not bring it on?

What bothers me is that this is a small company. CASA represents the Commonwealth government and has used the financial resources of the Commonwealth government to try to shut down this very successful and respected airline in the Pilbara. I would like to have—and I ask for it to be provided on notice—a detailed summary of the costs incurred by CASA in the various legal actions against Polar Aviation.

**Mr McCormick:** I will ask the chief legal officer to actually give you some background. It is fair to say that Mr Butson is a bit delusional—

**Senator EGGLESTON:** I beg your pardon?

**Mr McCormick:** He is a bit delusional if that is what he thinks the outcome of the court cases has been so far.

**Senator EGGLESTON:** He has won them all so far. If that is a delusion, then perhaps we should go to the judges.

**Mr McCormick:** I have asked the chief legal officer, Mr Adam Anastasi, to fill you in.

**Mr Anastasi:** By way of background it is correct that in 2005 CASA cancelled Mr Butson's chief pilot approval and the air operator's certificate of Polar Aviation. There was a subsequent hearing of the AAT. In the course of that hearing the matters were resolved by consent between the parties and that resulted in the decision to cancel Mr Butson's chief pilot approval being affirmed and the decision to cancel Polar Aviation's air operator's certificate being set aside.

Subsequent to that, Polar Aviation and Mr Butson commenced legal proceedings against CASA and various of its officers in the Federal Court of Australia; that is, his action against CASA. In that regard, on 30 September 2011, the Federal Court dismissed his statement of claim in its entirety. Mr Butson and Polar Aviation have now appealed that judgment to the Full Court of the Federal Court of Australia and, as I said, that is his action against CASA. It is a claim for damages against CASA. The court has dismissed his claim—so I will stop there.

CASA can provide information concerning its legal costs in the tribunal proceedings. The current Federal Court litigation is one in which Comcover, as our insurer, has instructed external lawyers to represent CASA and its officer, so CASA is not paying legal fees in that regard. That is a matter for Comcover as to whom they instruct and on what basis. But in that regard, at least at this point in time, Polar Aviation has been ordered to pay CASA's legal costs.

**Senator EGGLESTON:** Is it not the case that Polar Aviation's operating licences were restored and the case against you was for damages, for loss of income and other factors? I am not so much interested in the legal issues, which of course at the moment are sub judice; I am very interested in the total cost of the legal cases which CASA has brought against this small company over the last eight years.

**Mr Anastasi:** CASA has brought no action against those persons or the company. On odd occasions it has been either Polar Aviation and Mr Butson's applications either to the tribunal or to the Federal Court. Obviously, when a party is aggrieved with an administrative decision of the authority they can seek review in the Administrative Appeals Tribunal. As I said, I am happy on notice to give you information about our legal costs in the tribunal proceedings. But in terms of the Federal Court proceedings, again commenced by those parties against CASA, we are not privy to Comcover's legal expenditure.

**Senator EGGLESTON:** Your story is not quite what I have heard. I think you are resisting the damages claim. I would seek leave to table this letter.

**CHAIR:** Do you have further questions on those?

**Senator EGGLESTON:** No, I will not. I may put further questions on notice.

**CHAIR:** Thank you.

**Senator EGGLESTON:** I will table the letter.

**Senator XENOPHON:** On 26 May and at the more recent estimates I raised issues of the question of disclosure of chairman's lounge membership for CASA personnel—CASA board members. I think CASA was looking at formulating a policy on that in relation to disclosure. I do not want to belabour the point but it has been dealt with now—has it? Is there a decision as to whether chairman's lounge membership, which is by invitation only for Qantas, is something that is a declarable interest or not? You were seeking legal advice on that.

**Mr McCormick:** Yes, I think we answered that on notice last time.

**Senator XENOPHON:** I apologise for that. If it has been answered on notice, I will not belabour the point.

**Mr McCormick:** It is question No. 120.

**Senator XENOPHON:** The issue of fatigue management systems has been raised in terms of implementing fatigue management standards. When are they likely to be fully implemented?

**Mr McCormick:** I am aware of the committee's deliberations on fatigue management standards at recent hearings. We are undertaking a workshop at the moment which has met twice since August 2011—which involves the industry, of course—developing the fatigue risk management guidelines and updates to CAO48 for the technical crew. At the completion of that work we will be conducting the development of the fatigue risk management rules or guidelines for cabin crew. I realise that the committee made a recommendation that we do the cabin crew first, but I think as I have told this committee at various other hearings we will do the technical crew first—

**Senator XENOPHON:** I understand that. In terms of the time line, what are we looking at before they are finalised?

**Mr McCormick:** I do not have an actual time line available. I will take that on notice and get back to you.

**Senator XENOPHON:** Would it be six months, 12 months—

**Mr McCormick:** No, it will this year.

**Senator XENOPHON:** Has CASA studied any of the reported cases of aerotoxic syndrome—that is, breathing contaminated cabin air?

**Mr McCormick:** Yes, there is a report. There was a specialist, expert committee that has been meeting for some years. I think it might even go back to 2008. That report has been produced.

**Senator XENOPHON:** On notice, do these differ from domestic or international flights as to how these standards are enforced and are regular tests carried out? You may answer quickly now or on notice.

**Mr McCormick:** There was the expert panel on air quality, EPAQ report. There was also a study done in the United Kingdom. The study in the United Kingdom could not find any link between gases in the aircraft and human disease. The report is quite lengthy. The recommendations are quite lengthy. Some of the recommendations could be quite difficult to implement. That report has been published—

**Senator XENOPHON:** If you could provide some further information on notice, that would be useful.

**Mr McCormick:** If you give us a specific question, certainly, yes.

**Senator XENOPHON:** Are any regular tests carried out of purity of air in aircraft? Are standards enforced? Is there a difference of standards between domestic or international flights?

Is the issue of any legal or policy distinctions between an international flight sector and a domestic flight sector something that is within your purview, or is that more a matter for Customs or Immigration?

**Mr McCormick:** In relation to air quality now?

**Senator XENOPHON:** No, going to tagged international flights.

**Mr McCormick:** Tagged international flights?

**Senator XENOPHON:** Yes. Does CASA have a role with that?

**Mr McCormick:** We have a role as to the fatigue side of it with the crew that are involved in those tagged flights, if that is what you mean. And the actual tags go to traffic rights and—

**Senator XENOPHON:** That is fine. If I could put that to Mr Mrdack. In relation to the Fair Work Ombudsman investigation which I think was triggered as a result of the ABC *Lateline* story last July, I think—the middle of last year—has CASA been kept apprised of that because allegations were made in respect of fatigue management for foreign based flight crew?

**Mr McCormick:** We continue to investigate fatigue issues for foreign based cabin crew.

**Senator XENOPHON:** Has there been any level of information exchange or cooperation with the Fair Work Ombudsman's office in relation to their investigation about foreign based flight crew and their duties and hours?

**Mr McCormick:** I will take it on notice but, generally speaking, we are looking at the Civil Aviation Act and how it is applied.

**Senator XENOPHON:** Mr Mrdack, is there a legal or policy distinction between an international flight sector and a domestic flight sector? The issue that has been raised is that you have foreign based cabin crew that fly on a tagged international flight. It is a domestic flight but it is tagged as an international flight. They are often paid—and I have modified my language after Mr Buchanan's evidence at this committee—about a third of what an Australian based flight crew would be paid. Do you have any policy criteria to determine that this is a genuine international or domestic flight when the information I have been given is that on some of those flights the overwhelming majority of passengers are domestic passengers and they leave from a domestic terminal and arrive at a domestic terminal?

**Mr Mrdack:** We certainly closely examine the operation of the aircraft as to whether they meet traffic rights available under various bilateral agreements. Let me take that on notice, if I may. If there is a further element we apply I will come back to you.

**Senator XENOPHON:** I should declare that I am asking this for self-interest but probably also the self-interest of some of my colleagues about full-body scanners. I always dealt with the Office of Transport Security, but this relates to the health effects of it. Europe has banned airport scanners over cancer fears. They are still investigating that. As someone who I think caught 150 flights last year, like most of my colleagues, can you tell me whether there has been a health assessment and a monitoring of the EU's approach to body scanners, whereas I understand that they are saying, 'Not yet, until we are satisfied that there are not any adverse health effects'?

**Mr Mrdack:** The European position deals with some existing technology, not the technology which is being introduced into Australia, which is the millimetre wave technology and, yes, there have been health assessments done. We are happy to provide you with some details on that in relation to it.

**Senator XENOPHON:** On notice, could you provide those? I think it is an issue of some concern—

**Mr Mrdack:** Certainly.

**Senator XENOPHON:** Could you distinguish it between Europe's body scanners and what is proposed here—

**Mr Mrdack:** Europe is very much focused on the technology which has been in place to this point. The technology which we are proposing to introduce, which is millimetre wave, does not raise those similar concerns.

**Senator XENOPHON:** It is different in terms of the exposure that you get now. There are only metal scanners at the moment—is that correct?

**Mr Mrdack:** We only have the metal detectors technology effectively. The intention is to introduce the body scanners. The intention is to introduce the body scanners to our international gateways from 1 July. That will be millimetre wave technology—

**Senator XENOPHON:** I have heard those who work as flight crew express some concerns to me, so if you could provide details of the health reports and any other papers relating to this—

**Mr Mrdack:** We have done work in that area in the lead-up to that. And after trials last year as well, so we will give you some information on that.

**Senator XENOPHON:** Thank you.

**CHAIR:** I notice your questioning to Mr McCormick in terms of membership of a Qantas lounge—

**Senator XENOPHON:** Chairman's lounge.

**CHAIR:** I just hope that nobody listening would think that Mr McCormick's integrity is on the line here as the director of aviation and safety because there could be perceived to be some favouritism of Qantas. I hope that is not the case.

**Senator XENOPHON:** Could I make that clear—

**CHAIR:** He is big enough and ugly enough to look after himself. You do not get a head like that from backing away from a blue.

**Senator XENOPHON:** Can I make that clear. That line of questioning arose from previous lines of questioning about what is a declarable interest in the same way that it is a declarable interest for members of parliament, and that was made very clear. There is no impugning of integrity. It is just an issue of: do you declare it because it is an invitation only lounge.

**CHAIR:** For that then I will retract my—

**Senator XENOPHON:** No, we were clarifying it.

**CHAIR:** Mr McCormick could probably have a piece of me when we leave.

**Senator FAWCETT:** Could you describe the nature of CASA's contribution to the National Airports Safeguarding Advisory Group?

**Mr McCormick:** I will ask Mr Cromarty to reply to that.

**Mr Cromarty:** I am the CASA representative on the NASAG. The nature of my contribution is to provide regulatory advice to the group.

**Senator FAWCETT:** That is not particularly informative. With the current policy and regulation, the only time public safety comes into account at the moment in Queensland is with their public safety areas. Almost everything else pertains to noise. Given that CASA is the Civil Aviation Safety Authority, are you advising the group about the relative safety record of the different spheres of aviation? For example, FAR's 25 transport category, versus 23, versus experimental such that they make deliberations about the level of developments and encroachment on airports—right through to regional airports. That group has a good understanding of the increased risk profile that community developments close to an airport face where you have low-time pilots with FAR 23, or lower, category aircraft operating.

**Mr Cromarty:** The regulation of developments near airports is a matter for the local councils and the state governments. CASA has no powers over those type of developments.

**Senator FAWCETT:** I am not asking if you have powers. This is a consultative group. It is an advisory group bringing together the different levels of government to get a comprehensive set of standards, or a framework, around airport approvals. It is quite clear in the white paper and in general experience that local government do not have expertise in aviation matters, particularly around safety. That is why CASA is involved. If CASA is not providing that input as to the relative safety of things like the James Reason model, and the fact if you remove different layers of protection you are actually increasing the risk, who is supposed to provide that kind of input to the process?

**Mr Cromarty:** We do provide that type of information to the group. The group is predominantly planning specialists and the group is producing advisory material for the benefit of the planning authorities and the state regulators so that they will be aware of such issues as you describe. That document has been released once for consultation and, as I understand it, is about to be released again. All I can tell you is that we have given our input where we can.

**Senator FAWCETT:** Which leads me back to my original question. Could you describe the nature of that input and the kinds of issues that you have been raising with people representing local or state planning authorities so that they understand the aviation side of the safety equation as opposed to just the planning around noise and things like that?

**Mr McCormick:** I think you will appreciate that the demarcation lines between state planning and perhaps planning done at a federal level is a very complex question. Our general input into all these matters when it comes to construction is whether they impinge on the obstacle clearance slopes or obstacle clearance planes and what the impact of that development will be. As to the actual planning approval and where the process goes apart from our regulatory input to that is not in our purview.

**Senator FAWCETT:** I understand that is the current system. I understand those are the current constraints. I also understand that the intent of the white paper and this group that has been set up is to develop a new framework, a new understanding between the levels of government such that there can be some translation of knowledge and expertise that will inform planning requirements. Do you think it is acceptable in the nature of the intent of this group for CASA and other departments to just sit back and go, 'It has always been thus and that is not our responsibility', or do you think you actually have an obligation to put forth the aviation safety case into the development of this new framework?

**Mr McCormick:** It is fair to say that CASA put forward a safety case and the safety issues by the strongest means possible whenever those issues arise. But we are not leading that development, nor are we leading that work. But we do not allow safety issues to go unrecognised, or unhighlighted, when they arise.

**Senator XENOPHON:** I might have a second round, not in a boxing or wrestling sense.

**CHAIR:** He just sorted me out and threatened me with everything so I had better give him a chance to get back in the good books.

**Senator XENOPHON:** You will withdraw that, won't you, Chair, because we know you are joking?

**CHAIR:** Okay.

**Senator XENOPHON:** Is that an okay that you have withdrawn that?

**CHAIR:** What we are talking about.

**Senator XENOPHON:** The *Hansard* says—I am not threatening him, just for the record. It is impossible. In relation to safety issues, if a cabin crew member or staff member of an airline has raised safety concerns, whether it be fatigue or other related issues, and they feel that there has been retribution in relation to their conduct, whether it is directly by airline management or through a labour hire company, is that something that CASA would want to know about?

**Mr McCormick:** Yes.

**Senator XENOPHON:** Because the issue that has been put to me relates to issues of fatigue where people have made complaints about fatigue and through a labour hire company the allegation is they were told, ‘Well, do you really want your contract renewed? We do not want to hear about these things’, because that sort of behaviour will not bode well. If they are overseas based flight crew and they are no longer working for this airline, would CASA be interested in taking a statement from them? It is within your jurisdictional responsibilities.

**Mr McCormick:** That is the important point, the last part, that it is within our jurisdictional responsibilities. We have a head of power and obviously all risk comes under that, particularly the Civil Aviation Act; if we do not then a lot of workplace relations of course will fall to the Department of Employment and Workplace Relations—

**Senator XENOPHON:** Even though they are overseas based crew, if it is an aircraft that is flying within Australia, is that enough to trigger your jurisdictional responsibilities or your mandate?

**Mr McCormick:** Employment conditions, as far as they relate to pay and conditions—there is a line there where I have no authority to go—

**Senator XENOPHON:** No, not pay and conditions. But if they are saying, ‘We are concerned about fatigue because we do not think we can safely operate the aircraft in the event of an incident’, that would fall within the authority’s—

**Mr McCormick:** It would fall within our authority regardless of the fact that they were overseas based or not from the fact that they were on board a VH registered aircraft in Australia—

**Senator XENOPHON:** If it is not VH registered, if it is an aircraft which is minority Australian-owned, would that make any difference? If it is not VH registered, do you have any jurisdiction?

**Mr McCormick:** Generally speaking, as I think we have discussed before, if the country of registration is a signatory to the ICAO convention then we accept that they are adopting the ICAO convention requirements of the annex 6, for instance, in the case of the operations you speak of. However, we conduct our own surveillance of those operations, if necessary. Of course, our concern is the safety issues.

**Senator XENOPHON:** Finally, is there an agreement between the minority shareholder as to the way the airline would operate? In other words, the majority shareholder has certain standards and it is an Australian company, would that bring it within your jurisdiction?

**Mr McCormick:** Commercial arrangements will not fall in our jurisdiction unless there is a question of financial viability. As far as the operation of the crew goes, if they are operating under the air operator certificate that we issue, whether it is Australian or a foreign aircraft air operator’s certificate then they naturally do fall under our jurisdiction.

**CHAIR:** I thank you and the officers of CASA very much. I call officers of the Australian Transport Safety Bureau to the table.

#### Australian Transport Safety Bureau

[16:49]

**Senator EDWARDS:** In January, you were very critical of the levels of fuel that operators carry in their planes. On the ground in a factory it is called ‘just in time’ management. I do not know what you call it when it is ‘you have just got enough to land’ management. What are you doing to work with operators and pilots to increase the awareness of the risks involved in those practices? And are you working with other agencies to ensure that we do not have tragic consequences?

**Mr Dolan:** The reason that this matter got the profile was because we tried to get a level of publicity to this. It is part of our broader set of actions to establish patterns of repeated accident in a range of areas, particularly in general aviation. We are saying fuel management continues to cause accidents. The report itself and our publicity of it was to draw attention to the matter. The report provides examples both of what can go wrong and how best it

can be managed. We are working with CASA and others, and operators, to get the message out that fuel management remains a crucial issue and is one that attention should be paid to.

**Senator EDWARDS:** Has the 'starved and exhausted' report that you sent out been widely circulated? This is a serious issue. Do you work with CASA and do they float it down through all of their channels?

**Mr Dolan:** Yes, we are in regular discussions with CASA about how best to use their education channels to get our safety messages through. That is working very effectively. We are trying to get messages out not only through distribution of our material but also through opportunities at various public forums. That is why we tried to get a bit of cover in the media as well so people were attracted to look into it.

**Senator EDWARDS:** It attracted my attention. In your annual report, page 8, the next two years will see a substantial growth in our role in the rail sector. What are the preparations you are making at ATSB to take on the rail investigations across Australia? Is the budget being impacted by this?

**Mr Dolan:** We have been given budget funding to manage the transition to our expanded role essentially as the national investigator for all rail in Australia. We have a project team that is helping us put all the pieces in place to carry that forward so that we are ready to go at the beginning of 2013. The funding and resources are going to be a mix of things. There is the core funding we have for the national rail network. There is the provision of investigative services from the existing investigators in New South Wales and Victoria, and investigations in the other jurisdictions will essentially be through cost recovery of investigations. Ministers have agreed which investigations we are required to undertake.

**Senator FAWCETT:** Could you describe any input you have into the National Airports Safeguarding Advisory Group?

**Mr Dolan:** Our major contribution was the investigation we did of turbulence occurrence at Canberra Airport where we explored the broader issues about turbulence planning and related events around these airports and pointed out essentially the lack of agreed standards and the framework within which this was happening. We saw that as our key contribution. We had an illustration of the potential risk and a description of the system that was not adequately in place and so we saw that as our main contribution to the process that the department and others were running.

**Senator FAWCETT:** How many accidents have there been in the last 24 months, say, of GA aircraft, or experimental category aircraft or home-builts, at regional or local airports? Has that information been fed into a risk analysis as part of this planning process for local government authorities or even people at places like Archerfield or Bankstown, where there are training facilities that may be wanting to bring more and more commercial development closer to the operating areas?

**Mr Dolan:** I would have to take the first part of your question on notice. I do not have available to me those figures, particularly when you throw in the recreational, experimental and home-built categories—

**Senator FAWCETT:** They tend to operate at the smaller airports, yes.

**Mr Dolan:** We can get those figures to you on notice, if you will allow that. As to the broader question, I am not aware—unless my colleagues are—of there being an explicit request to us for that information. We could certainly make the information we have available. We have got a database of all occurrences notified to us that is very reliable over the last five years and adequately reliable over the last 10.

**Senator WILLIAMS:** Are you familiar with an incident on Saturday, 7 January, of a near miss of two jets over Tamworth?

**Mr Dolan:** I believe so, yes.

**Senator WILLIAMS:** Do you know how far apart they were when the alarm was raised?

**Mr Dolan:** That is a matter—

**Senator WILLIAMS:** It was a Qantas jet and a Virgin jet, I believe, a Sydney-Brisbane—

**Mr Dolan:** If we are talking about the same one, I believe that is one we have under investigation. Mr Brokenshire, is that correct?

**Mr Brokenshire:** Yes.

**Mr Dolan:** Because it is under investigation, we are not in a position to say we have satisfied ourselves as to separation, but our published report will make that—

**Senator WILLIAMS:** How was the incident detected?

**Mr Dolan:** As I understand it, the incident was reported to us both by one of the operators and by Airservices, which is the way that these sorts of occurrences normally come to our attention.

**Senator WILLIAMS:** When is your report likely to be handed down?

**Mr Dolan:** We have got over 50 investigations on hand at the moment, so we say that we aim to complete our investigations within a year.

**Senator WILLIAMS:** Are you satisfied that the air traffic controllers are not overworked, are trained accordingly and are professional? Is that something that would come into question in this sort of thing?

**Mr Dolan:** As I indicated in our annual report, we are somewhat uneasy at the moment about the pattern in relation to breakdowns of separation, loss of separation assurance. We are uneasy about what may be a pattern of increased or different breakdowns of separation, losses of separation assurance, and we are doing a number of current investigations to try to establish whether there is a systemic issue.

**Senator WILLIAMS:** What do you mean by this loss of breakdown and assurance?

**Mr Dolan:** There are two elements. Breakdown of separation is where aircraft actually come so close together that defined standards are broken. Separation assurance is the process to try to keep the aircraft away from that. There can come a point where the aircraft do not actually breach the separation standards, but there is a potential that it is going to happen, and if that is not sufficiently managed that is a loss of separation assurance.

**Senator XENOPHON:** Has that uneasiness translated to communications with CASA in terms of their role to deal with these issues? What further steps are taken, because I am quite disturbed that you have referred to it in these terms, that there is an uneasiness about issues of separation?

**Mr Dolan:** But I would go no further than saying 'uneasiness' at this point. If we were to establish a significant or critical—

**Senator XENOPHON:** If the ATSB is saying it is uneasy, that makes me very uneasy.

**Mr Dolan:** We have not established any critical or significant safety issues in relation to any of these investigations, with one possible exception and that is not a systemic issue that we have identified. If we were to see anything that looks like a problem, we would bring it to the attention of CASA, Airservices and so on.

**CHAIR:** I am going to—

**Senator XENOPHON:** Chair, it is a safety issue.

**CHAIR:** I am being very patient. It is a very important safety issue, but senators have worked very cooperatively today. Gentlemen, I am asking for the shortest of answers. Senator Heffernan has been waiting patiently and we will not be going over. If Senator Heffernan is prepared to give up his time, then that is fine.

**Senator HEFFERNAN:** At Brisbane Airport a Virgin pilot suffered serious injuries after the force of a taxiing plane blew him over the back stairs of a 737. Has there been a report into that incident?

**Mr Dolan:** We did not undertake an investigation into that incident, because the basic provisions of Annex 13 of the Chicago Convention that set what we should investigate state, 'From the point passengers are boarded and the aircraft is pushed back' and as I understand it this was before that.

**Senator HEFFERNAN:** Is that a flaw in the system? What we need to know is whether there is a maximum or minimum distance pilots must maintain in relation to other aircraft. Was it breached? Is there a maximum thrust level regulation on taxiing?

**Mr Dolan:** It falls into the territory between aviation safety and workplace health and safety.

**Senator HEFFERNAN:** So, it is in no man's land?

**Mr Dolan:** I would not be able to offer an opinion on that.

**Senator HEFFERNAN:** It is not covered by you so obviously we need to do something about that. I will put further questions on notice.

**CHAIR:** Senator Xenophon, very quickly please.

**Senator XENOPHON:** Has your uneasiness about separation issues, as asked by Senator Williams, been communicated to CASA and, if not, why not?

**Mr Dolan:** Yes, it has been communicated to CASA and Airservices. We have also kept CASA and Airservices informed about the progress of our investigations.

**Senator XENOPHON:** Thank you.

**Senator HEFFERNAN:** Can I put something on notice?

**CHAIR:** Yes.

**Senator HEFFERNAN:** On the issue of the two Jetstar pilots where one thought the other was in charge and they were 51 metres well short of the runway, has there been an investigation into that? That was in Melbourne.

**Mr Dolan:** An A320 flight from Newcastle to Melbourne?

**Senator HEFFERNAN:** Yes. I just know that it is Jetstar.

**Mr Dolan:** We did an investigation and we have published a report, if it is the one that I am thinking of. I can get you details of the investigation.

**Senator HEFFERNAN:** Thank you.

**CHAIR:** Mr Dolan, thank you very much. You may now exit the building. Mr Mrdak, once again, thank you very much for your cooperation and the promptness and professionalism of your officers. We look forward to getting answers to questions taken on notice and will see you at the May budget.

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

## **REGIONAL AUSTRALIA, REGIONAL DEVELOPMENT, LOCAL GOVERNMENT, ARTS AND SPORT**

### **In Attendance**

Senator Arbib, Assistant Treasurer, Minister for Small Business; Minister for Sport, representing the Minister for Regional Australia, Regional Development and Local Government; Minister for the Arts

### **Department of Regional Australia, Regional Development, Local Government, Arts and Sport**

#### **Executive**

Ms Glenys Beauchamp, Secretary

Ms Stephanie Foster, Deputy Secretary

Mr Geoff Leeper, Deputy Secretary

Mr Dan O'Brien, Deputy Secretary

Mr Richard Eccles, Deputy Secretary

#### **Corporate Services**

Mr Jamie Clout, Chief Operating Officer

Mr Kym Partington, Chief Financial Officer

Mr Michael Nelson, Assistant Secretary, HR, Legal and Governance

#### **Outcome 1**

Mr Tony Carmichael, First Assistant Secretary, South East Australia and RDA Network Division

Mr Xavier Csar, Assistant Secretary, South East Australia

Mr Adam Stankevicius, Assistant Secretary, RDA Network

Ms Robyn Fleming, First Assistant Secretary, North West and Local Government Division

Mr Gordon McCormick, Assistant Secretary, Programs

Mr Robbie Bolton, Acting Assistant Secretary, Local Government

Mr Andrew Dickson, Acting Assistant Secretary, ONA and West

Ms Megan Lees, Assistant Secretary, Murray-Darling Basin Taskforce

Ms Karen Lindsay, Director, Regional Development Australia Fund

Mr Simon Atkinson, First Assistant Secretary, Policy and Coordination Division

Mr Bruce Taloni, Assistant Secretary, Policy and Coordination

Ms Elizabeth Wilde, Assistant Secretary, Policy and Coordination

Maria Frampton, Acting Assistant Secretary, Strategic Priorities

Ms Julia Pickworth, Acting Assistant Secretary, Policy Development and Reform

Mr Shane Bennett, Assistant Secretary, Regional Economic and Evaluation

Mr Julian Yates, First Assistant Secretary, Territories and Disaster Reconstruction Division

Ms Jane Heffernan, Assistant Secretary, Engagement and Reporting

Ms Cara Little, Acting Assistant Secretary, Territories and Reconstruction Policy

#### **Outcome 2:**

Mr Julian Yates, First Assistant Secretary, Territories and Disaster Reconstruction Division

Ms Gillian Savage, First Assistant Secretary, Norfolk Island, Project Strategy and Delivery

Ms Belinda Moss, Assistant Secretary, Territories Service Delivery

Ms Cara Little, Acting Assistant Secretary, Territories and Reconstruction Policy

#### **Outcome 3:**

Ms Sally Basser, First Assistant Secretary, Office for the Arts

Dr Stephen Arnott, Assistant Secretary, Creative Industries and Sector Development

Ms Lyn Allan, Assistant Secretary, Regional, Participation and National Collections

Ms Celia Street, Assistant Secretary, Strategic and Whole of Government Policy

Ms Stacey Campton, Assistant Secretary, Indigenous Culture Branch

Mr Paul McInnes, Assistant Secretary, Governance and Information

Ms Louise Doyle, Assistant Secretary, National Portrait Gallery

Mr Mark Munro, Director, Executive and Office Support

**Australia Council**

Ms Kathy Keele, Chief Executive Officer

Ms Robyn Cowdry, Executive Director Corporate Resources

**Screen Australia**

Dr Ruth Harley, Chief Executive Officer

Ms Fiona Cameron, Executive Director Strategy and Operations

Mr Richard Nankivell, Chief Financial Officer

**National Museum of Australia**

Mr Andrew Sayers AM, Director

Mr Graham Smith, Chief Operating Officer

Ms Helen Kon, Assistant Director, Audience Programs and Partnerships

Dr Kirsten Wehner, Acting Assistant Director, Collections, Content and Exhibitions

Ms Kylie Noonan, Chief Financial Officer

**National Gallery of Australia**

Dr Ron Radford AM, Director

Mr Alan Froud, Deputy Director

**National Library of Australia**

Ms Anne-Marie Schwirtlich, Director-General

Mr Gerry Linehan, Assistant Director-General, Corporate Services

**National Film and Sound Archive**

Mr Michael Loebenstein, Chief Executive Officer

Mr Steve Vogt, General Manager, Corporate and Collection Services

Ms Sonia Gherdevich, Acting General Manager, Collection Development and Outreach

**Outcome 4:**

Mr Bill Rowe, General Manager, Office for Sport

Mr Jaye Smith, Assistant Secretary, Sport and Event Support

Ms Natasha Cole, Assistant Secretary, Sport Development

**Australian Sports Commission**

Mr Simon Hollingsworth, Chief Executive Officer, Australian Sports Commission

Mr Phil Borgeaud, Acting Director, Australian Institute of Sport

Ms Judy Flanagan, General Manager, Government Relations, Communications and Research

Mr Greg Nance, General Manager, Sports Development

Mr Steve Jones, General Manager, Commercial Operations

**Department of Regional Australia, Regional Development, Local Government, Arts and Sport**

[17.05]

**CHAIR:** I welcome Senator the Hon. Mark Arbib, Assistant Treasurer, Minister for Small Business and Minister for Sport, representing the Minister for Regional Australia, Regional Development and Local Government and Minister for the Arts; Ms Glenys Beauchamp, Secretary to the Department of Regional Australia, Local Government, Arts and Sport; and the officers of the department. The committee has fixed Friday, 30 March 2012 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business Friday, 17 February 2012. Under Standing Order 26 the committee must take all evidence in public session, which 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)

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, Senator Macdonald included, to switch off their mobile phones or render them inaudible. Minister, do you or Ms Beauchamp wish to make an opening statement.

**Senator Arbib:** No.

**Ms Beauchamp:** Yes, thank you. I thought it might be useful just to outline, since we appeared at the last Senate estimates committee, the changes that have occurred through the machinery of government changes last December. I wanted to go through a bit of a statement in terms of the makeup of the new department.

**CHAIR:** Please, if you could.

**Senator IAN MACDONALD:** Is it brief?

**Ms Beauchamp:** It is very brief. The reason I have sought approval to make this statement is the, what seemed like, confusion and debate earlier this week.

**CHAIR:** Senator Macdonald is not being rude, but we are really short for time.

**Senator IAN MACDONALD:** It is very appropriate, but the chair is right; we are very constrained.

**Ms Beauchamp:** The department was created on 14 December and we are focused on strengthening regions and communities by improving local opportunities. The new department brings together organisations, policies and programs that facilitate innovation, productivity and liveability, that is, the functions and programs that contribute to improving the wellbeing of communities right across Australia. Our functions go to the heart of what keeps communities, towns and regions together.

We are a department of about 800 staff with 16 portfolio agencies that cover four key functions or outcomes—the provision of community infrastructure and services in regional and local government areas and financial support to local government; maintaining good governance in the Australian territories and providing essential services for the non-self governing territories; providing opportunities for participation and access to Australia's arts and culture; to promote excellence and provide support for cultural heritage; and providing opportunities for community participation in sport and recreation; and to promote excellence in high-performance athletes. Together these functions and outcomes contribute significantly to Australia's wellbeing and productivity.

We know that regions are key contributors to Australia's productivity. For example, two-thirds of the nation's export earnings are generated in the regions. The importance of regions is why the government has invested \$4.3 billion in the 2011-12 budget to help drive growth, liveability and sustainability across regional Australia.

The arts, cultural activity and creativity are also strong forces in the Australian economy, with the Centre for International Economics noting the value of the creative industries alone at \$31 billion in industry gross product. These industries also provide employment to 485,000 Australians, with quite strong growth rates in both the arts and sports area. The Prime Minister has noted that the new machinery of government arrangements provide a valuable opportunity for the government to focus on the delivery of sport and arts in regional Australia, as well as non-regional Australia. Having these functions together provides a great opportunity for us to influence activities and outcomes that are important for communities. The consolidation of these functions means that the department is located in over 20 locations right across Australia. As a small agency, we have achieved quite a bit on behalf of the government in terms of its commitment to regional Australia, and now with the revised machinery of government arrangements hope we can go from strength to strength in supporting regions. Thank you.

**CHAIR:** Thank you. Might I say, before I go to senators, that the Regional Australian Local Government departments are no strangers to this committee. We will go to Corporate Services and Senator Joyce.

**Senator JOYCE:** I am quite happy to be brief with Corporate Service and put a lot of my questions on notice.

**CHAIR:** Thank you.

**Senator JOYCE:** I will ask one and then put the rest on notice, because there are many other areas that are vastly more important. I have one curiosity. At 30 November you told us you had five staff looking after climate change issues. Do you still have five staff looking after climate change issues?

**Ms Beauchamp:** Yes, we do.

**Senator JOYCE:** How are they going? Have they changed the climate yet?

**Ms Beauchamp:** The contribution of the department to the government's Clean Energy Future package is quite significant. We are involved in the secretary's group on climate change. We are involved in implementation and influencing the guidelines, particularly as the assistance package supports communities. We will continue to have an ongoing role to support implementation of the government's policy in this area.

**Senator JOYCE:** Why can't we just bang those five people in with all the other hundreds of people in the climate change department?

**Ms Beauchamp:** There are particular things that we have been asked to do to support the package on the Clean Energy Future. That is looking at the potential impacts on regions and communities as the Clean Energy Future package is being rolled out. It is quite relevant for us to have those functions remain in the department.

**Senator JOYCE:** What is the average wage of those five people?

**Ms Beauchamp:** I would have to take that on notice.

**Senator JOYCE:** Can you take that on notice?

**Ms Beauchamp:** Yes.

**Senator JOYCE:** I would like to go to the community infrastructure grants. As of 31 October 2011, 54 projects under the Community Infrastructure Grants program had not yet been approved.

**CHAIR:** Senator Joyce, I will just interrupt you. We are struggling to hear you. This is the first time we have had this problem.

**Senator JOYCE:** I will make sure it never happens again. There are 54 projects from the Community Infrastructure Grants program that had not been approved as of 31 October 2011. An answer to a question on notice came back yesterday, and now we find that 43 projects remain unapproved. What is going on? Why is it so hard to approve them? They were announced during the election.

**Ms Beauchamp:** As I wrote to you yesterday, we are working with the proponents of those projects to help assist them in putting together a project that meets our value for money guidelines, is achievable and deliverable, and also meets the state and local government requirements. We work with the proponents. We are not holding anything up. We are actually helping them put forward a project that is indeed deliverable and achievable over the next little while.

**Senator JOYCE:** I imagine that some of them would be starting to get a little irate. Are they writing to you to say, 'What's happening to our money? Where is it? Weren't you serious during the election when you announced it?' How many letters or complaints have you received?

**Ms Beauchamp:** The government has made clear commitments in this area to the proponents of the projects that were announced during the election campaign. I am not aware of any complaints that have been made and we have been quite active in supporting the project proponents as they develop their projects so it can actually be delivered.

**Senator JOYCE:** So, you are not aware of any complaints?

**Ms Beauchamp:** I am not personally aware. I will ask my colleagues.

**Ms Fleming:** I am not aware of any complaints in respect of the community infrastructure grants from proponents about the rate of progress in developing those grants. We are working closely with proponents, as the secretary has indicated.

**Senator JOYCE:** Have any of the original 80 projects been significantly changed in the amount that was funded, the location of the project or what the project was about?

**Ms Fleming:** Not to my knowledge.

**Senator JOYCE:** I would like to go to the Jingili BMX Club, which was allocated \$1.5 million in funding. Has that project been approved?

**Ms Fleming:** No.

**Senator JOYCE:** Why not?

**Ms Fleming:** We are working with proponents on their capacity to provide the information that can allow us to make a value for money assessment, and my understanding is that that information is not yet with the department.

**Senator JOYCE:** So, the money has not been reallocated and it is still going to go ahead?

**Ms Fleming:** No money has been reallocated from the community infrastructure grant, to my knowledge.

**Senator JOYCE:** Is it still going ahead?

**Ms Fleming:** We are progressing the assessment with the proponent.

**Senator JOYCE:** Do you have any idea when that might happen?

**Ms Fleming:** We continue to work with each of the proponents. In respect of the proponents, they are facing different issues, but we would work towards all proponents having funding agreements in place by the end of this financial year.

**Senator JOYCE:** The end of this financial year?

**CHAIR:** Senator Joyce, I need to interrupt you briefly for a second. I apologise, but we sort of have a layout of Corporate Services, Regional Development and Local Government, but I think your question is going into the whole gamut now.

**Senator JOYCE:** Yes.

**CHAIR:** That is not a problem, but Senator Macdonald has some questions for Corporate Services for five minutes.

**Senator JOYCE:** We are all in the room, anyway.

**Senator IAN MACDONALD:** I can do that later.

**CHAIR:** Are you happy to all roll one into another?

**Senator JOYCE:** I have a heap, but I will put them on notice.

**CHAIR:** We have two hours. There are a number of speakers, so we might interrupt you in 10 minutes, move to someone else and then come back to you, Senator Joyce. Carry on.

**Senator JOYCE:** The Burnside Hockey Club was allocated \$400,000. What is happening there?

**Ms Fleming:** In the list that you were provided there were some 43 proponents that we are still working with to receive information from. We will expect to finalise some of those assessments in February and some are expected to be finalised in March, April and throughout the rest of this financial year. I would have to take on notice our expectation around each and every proponent.

**Senator JOYCE:** From what I hear, the council rejected the initial application, so the Burnside Hockey Club has to be moved to another location. Where are we putting it now?

**Mr O'Brien:** We are working with the proponent on those types of issues. I am happy to take that on notice.

**Senator JOYCE:** Are you aware of the Burnside Hockey Club?

**Mr O'Brien:** I am aware that we are working with proponents on all of these projects to try to resolve them.

**Senator JOYCE:** It is a bit of a problem if you promised something during the election and they cannot actually build it.

**Ms Beauchamp:** There is a commitment to deliver against each of these election commitments. We are helping each of the proponents deliver it in the best way possible. If there is a change in location—and it might be because of local and state planning requirements—then we will work with the proponents to see how those requirements can be accommodated.

**Senator JOYCE:** Can you tell me where we are up to now. You cannot build where you said you were going to build, so where are you going to build or are you going to build it?

**Ms Fleming:** The advice that I have at the moment from our engagement with Burnside is that they are to confirm for us the location, which is expected around April/May.

**Senator JOYCE:** They are going to tell you by April/May where it is going to be built and then when do you reckon we will have it built by?

**Ms Fleming:** We would have to wait for the information around the proponent's proposal. I am sure they are taking that into account within the context of their locational choice.

**Senator JOYCE:** I have another one. There is a whole heap of these. Are you aware of the Margaret Olley Art Centre at the Tweed River Art Gallery?

**Ms Fleming:** Yes.

**Senator JOYCE:** This was on the list of unapproved projects presented to my office yesterday. However, it was not on the list of unapproved projects in October. Is this a new project? What is this project?

**Ms Fleming:** It is a new project. The Margaret Olley Art Centre was announced by the Prime Minister and it is being assessed under the Community Infrastructure Guidelines.

**Senator JOYCE:** Is it replacing the other programs that were announced during the election or is this additional?

**Ms Fleming:** It is a new project.

**Senator JOYCE:** Is it additional/new funding?

**Ms Beauchamp:** There are a number of projects that have been announced by the government that are now included under the Community Infrastructure Grants program, in terms of the guidelines. We are using the guidelines and methodology. For a number that have been identified in the budget papers, like Riverstone and others that I can point to—

**Senator JOYCE:** This is in the electorate of Richmond. I imagine that is going to be a tightly fought race at the next election. I am curious as to whether we have just plucked this one out of thin air and slapped it on the table. I would like to know where the funding came from.

**Ms Beauchamp:** As I was saying, there are a number of projects that have been announced by the government that are now included under the assessment and have been used for the methodology of the Community Infrastructure Grants guidelines. They include things like the Riverstone Football Club; Townsville Convention Centre; Port of Karumba Sea Wall; the Port Macquarie Indoor Sports Stadium and Margaret Olley Art Centre. They were separate announcements and they have now been included under the Community Infrastructure Grants program, rather than having separate guidelines for separate projects.

**Senator JOYCE:** In the budget papers did these things strike a feature before it was announced; someone went for a wander up into the seat of Richmond and announced it?

**Ms Beauchamp:** These are government announcements. Our role is to implement the announcements made by government, and these projects were part of the MYEFO that came out last year.

**Senator JOYCE:** Was this funding new on MYEFO?

**Ms Beauchamp:** Most of these are additional funding, yes.

**Senator JOYCE:** That is convenient. Good luck to them, but what was the premises of the funding for that? Was it deemed important to be new funding and strike a new feature in the MYEFO?

**Ms Fleming:** The Margaret Olley Trust wanted to re-establish, on Margaret Olley's death, a museum in a house that she resided in in Tweed River. Funding was provided to support that, through recollection, through some underspends in some other programs.

**Senator JOYCE:** That is interesting. That was allocated through some underspending in some other programs?

**Ms Fleming:** Yes.

**Senator JOYCE:** That is a different story, is it not? What was the underspending in the other programs? Can you tell me about that?

**Ms Fleming:** I would have to take that on notice.

**Senator JOYCE:** That means that other people are getting less than they were allocated. I asked that question previously—in fact, only about five minutes ago—and the answer you gave me was that that was not the case, but now we are getting the case that some people are not getting what they asked for and this money is being—

**Senator Arbib:** You asked in regard to the 80 election commitments.

**Senator JOYCE:** No doubt this sounds like a noble cause. I am not here to doubt the cause, I am here to doubt the nuances of how we are funding it, and whether we are grabbing the money from other things that have been allocated during the election campaign. Did we therefore go back to the people who we announced the funding to during the election campaign and say to them, 'We're not going to give you what we announced. We're going to give you less because we're going to actually build an art gallery in the seat of Richmond'?

**Ms Beauchamp:** As you would appreciate, with construction projects like this there is a budget. We go through a process with the proponents in terms of the actual costs of delivering particular projects. It is not as if we are taking money away from certain projects. As you would appreciate, any construction project has unders and overs, and we try to manage that within the budget that we are given from the government. It is certainly not a matter of taking projects away.

**Senator JOYCE:** How many proponents have not received their funds?

**Ms Fleming:** During the course of some projects—and we are not talking election commitments, we are talking broader projects under RLCIP—some proponents choose to terminate a project because they cannot deliver the project as originally envisaged for a whole raft of reasons. Some people deliver the project at less than anticipated, which creates underspends. Those underspends can be put to other use.

**Senator JOYCE:** Was any money transferred from the Better Regions program?

**Senator Arbib:** The officials are taking the question on notice in regard to where the funding came from, so we will get back to you.

**Senator JOYCE:** Is that the answer? That was a new question. Was any money transferred from the Better Regions program?

**Mr O'Brien:** Again, we will take that on notice.

**Senator JOYCE:** That is interesting. Maybe when you take that on notice and get back to me, your answer will correlate with mine, which I got off you. I would like to go to the Regional Development Australia Fund. As at 4 November 2011, the department had received 292 requests for feedback as a result of round 1. Can you confirm that all of the 292 requests have now been completed?

**Ms Fleming:** Yes.

**Senator JOYCE:** Were all applicants satisfied with the feedback they received?

**Mr O'Brien:** They were all provided with an opportunity to get feedback. I would say, yes.

**Senator JOYCE:** So, they were all happy?

**Mr O'Brien:** It is not a question of being happy or not. It is a question of getting feedback.

**Senator JOYCE:** Were they all satisfied?

**Mr O'Brien:** They received feedback.

**Senator JOYCE:** Does that mean they were satisfied, unsatisfied or just got feedback?

**Mr O'Brien:** They received feedback.

**Senator JOYCE:** Did you get any feedback from them about their feedback? Did they ever say, 'I got your feedback, but it doesn't really answer my question'?

**Mr O'Brien:** Yes. I am sure on occasions, of course. Ms Fleming can speak to that. That is part of the feedback dialogue.

**Senator JOYCE:** I am interested to know how many people responded to you in a description of that manner, that they were unhappy with the feedback that they were getting regarding your feedback.

**Ms Fleming:** I would have to take on notice that particular article. There was a range of feedback. Some people, of course, have a variety of views about the advice that the department provides them and we had discussions around that.

**Mr O'Brien:** Broadly, there was a level of gratitude that there was feedback provided.

**Senator JOYCE:** They were grateful about the feedback?

**Mr O'Brien:** They got feedback.

**Senator JOYCE:** They got feedback?

**Mr O'Brien:** Yes.

**Senator JOYCE:** The feedback that we received about your feedback was that they were not very gratified. They were kind of unhappy. Not as much gratitude as what you are telling me.

**Mr O'Brien:** If there is a specific circumstance then I am happy to take that on board.

**Senator JOYCE:** I should come to estimates with my own answers and then tell you the answers. Maybe that should be how it works.

**CHAIR:** With the greatest of respect, I think that we should at least afford decency to the officers. If you do not like the answers, I cannot do much about that. I would encourage you to direct your questions to the officers and, if not, there are a number of your colleagues still waiting to ask questions.

**Senator JOYCE:** Thank you for your feedback.

**CHAIR:** Why don't your people call my people and we will all do lunch?

**Senator JOYCE:** I did not say a 'feed'. I want feedback. Have the funding arrangements for the 35 successful projects in round 1 been completed?

**Ms Fleming:** We have not executed all of the funding agreements at this stage, but we have executed some 22 funding agreements. We have a further five approved for proponent signing and we have eight still under negotiation.

**Senator JOYCE:** What is the hold-up with those eight?

**Ms Fleming:** We continue just to work through with proponents to ensure that all the data and the milestones are appropriately recorded in the funding agreements and that any risks identified in the funding proposal are addressed within the funding agreement.

**Senator JOYCE:** Is there a deadline for when all of this is going to be completed?

**Ms Fleming:** Yes. All funding agreements were meant to be completed within 16 weeks and we have granted extensions to those that were not able to complete within that time frame.

**Senator JOYCE:** What is the role of the independent advisory panel in round 2 of the fund?

**Ms Fleming:** The advisory panel will assess the applications that were selected by the RDAs to go through to full application.

**Senator JOYCE:** Who is on that independent advisory panel?

**Mr O'Brien:** It is the same panel as last time.

**Senator JOYCE:** How often are they meeting?

**Mr O'Brien:** The panel has not met on round 2 yet. The next meeting of the panel will be in March.

**Ms Fleming:** The panel is meeting on 7 March.

**Senator JOYCE:** How many projects do you think they will get through in each meeting, each day?

**Ms Fleming:** On 7 March there is a planning meeting for the panel and then they will meet for a week in April to consider applications once we have had an opportunity—

**Senator JOYCE:** Starting on what date?

**Ms Fleming:** I think it is around the 20th sometime.

**Mr O'Brien:** We are just going through the process from here. At close of business tomorrow the full applications of the 160-odd projects are expected. The department will do a full assessment of those projects, including independent viability assessment. The panel will come together, as Ms Fleming mentioned, on 7 March but also through April to consider the full set of eligible projects.

**Senator JOYCE:** I just want to ask some questions about the application process for round 2 of the Regional Development Australia Fund. Can you describe the process for applying for round 2 grants?

**Mr O'Brien:** Sorry?

**Senator JOYCE:** Do all Regional Development Australia committees have to submit their best three projects for consideration?

**Mr O'Brien:** Up to three projects.

**Senator JOYCE:** Will the successful projects chosen for funding under round 2 be from those marked 'to proceed to full application' on the list of projects?

**Ms Fleming:** The projects that were recorded as eligible to proceed to full application will be the ones that are assessed by the RDAF panel.

**Senator JOYCE:** That was published on 11 January?

**Ms Fleming:** That is correct.

**Senator JOYCE:** So no projects are to be funded other than those marked as such?

**Ms Fleming:** That is correct.

**Mr O'Brien:** Through this program, yes.

**Ms Fleming:** Through RDAF.

**Senator JOYCE:** Has anyone from the department asked an RDA to resubmit their projects or to otherwise alter the projects that they have selected as to proceed to full application?

**Mr O'Brien:** Not to my knowledge.

**Ms Fleming:** Not to my knowledge.

**Senator JOYCE:** Are you aware of any plans to alter the list to change these projects that have been selected to proceed? Do you want to change that other answer you just gave me?

**Ms Fleming:** I am just wondering: are you referring to the list of duplicates that we posted?

**Senator JOYCE:** Including the list of duplicates that you posted.

**Ms Fleming:** If you are referring to duplicates, that is a different question. There were a range of applications that went through to RDA panels, and we made a ruling around duplicates consistent with the guidelines and they are publicly available on the website.

**Mr O'Brien:** And based on probity advice.

**Ms Fleming:** But that is not altering the application.

**Senator JOYCE:** What is the reason behind the guideline that excludes not-for-profit organisations that have an annual income of \$1.5 million?

**Ms Fleming:** We do not exclude not-for-profits with an income of \$1.5 million from being members of consortia. We do exclude them from being the lead proponent, and that was based on the view that agencies needed to have a certain level of income to sustain projects that were being put forward for beyond the life of the contract.

**Mr O'Brien:** That is right. It is to ensure that in future years the project could be sustained.

**Senator JOYCE:** So they do not exclude them?

**Mr O'Brien:** They are not excluded, no. They can form part of consortia, as Ms Fleming mentioned. I think we have had a fairly reasonable response from not-for-profits in the first cut of projects.

**Senator JOYCE:** I just want to go to a project. As to the Clunes Community and Interpretive Centre project in the Hepburn shire, can you give me an update on this project? It is something we discussed before, so I imagine you have a file.

**Mr O'Brien:** We did follow up from the last session and we spoke directly to the Victorian local government inspectorate and sought their views and advice on it. They have responded to us to indicate that they looked into the matter and there was no breach of the Victorian Local Government Act. That would not pick up issues like conflict of interest.

**Senator JOYCE:** On the status of the investigations into the project by the local government investigators and compliance inspectorate, you are saying that—

**Mr O'Brien:** They have completed that in regard to our project, yes.

**Senator JOYCE:** And there is no breach?

**Mr O'Brien:** No breach.

**Senator JOYCE:** Did they say anything else? There are no other problems with it? Everything is completely aboveboard?

**Mr O'Brien:** I do not have the correspondence in front of me, but they indicated that there was no breach of the Victorian Local Government Act.

**Senator JOYCE:** It did seem from the outset that there was a very severe conflict of interest in that.

**Mr O'Brien:** I am still not aware of the nature of the complaint that was before the Victorian local government inspectorate. They did not divulge the nature of the complaint with us, but they undertook to investigate or examine the issue in relation to our project, and they found there was no breach of the Victorian Local Government Act.

**Senator JOYCE:** Did you deem that there was a conflict of interest in that a local councillor was part of a decision to approve a multimillion-dollar facility next to his shop?

**Mr O'Brien:** Again, we sought advice from the Victorian local government inspectorate, the proper agency to look into those matters.

**Senator JOYCE:** Are you aware of any other conflicts of interest that are apparent in any of these approvals?

**Mr O'Brien:** In terms of approvals for round 1, no.

**Senator JOYCE:** Has the Australian National Audit Office reported on its audit into the RDA Fund round 1 yet?

**Ms Fleming:** No.

**Senator JOYCE:** Why not?

**Ms Fleming:** They are still reviewing the materials, and I understand that they will report later in the year.

**Senator JOYCE:** When? Later in the year—

**Senator Arbib:** That is a matter for the ANAO. Officials here cannot answer that question.

**Ms Beauchamp:** As I indicated last time, it has been a performance audit that has been on their program for some time, and they are expecting to have that towards the mid second half of 2012.

**Senator JOYCE:** Has the department discussed with any local governments how much money they have or are spending on consultants when applying for grants under the Regional Development Australia Fund?

**Mr O'Brien:** We were aware of the complexities associated with putting applications in in round 1 and that is why we undertook the changes for round 2, and we think the expression of interest process has helped to streamline that administrative or compliance burden appreciably in round 2. We took that feedback on board through the review process. I do not know any actual costs of consultants, no.

**Senator JOYCE:** I want to quickly go to spatial accounting.

**CHAIR:** Sorry—where have we gone to, Senator Joyce?

**Senator JOYCE:** Spatial accounting.

**Ms Beauchamp:** Do you have any more questions on the regional grants programs?

**Senator JOYCE:** I have heaps, but I am going to put them on notice.

**Senator IAN MACDONALD:** What are you going on to now?

**Senator JOYCE:** Spatial accounting, which is one of the initiatives of Minister Crean.

**CHAIR:** In what area is this? Someone help me out. I am just getting a little bit left behind here, which is highly usual anyway. I thought we talked about corporate services and regional development sort of flowing on to each other.

**Ms Beauchamp:** You are quite correct; it is in outcome 2 around regional development, but there is a broad range of functions under this outcome. Some of them are policy functions and the like and some of them relate to regional development programs. So we are happy, if you are happy, to get officers back and forth from the table.

**CHAIR:** I will tell you how I would prefer to work, with your indulgence. I will come back to you, Senator Joyce. What I prefer to do is go through each division, as does this committee. When we are finished with the officers they can escape, rather than keep having to come back. They have families and other things to do, too. If we can work that way, that is the preference of this committee. What I would like to do, if it is possible with you, Senator Joyce, is to come back to corporate services. Senator Macdonald does have some questions. If there is agreement that there are no further questions of corporate services, they can escape—run away—and then we will stay with regional development. Ms Beauchamp, is that all right with you?

**Ms Beauchamp:** Thank you very much.

**CHAIR:** I saw a few nods behind you that were in the affirmative, so I gather they are the ones from corporate services who will be going to get home and watch whatever it is you watch—

**Ms Beauchamp:** Valentine's Day dinner.

**CHAIR:** Let us go back to corporate services.

**Senator IAN MACDONALD:** As we have been in this committee, I will try to be very brief. I know the officials will help with brief answers. With the rearrangement of the department following the December reassignment, is the Northern Australian branch still there?

**Ms Beauchamp:** Yes, indeed.

**Senator IAN MACDONALD:** Has there been any change in personnel in that particular branch, not by name but in number?

**Ms Beauchamp:** We have certainly strengthened some of the functions and activities related to the Northern Australia Ministerial Forum and also the Northern Australia activities there. I think we have a couple more people allocated to that function, but I would have to get the relevant people up here who have that responsibility.

**Senator IAN MACDONALD:** Is that corporate services or would that be better to ask when we are talking to them later perhaps?

**Ms Beauchamp:** I am happy to take the officer for Northern Australia and the Northern Australia functions under the program's functions, if you like.

**Senator IAN MACDONALD:** I will leave it until then. Did Minister Crean's duties change at all in the December—what did you call it?

**Ms Beauchamp:** Machinery of government change.

**Senator IAN MACDONALD:** Did Minister Crean's duties change at all?

**Ms Beauchamp:** Minister Crean's titles and ministries remain the same.

**Senator IAN MACDONALD:** His duties stay the same, do they?

**Ms Beauchamp:** Yes.

**Senator IAN MACDONALD:** There is no other minister that deals with any of the areas in the Regional Australia, Local Government, Arts and Sports Portfolio—is that correct?

**Ms Beauchamp:** We support Minister Ludwig in relation to disaster recovery efforts in Queensland.

**Senator Arbib:** Can you go back and ask that question again?

**Senator IAN MACDONALD:** Is there only one minister in the portfolio?

**Ms Beauchamp:** There are two ministers in the portfolio.

**Senator IAN MACDONALD:** Who is that?

**Ms Beauchamp:** Minister Arbib.

**Senator Arbib:** I am the Minister for Sport.

**Senator IAN MACDONALD:** Sorry, I was not meaning to be rude, Senator Arbib.

**Senator Arbib:** That is fine.

**CHAIR:** It has been a long couple of days.

**Senator IAN MACDONALD:** I used to play a lot of sport, but sport is not the focus of my parliamentary interests, I have to say. It is regional Australia and local government. There are only the two of you? There is no parliamentary secretary and no-one else, but you do help Senator Ludwig in relation to—

**Ms Beauchamp:** The reconstruction efforts in relation to Queensland. He is the minister assisting the Prime Minister for reconstruction up there following the floods in 2010.

**Senator IAN MACDONALD:** Does Mr Crean have anything to do with that or is it just—

**Ms Beauchamp:** Mr Crean is supporting the Prime Minister in relation to flood recovery in Victoria.

**Senator IAN MACDONALD:** Insofar as flood recovery in Queensland is concerned, your department supports Minister Ludwig, not the Department of Agriculture, Fisheries and Forestry—is that what you are telling me?

**Ms Beauchamp:** That is correct.

**Senator IAN MACDONALD:** Is there a particular unit in the department that helps in that area?

**Ms Beauchamp:** About 12 months ago the Prime Minister announced the formation of the Disaster Recovery Taskforce, which was set up in the department.

**Senator IAN MACDONALD:** From existing resources?

**Ms Beauchamp:** Additional resources were provided.

**Senator IAN MACDONALD:** Are you on a super efficiency dividend in this financial year?

**Ms Beauchamp:** We have the normal efficiency dividend and the application of the additional 2.5 per cent efficiency dividend for 2012-13. There are a number of agencies now within the portfolio that are exempt from that.

**Senator IAN MACDONALD:** Which are they?

**Ms Beauchamp:** Mostly the cultural agencies. I can go through that list if you like.

**Senator IAN MACDONALD:** Perhaps on notice you could tell. But they are mainly in the cultural area? That seems unusual.

**Senator Arbib:** You are going to get a lot of that tonight when arts starts. There will be a lot of discussion around the dividend.

**Senator IAN MACDONALD:** Will there?

**Senator Arbib:** There normally is, yes.

**Senator IAN MACDONALD:** I will not be here.

**Ms Beauchamp:** It is quite a short list, so I can just go through it: the Australia Council; the Australian Film, Television and Radio School; the Australian National Maritime Museum; the Australian Sports Commission; the National Film and Sound Archive of Australia; the National Gallery of Australia; the National Library of Australia; the National Museum of Australia; Screen Australia; the National Archives of Australia; and Old Parliament House. I should say in relation to the National Archives of Australia that it is probably the only new function Minister Crean has that was transferred from the Department of the Prime Minister and Cabinet portfolio.

**Senator IAN MACDONALD:** That is Mr Crean's, not Senator Arbib's?

**Ms Beauchamp:** As Minister for the Arts, it is Minister Crean. Minister Arbib is responsible and is the Minister for Sport in this portfolio.

**Senator Arbib:** The agency there was the Australian Sports Commission. That is what I administer.

**Senator IAN MACDONALD:** Can either of you just tell me in a one-liner what the rationale is for those agencies not being subject to the special efficiency dividend of 2.5 per cent when apparently everybody else is?

**Ms Beauchamp:** Obviously it is a decision of government.

**Senator IAN MACDONALD:** Yes, but what did the Prime Minister say, or whoever it was that announced that? What reason did they give for that?

**Senator Arbib:** One of the debates that we normally have—and I note this is a new part of the committee—is about the capacity of those organisations in terms of efficiency dividends. It is normally Senator Humphries who is arguing the case around why a number of those agencies should receive efficiency dividends.

**Senator IAN MACDONALD:** I am not raising an argument. I am simply asking what the rationale is. They cannot accommodate it?

**Senator Arbib:** There are capacity issues in terms of those agencies and organisations.

**Senator IAN MACDONALD:** Ms Beauchamp, do you have forward plans on how you are going to handle with the 2.5 per cent effective cut in your funding?

**Ms Beauchamp:** Indeed, yes, I do.

**Senator IAN MACDONALD:** Does it include loss of jobs?

**Ms Beauchamp:** We have been very fortunate over the last two budgets to have a government injection of funds—and the task force was one example of that—as a brand-new portfolio. With the last couple of budgets, we always go through ons and offs in the portfolio in terms of budget measures. I am in the process of looking at how we do plan for the 2012-13 budget. Of course, we have already taken some measures and also have some opportunities in the machinery of government changes. I mentioned having over 20 locations now right across Australia where I would like to co-locate what are now sports, arts and regional functions. That may produce some accommodation savings. Here in Canberra, I am currently negotiating with landlords to see what the best deal is that we can get around accommodation in terms of consolidating functions. For example, we have reduced our newspapers across the portfolio.

**Senator IAN MACDONALD:** Big saving there.

**Ms Beauchamp:** We have cut out plants. We are looking at overheads. We are doing as much as we possibly can so we can continue to deliver for government but reduce our overheads and increase efficiency. We are going through the process now in terms of how to deliver that.

**Senator IAN MACDONALD:** Ms Beauchamp, do not take this personally, but I always say that if you can find a 2.5 per cent saving you must be awfully inefficient now. Do not take that personally.

**Ms Beauchamp:** I am not taking that personally, but I do see the machinery of government changes as actually assisting with the consolidation of some functions and locations.

**Senator IAN MACDONALD:** Finally on corporate, you said you have 24 locations across the country. You are not thinking of cutting out those as part of an efficiency dividend? Could I add that, whilst some might say it may be efficient, I think it is very essential that as the regional department your department, more than any others, is located across Australia. Are you looking at closures of any offices?

**Ms Beauchamp:** Minister Crean is very keen for us to increase our regional footprint. We are looking at doing that over the next little while. What we do need to do is make sure we have the right people out there and we will be looking at co-location opportunities rather than cutting out offices altogether.

**Senator IAN MACDONALD:** I am interested in your comment about Mr Crean wanting to expand those. On notice, could you just tell me where you are at with that, how far you have gone, where you are looking and anything you can tell me that is not confidential at this stage.

**CHAIR:** Thank you, Senator Macdonald. Can I take it, colleagues, that we are finished with corporate services? So we can let the corporate services people go home, Ms Beauchamp.

**Ms Beauchamp:** Thank you very much.

**CHAIR:** I actually have to stand corrected, Senator Macdonald, because I thought you would be for the arts. In your twilight years I saw you as our new cultural attache from Queensland taking over from Senator Boswell, but I am mistaken.

**Senator IAN MACDONALD:** I have approached Senator Brandis for any free tickets he gets to the opera in Sydney, so that he might think of me.

**CHAIR:** Ms Beauchamp, at least we have fun during Senate estimates.

**Ms Beauchamp:** That is good.

**Senator Arbib:** I thought you would have more of a sport interest.

**Senator EDWARDS:** I have not started yet. I am going to offer to carry your bags to London.

**Senator IAN MACDONALD:** My sporting interest is only when the Cowboys play the grand final in Sydney. Then I will be looking for some tickets from you, Senator Arbib.

**CHAIR:** Let us get into regional development.

**Senator EDWARDS:** Welcome to our committee. It is a great committee. As to Regional Development Australia, I want to draw your attention to a press release on 8 February 2012 by the Whyalla and Eyre Peninsula

division of Regional Development Australia. They state that there are almost \$2 billion in investment projects either underway or due to be underway in the region. It also goes on to state that if these proceed it will bring the total investment over the next three to four years to more than \$4 billion. I think Minister Carr would be interested to know that we could probably replace the car industry in South Australia with all the development in Whyalla and the Eyre Peninsula, so all the jobs would be there. That is an enormous amount of money over the next few years. Are you able to tell me what those projects are and who is responsible for them, whether they are Commonwealth projects or private?

**Mr O'Brien:** I cannot give you a complete description of all the projects, but I can say that they are predominantly in the energy sector and mining sector. There are enormous development opportunities in the Upper Spencer Gulf and the Eyre Peninsula and, as I say, they are mainly energy projects, as I understand it.

**Senator EDWARDS:** So it is mining?

**Mr O'Brien:** Energy and mining.

**Senator EDWARDS:** If you could provide me with the basis of that press release, that would be great. If they are private investments—

**Senator Arbib:** Just on that release, I have not seen it but I would not have thought that all that funding is government funding.

**Senator EDWARDS:** No.

**Senator Arbib:** A great deal of that would be private sector investment in the mining and energy sector.

**Senator EDWARDS:** That is quite right.

**Senator Arbib:** Sorry, I am just making sure we are clear.

**Senator EDWARDS:** No, there is a lot of investment going on there and I am just trying to drill down as to what the department sees as the level of investment. Some \$4 billion in a region that does not have many people living in it is a lot of jobs to be had. That is my interest. Finally, what has the RDA's involvement been in facilitating funding and help for these initiatives, if any, or in-kind support? What has their assistance been.

**Mr O'Brien:** As to the 55 RDAs all across the country, their core responsibility is to set a strategic plan for their region and clearly identify the key priority areas. They are also the eyes and ears for the department in terms of what is happening on the ground. It enables us to explore deeper those opportunities and canvass the potential opportunities across other areas of the Commonwealth. In a couple of days time I will be meeting with South Australian government officials and visiting Whyalla and other areas to get a greater understanding of what is actually happening on the ground.

**Senator EDWARDS:** Can I come with you?

**Senator FAWCETT:** Is the department aware of the National Airports Safeguarding Advisory Group, which is being run by the department of transport but deals with local government as well as state governments around the viability of airports, and are you having any input to that process?

**Mr O'Brien:** I will take that on notice. Not to my knowledge. Obviously, in the Regional Development Australia Fund round 1 there were some regional airport upgrades.

**Senator FAWCETT:** I am aware of that. Port Lincoln was one good example of that. Are you aware of the report released yesterday by the Local Government Association of South Australia looking at regional airports and the costing pressures they are under?

**Mr O'Brien:** Not that I am aware of.

**Senator FAWCETT:** Under round 1 of the Regional Development Australia Fund—obviously Port Lincoln was one, with \$4.5 million; that is great—how many of the applications related to airports around Australia in that round?

**Mr O'Brien:** There were certainly more than a handful. I would have to look at the applications that came through. There were 563 applications all up. There were a number that involved regional airports.

**Senator EDWARDS:** Are you familiar with the white paper that the Department of Transport has created for the aviation industry in Australia?

**Mr O'Brien:** Yes, we are.

**Senator FAWCETT:** It has a very strong emphasis on regional Australia in there. Given that South Australia is not alone in terms of the funding pressures on sustaining airport infrastructure, does your department have any

programs to look at a strategic approach to working with local government to sustain airports that are owned and operated by local government across Australia?

**Mr O'Brien:** Our core program is the Regional Development Australia Fund, which is a competitive process, and that is what we have at the moment. Obviously there are other programs in other departments. I will turn to my colleague.

**Mr Carmichael:** Mr O'Brien talked earlier about RDA plans. Part of what the RDAs are doing is identifying what the strategic issues are in each region. Sometimes that does include airports and the associated infrastructure and logistics around airports. That comes to our attention through those plans. For instance, in South Australia we have a state advisory committee where we bring together all of those big issues with the RDAs, the state and the local government, who are a signatory to the RDAs in South Australia. That is where those conversations occur. That is where we elevate the issues and work through the priorities. Where sensible and practical strategies are being developed we bring that to the attention of other like portfolios, including transport and infrastructure, who were here earlier.

**Senator FAWCETT:** Where there is a government activity, for example the white paper and the subsequent working group looking at the viability of airports, one of the key factors that they have identified is the pressure that local councils are under to sell off or have alternative use of the land just to make the airport survive, which threatens the aviation components, or where there is a whole-of-government approach around an issue like that, is there any consideration within the competitive grants assessment to make that a factor that this links in with another whole-of-government type approach?

**Senator Arbib:** I will make the point that the issue of airports lies with another department that was here today. It is probably a more appropriate question for them.

**Senator FAWCETT:** I have questioned them extensively and they deal with the policy of what can be built near airports. What they do not deal with is why the councils and other people are having to sell off land and build it. That is the issue of viability, which comes to the strategy the federal government should be having around how we support our regional communities. With respect, Minister, I think this is the portfolio.

**Senator Arbib:** Now you are moving into a policy area, which again is a matter for government, not a matter for the officials at the table.

**Senator FAWCETT:** I am asking whether they take into account if there is another government program that has a priority on an area, for example aviation transport into regions as a consideration in their competitive assessment of grant applications.

**Mr Carmichael:** We seek advice from other portfolios. It comes up from time to time where there are competitive neutrality issues or priorities for other portfolios. We consult other departments around particular projects. The Department of Infrastructure and Transport has a specific program of funding for regional airports, which you are probably aware of. We are aware of that program and will consult and liaise with that area, if we are having any considerations around investments through our own programs as well.

**Senator FAWCETT:** Thank you.

**CHAIR:** We will now go to Senator Macdonald.

**Senator IAN MACDONALD:** Mr Crean was in western Queensland with Premier Bligh a few weeks ago and made an announcement on water. He indicated that some money would be paid by the Commonwealth to CSIRO for a study. Can you tell me more about that?

**Ms Fleming:** It is the North Queensland Irrigated Agriculture Strategy. It was announced by Minister Crean and Premier Bligh. There is \$6 million being put in from the Commonwealth through CSIRO and \$3 million from the Queensland regional department. We will be working with farmers and regional communities to look at viability and farm practices around irrigated agriculture on the Flinders and Gilbert rivers.

**Senator IAN MACDONALD:** When is that to start?

**Ms Fleming:** We are working through the scoping project with the CSIRO. We have had an initial meeting of the steering committee and we are proposing in early March to have a meeting with community groups.

**Senator IAN MACDONALD:** Is it the same as other studies that TRaCK and CSIRO did for the Northern Land and Water Taskforce in years gone by?

**Ms Fleming:** It builds on the work that was done through the Sustainable Water Futures program, under the Northern Land and Water Taskforce, but it actually goes to another level of detail and includes on-farm practices.

**Senator IAN MACDONALD:** The Flinders River has been studied to death by the Queensland government over the last 50 years. What is the CSIRO hoping to work out that nobody else has been able to work out in the last 50 years?

**Ms Fleming:** I might call my colleague Mr Dickson to the table to give a bit more detail around the CSIRO elements.

**Mr Dickson:** The important point here is that the CSIRO, in collaboration with a number of other agencies in Australia such as the Australian National University, the Bureau of Meteorology, Geoscience Australia, and the Defence Imagery and Geospatial Organisation, recently developed some technology based on digital elevation mapping, essentially spatial imagery, which allows them to look into catchments and to do detailed water modelling at a level of detail that has never before been possible. With this technology they are now able to evaluate water capture and storage options in catchments and river reaches at levels of accuracy and elevation that enables them to look at essentially mosaic opportunities rather than just large-scale opportunities.

**Senator IAN MACDONALD:** So, putting that into English, what they are doing is saying what water is available for agriculture?

**Mr Dickson:** In this case it allows them to look at surface water opportunities, and capture and storage, both instream and offstream.

**Senator IAN MACDONALD:** Will they be looking at storage opportunities?

**Mr Dickson:** Absolutely.

**Senator IAN MACDONALD:** You and I know from long association, Mr Dickson, that the people of the Gilbert River, who have done a lot of work, were hoping for a bit more than another study. How long is this study supposed to go—\$9 million?

**Mr Dickson:** Two years.

**Senator IAN MACDONALD:** So, it will be another two years before anything happens in relation to water storage on the Gilbert or the Flinders?

**Mr Dickson:** In the case of the Gilbert, you and I know that the local community have done a lot of work, but there is also a lot more work to be done. This project is looking at opportunities for the development of surface water in two catchments that are fundamentally different—the Gilbert and the Flinders river systems. It will also assess the potential environmental and social impacts under different development scenarios and climate scenarios.

**Senator IAN MACDONALD:** We have very limited time. Can I ask you to give me a short note on notice just on what that assessment is supposed to bring about?

**Mr Dickson:** Absolutely.

**Senator IAN MACDONALD:** I do not suppose the Commonwealth has any involvement in Ms Bligh's announcement of accessing another 80,000 megalitres out of the Flinders? That is not anything the Commonwealth would be involved in, is it?

**Ms Fleming:** That was part of the joint project that Queensland has guaranteed a certain quantum of water during this trial period.

**Senator IAN MACDONALD:** Can you give me some more details on that?

**Ms Fleming:** We will include it.

**Senator IAN MACDONALD:** I would like to hear from you in person, but we have very limited time. Thank you, Mr Dickson, for that. I just want to go through a couple of other things. As a regional department, are you able to get for me the tax statistics in relation to the zone tax? For example, I would like to know how many people are in the special zone A and zone B, that is, how many access it and what the cost to the revenue is. You would normally tell me to go to Treasury and ask the question, but because this is very much a regional program and very much a northern program I am wondering whether you might have access to those figures.

**Ms Beauchamp:** We do not have automatic access to those figures. We would have to take that on notice and refer them to the Australian Taxation Office.

**Senator IAN MACDONALD:** Can you do that for us? I think Mr Crean and everyone else would be very interested in the response that you get. In past estimates we have asked about the Cairns Plan, which I was told was due in January 2011, then February 2011, then May 2011 and then October 2011. Has the Cairns Plan been released yet? We have been through this. The reference is page 191 of the *Hansard* for the estimates of October 2011.

**Ms Fleming:** There is more than one Cairns Plan. It is my understanding that a Cairns Plan has been released by local communities but the government Cairns Plan is still being worked through.

**Senator IAN MACDONALD:** Bearing in mind it was going to be released, as I said, in January 2011 and every estimates since you have told me that it is about to be released, can you tell me why it is taking so long?

**Ms Fleming:** New material is added and new perspectives are considered. It is just taking a bit longer to finalise than we initially anticipated.

**Senator IAN MACDONALD:** Your last answer on notice was that Advance Cairns was working towards a formal launch date in December 2011. That was almost three months ago.

**Ms Fleming:** Yes.

**Senator IAN MACDONALD:** Is there an explanation? We live in hope.

**Mr O'Brien:** I think Advance Cairns released its report late last year.

**Senator IAN MACDONALD:** They did. Is that the Cairns Plan that was—

**Mr O'Brien:** That was one of the Cairns Plans that Ms Fleming was referring to.

**Senator IAN MACDONALD:** The one that the Commonwealth is paying for?

**Ms Beauchamp:** Minister Crean is now working with the Queensland government and Minister Mulherin in looking not only at the Cairns area but the whole North Queensland zone in terms of economic and regional development. We are looking at what we can do particularly in terms of the regional development activities that are going on in North Queensland. We are looking at whether we can broaden it out under the announcement that was made between Minister Crean and Minister Mulherin.

**Senator IAN MACDONALD:** Is there any time line? Can I expect some action by the end of March or June? Is there anything that you can give me?

**Ms Beauchamp:** Not at this stage, because we will be working with the Queensland government and the relevant department up there to provide advice to both ministers.

**Senator IAN MACDONALD:** So, there will be nothing happening for a couple of months because, as you know, Queensland is just about to go into a caretaker mode. I am quite sure that the Commonwealth would not be involved in a Queensland election by making announcements during that period. Perhaps, on notice, you can tell me whether there is a timetable for that. I will have to put some questions on notice. I wrote to Minister Ludwig about providing some of the inappropriately targeted money from the live cattle ban that the government put forward—I think it was about \$5 million, and nobody accessed it because the rules and regulations were so difficult that nobody could do it—into a feasibility study into a northern abattoir to try to help the beef industry. Are you aware of anything moving in the abattoir area?

**Ms Fleming:** Yes. We are providing \$100,000 to Queensland.

**Senator IAN MACDONALD:** To the Queensland government?

**Ms Fleming:** To the Queensland government to work on phase 2 of the feasibility of the northern Queensland abattoir. That was announced as part of the package with the Northern Queensland Irrigated Agriculture project.

**Senator IAN MACDONALD:** Do you know who that is going to? It is going to the Queensland government.

**Ms Fleming:** Their regional department is taking that forward. It is in the beef agriculture section of the Queensland department.

**Senator IAN MACDONALD:** The Gulf Savannah Development Association was trying to get money for a feasibility study that they were looking at. Is it going to them?

**Ms Fleming:** I think this feasibility study is based around Cloncurry, but it may not have a specific location.

**Senator IAN MACDONALD:** Senator Heffernan asked another area of the department earlier about a proposal for an abattoir in Darwin by the AAco doing that themselves, but they need support for infrastructure. Is the department looking at that at all?

**Ms Fleming:** There are five abattoir proposals across the north at the moment. AAco's are some of those. There are other proponents that are part of it. As part of the Northern Australian Ministerial Forum there is a project, together with the jurisdictions of Queensland, NT and WA, to look across those proposals to see what is viable. As you would be aware, northern abattoirs have a mixed history of success, and that project is looking at the logistics. We have just about finished the scope of that work. There is a very large beef project under the Northern Sustainable Futures first phase.

**Senator IAN MACDONALD:** That is very useful, but time has escaped me. Could you finish your answer as a question on notice, so I can pass to others.

**Ms Fleming:** Certainly.

**CHAIR:** Senator Back.

**Senator BACK:** I have a couple of questions regarding regional development in Australia. In Western Australia we have a regional development network based on the state government instrumentalities. When you lay one upon the other the two of them are almost the same. Can you tell me whether any moves have been undertaken to try to achieve efficiencies in terms of both expenditure and reach by having a greater level of cooperation between the two? An example is the Wheat Belt Regional Development Commission and the Wheat Belt Regional Development Authority, which are exactly the same geographically and yet, up until recently, one was based in Gingin and the other based in Northam. What, if anything, has been done to try to achieve efficiencies in those two?

**Mr O'Brien:** We have begun discussions with the Western Australian government. We have had some very constructive discussions with the regional development council towards the end of last year, where we looked at what could be done to bring the two organisations together and to streamline the duplication. Those discussions are underway and we are actively trying to pursue that to find out where we can get synergies.

**Mr Carmichael:** We are well aware of the issue. We have been working a lot of last year on how we can bring those two systems together. As to one of the things that has been successful, as you acknowledge, a lot of them have the same area. With the majority of those, our RDA committees and their regional development commissions work very closely. The wheat belt is a good example where there is a close working relationship with a common membership across those two bodies. Whilst there is a level of duplication, it is minimised in many of those sites, particularly in that region. It is a continuing process. The Minister for Regional Development in Western Australia is very supportive of the work that we are doing to bring those systems together, but he has to bring his government along with him, which is one of the challenges for him in Western Australia.

**Senator BACK:** It would be 15 months since we were looking at this through a Senate select committee on Federation. At that time the regional development authorities in different areas seemed to be somewhat at sea in terms of where they were going, what sort of funding they had and what sort of support they were getting in local communities. Has the funding base improved for the RDAs? In general terms, can you advise us what the benefit is to the Commonwealth and to the taxpayer as a result of the investment being made in the RDAs?

**Mr Carmichael:** Part of the response to that is that we needed to work through a range of processes, because there was a proposal to bring those two systems together. It was on the table in the Western Australian—

**Senator BACK:** I am—

**Mr Carmichael:** Yes, I know. Part of that was to consider, if that was not to come to fruition, what we would need to do to support our RDA system. Late last year we set up a state advisory committee. We have done some analysis on the needs of those RDAs and what additional funding they would require, and we have some proposals that we have developed now, and which we are taking forward to our minister, around how we can provide some additional support. One RDA is working across two regional development commissions, and they may require some additional support on top of that. There is a range of considerations that we have gone through. We have developed those proposals and hopefully in the near future we will be able to make some announcements around how we will take that forward.

**Ms Beauchamp:** The government made a significant announcement in the budget last year. It injected another \$20.3 million over four years to strengthen the Regional Development Australia network and to really focus on getting the right people on the committees as vacancies arise. You would have seen a number of requests for expressions of interest. They are volunteer positions. They bring together local leaders and represent local communities. We are in the process of rolling out that money and looking at how to strengthen the RDA network. Part of that program has been the Regional Development Australia committees actually looking at developing with their local areas and state governments these Regional Development Australia plans, so there is a real coordinated effort around joint investment strategies, what the priorities are and where the region is heading. A lot of work has gone into supporting the government's commitment to strengthen Regional Development Australia committees.

As my colleagues were saying earlier, we are working very closely with the regional development commissions in Western Australia. We are looking at aligning those areas and certainly aligning membership on the Regional Development Australia committees. We are in the process of rolling that out, which is a four-year program, and we have made some good progress so far.

**Senator BACK:** Thank you. More generally with the Regional Development Australia committees around Australia, do you have as an objective that they should be seeking some revenue earning activities in their own right to boost or to stimulate even further the budget that comes to them from government? Is that something that you would see as an objective or something you would not be encouraging the RDAs to do?

**Mr O'Brien:** The issue with Regional Development Australia committees across Australia is that each state has different arrangements in terms of the level of input that state governments provide. In the case of South Australia, it is the level of input the local government provides in terms of funding. Our No. 1 objective is to build the base capability of RDAs in a consistent fashion across the country. That is what Mr Carmichael was referring to before, in terms of endeavouring to understand the circumstances of different RDAs in each state. Our focus is to look at options to lift base funding and then look at options to supplement funding for those particularly disadvantaged. We would not encourage revenue raising activities. I think there are some issues in South Australia where the South Australian government, in its funding agreement with RDAs, requires the RDAs to undertake certain tasks and they are paid for that task.

**Mr Carmichael:** One of the tasks that we carried out over the last six months, in particular, is to work out the level of activity that we are expecting, what the Commonwealth was contracting and making sure that our funding matched that. That has been part of the analysis that we have done nationally. As Mr O'Brien was saying, there are different contributions coming from state governments, and of course in Western Australia we do not have a contribution because they are paying their own commissions. That is one of the things that we are looking to address to provide some additional funding. Minister Crean has talked to the RDAs in Western Australia about that and we are in the process of being able to deliver. In the meantime, every RDA in Australia has improved their plan and that is why we worked very closely with them last year. They all have better plans. They are all engaging with local government much more formally than they did before. Western Australia has a reasonable proportion of local government representatives already on those committees, but they must formally consult with each local government in their locality, which is a bit of a challenge in Western Australia where they sometimes have 30 or 40. They are doing that and that is working well. They formally need to provide each local government with a copy of their plan. It is also available on their websites, but we want that formal relationship so that they are working in concert with local government. In Western Australia we are encouraging them to share that with the regional development commission as well.

Whilst there are still a lot of challenges to go, the benchmark of where RDAs are nationally is much higher this year than it was last year. There is a range of initiatives, because we have been consulting with the sector about the sorts of things they need to improve their practice. We have a website providing them with a lot more information that they require. So, it is around building their capability. There is a lot of work that we have been doing and delivering to them directly and that we are in the process of delivering over the next couple of months.

**CHAIR:** That was absolutely incredible.

**Senator BACK:** Thank you, Mr Carmichael. Can you give us an idea of what would be the average number of full-time equivalent positions in each RDA around the country?

**Mr Carmichael:** In South Australia I would say it is between 14 and 17, because they get local government funding, state government funding and Commonwealth funding. In Western Australia it is more like one to two. In New South Wales it is three or four. In Victoria it is about three or four. Every state is different because of different contributions. We align our expectations with their capability. In South Australia they do a lot of service delivery, but that is not something that happens in the rest of the country.

**Senator BACK:** Thank you.

**CHAIR:** Senator Eggleston.

**Senator EGGLESTON:** I am interested in what the East Kimberley Development package has delivered.

**Ms Fleming:** The East Kimberley Development package had 29 projects, some delivered by local government and some delivered under the Western Australian government. Some 10 projects have been completed, including the Wyndham health facilities upgrade, sobering up centres, rehabilitation facilities, swimming pools, picture gardens, patient transfer facilities, airport expansions and the jetty. There are another 16 projects that are currently under construction with WA. These are the larger upgrades of the social housing, the high school and education precinct, shared office facilities, some environmental health and early education measures.

**Senator EGGLESTON:** This is all in Kununurra and Wyndham, is it?

**Ms Fleming:** That is correct. It is around that area.

**Senator EGGLESTON:** How much have you spent on the upgrade of the Wyndham jetty?

**Ms Fleming:** The Wyndham jetty was a \$7 million project.

**Senator EGGLESTON:** What is the object of the upgrade? Do you have a defined objective?

**Ms Fleming:** It was to deepen the jetty harbour and to enable greater recreational fishing. It was modified during the course of the project to try to deepen it even further to allow some of the tourist boats to be able to come into that area and offer some broader economic opportunities than were there before.

**Senator EGGLESTON:** So, essentially, it is for the tourist boats that run up and down the coast from Broome to Wyndham?

**Ms Fleming:** And recreational fishing.

**Senator EGGLESTON:** What about harder economic uses such as ships for live animal export, sugar export and other commodities from that area?

**Ms Fleming:** There is a Wyndham port upgrade of \$10 million.

**Senator EGGLESTON:** \$10 million?

**Ms Fleming:** Yes, \$10 million.

**Senator EGGLESTON:** I thought you said 'billion', but that would be a little excessive for Wyndham.

**Ms Fleming:** The whole package was a \$200 million investment in community and social infrastructure to complement the Western Australian government's investment in Ord 2.

**Senator EGGLESTON:** Stage 2, yes.

**Ms Fleming:** The focus was on community projects rather than economic infrastructure, but that is not to say that some of the projects that have been developed under that package do not have some economic benefit to the community.

**Senator EGGLESTON:** How much of the \$200 million have you spent?

**Ms Fleming:** To date we have spent \$23.25 million on completed projects, and we have \$165.7 million on projects under construction. As at December 2011 we had expended \$156.545 million.

**Senator EGGLESTON:** So, you are getting pretty close to your \$200 million ceiling?

**Ms Fleming:** That is correct.

**Senator EGGLESTON:** Is there any plan to provide additional funding to enable you to continue to support local projects of social significance.

**Ms Fleming:** It was a standalone package and the funding goes through until 2013 and then it expires.

**Senator IAN MACDONALD:** I am not sure that you have answered Senator Eggleston's question: can the port upgrade be used for sugar or cattle boats? What was your answer to that?

**Senator EGGLESTON:** I assumed it was a negative.

**Ms Fleming:** I would like to look at that and maybe come back at the end of the session. I can give you an update on the actual purpose of that particular project. As you would appreciate, we have a large number of projects.

**Senator EGGLESTON:** The concept of this funding really is for social infrastructure; isn't it? The fact that you have provided funding for facilities for the cruise boats—they are not very large cruise boats, they are the cruise boats which go up and down the coast, which is essentially to facilitate the tourist industry—surprises me a little bit. Is that inconsistent with your fundamental charter?

**Ms Fleming:** A number of projects at the beginning of the East Kimberley development package were agreed across Commonwealth, state and local governments. During the course of that period some projects that were identified at the beginning of the project took on less importance to the community and others took on more importance. In the course of those negotiations, the community requested that we look at rebalancing some of the projects within the package to enable them to create a bigger jetty project which would enable them to attract some of the tourist traffic to that area and enhance the recreational fishing capacity of that project.

**Senator EGGLESTON:** You also talked about the Wyndham hospital.

**Ms Fleming:** Yes.

**Senator EGGLESTON:** What exactly have you done there?

**Ms Fleming:** It is not a hospital. It is the Kununurra Airport patient transfer facility. We upgraded the facility to enable a more ambient environment for patients being transferred and renal services.

**Senator EGGLESTON:** Do you come under the Office of Northern Australia?

**Ms Fleming:** I am sorry, I stand corrected. We also provided an expansion to the Kununurra Hospital of \$20 million, so there was a hospital and a transfer.

**Senator EGGLESTON:** What was that for?

**Ms Fleming:** To expand the hospital.

**Senator EGGLESTON:** In an unspecified way. It was not for a renal dialysis unit or something like that?

**Ms Fleming:** I could provide you with more details on that project. I think it was.

**CHAIR:** I have been fortunate enough to see a lot of the work under Minister Gray's stewardship through that Office of Northern Australia. Could you table those projects for the committee. I know Senator Eggleston's commitment to Indigenous issues in the north is unquestionable, but there are also some fantastic returns for Indigenous training and employment there, too. Could you do that?

**Senator HUMPHRIES:** I want to ask about the Commonwealth's natural disaster recovery task force. Specifically I want to get a report on what that task force has done since it was appointed in, I think, March last year.

**Mr Leeper:** I could go for a while. Did you want to try to restrict me somehow?

**Senator HUMPHRIES:** Could you tell me if the task force has produced reports which have educated or shaped government decisions about the allocation of Commonwealth funds for the recovery from natural disasters.

**Mr Leeper:** It is a broad question. The task force exists to make sure the Commonwealth achieves value for money in the reconstruction effort. That is primarily a state responsibility and is done through the Queensland Reconstruction Authority. The task force provides advice to the Commonwealth government about areas for policy attention. I think one of the things I would suggest we have been successful in doing is working with the Queensland government to address some of the human and social impacts of disasters. Some of the approaches that have been developed have been deployed most recently after the flooding in January and February in Roma, Mitchell, St George and Charleville around identifying damaged properties. That has been an innovation.

We have supported the work of the reconstruction inspectorate, which has now reported to the Prime Minister twice. We are preparing a third report at the present time. The first two reports are on the internet under the reconstruction inspectorate site and the minutes of the meetings include details of visits that they have undertaken. What we have done over that period—

**Senator HUMPHRIES:** Are the inspectorate reports on the website?

**Mr Leeper:** Yes. The task force supports the inspectorate. Again, we worked with the Queensland government to develop a value-for-money approach which is designed to protect Commonwealth funding and get good value out of the reconstruction process, emphasising time, quality, cost and also community priority. That area has been an achievement as well.

**Senator HUMPHRIES:** How does it do that? Does it contact directly agencies which are delivering services and suggest that they should do this in a different way, or does it ask ministers to make particular decisions with respect to allocation of resources? Describe how it actually affects outcomes?

**Mr Leeper:** The value-for-money framework is the primary one. It is designed to make sure that the inspectorate can satisfy itself in the way that reconstruction is undertaken, that reasonable value for money is being achieved. Inside the task force, we will be doing 130 separate project reviews out of the 2,000 or so separate projects to provide a statistical level of assurance about value for money, so that is something which is an achievement.

We have been working with Queensland government agencies by having members of my task force being involved in working groups and working parties pushing the line about connecting people with services, ensuring damaged properties are restored as quickly as possible. We have been working across the Commonwealth government on issues like insurance with the Queensland floods commission. That is just part of the interconnectedness of federal government work. But I would say that the primary focus I have at the present time is on the \$5 billion or so of Commonwealth funds which is actually the reconstruction work and ensuring that value for money is achieved in that space.

**Ms Beauchamp:** In terms of the reconstruction efforts, between 70 per cent and 80 per cent is related to roads reconstruction. There is a very clear methodology in terms of the value-for-money framework, so we have been working with the Queensland government, the Queensland Reconstruction Authority and indeed the Department of Infrastructure and Transport here around benchmarking data in terms of what it would cost to build or reconstruct parts of the Bruce Highway compared to some of the more outback areas. There is quite good data

that we have been using in terms of benchmarking and making sure we do get value for money. Because most of it is going into roads, that is where a lot of the focus of the inspections has been.

**Senator HUMPHRIES:** Is this task force exclusively made up of Commonwealth officers or are there state officers as well?

**Mr Leeper:** No, it is Commonwealth officers.

**Senator HUMPHRIES:** It is still not clear to me how this task force actually effects changes in or outcomes from decisions made by state agencies which are spending the Commonwealth money to repair roads and do other things. Perhaps you could take on notice to give me some case studies of how the task force's work has actually changed outcomes on the ground.

**Mr Leeper:** Certainly, we will do that.

**Ms Beauchamp:** It is through the inspectorate looking at the process for commissioning pieces of reconstruction work but also undertaking checks in terms of higher risk projects and other areas, so the inspectorate has actually gone in to look at particular reconstruction projects to see if they are actually delivering. With the expertise on the inspectorate they can bring a lot of expertise around the construction area.

**Senator HUMPHRIES:** The inspectorate is due to finish though some time soon; isn't it?

**Mr Leeper:** At the end of 2012.

**Senator HUMPHRIES:** Is that still headed by John Fahey?

**Mr Leeper:** Yes.

**Senator HUMPHRIES:** Who heads the task force?

**Mr Leeper:** I am the head of the task force.

**Senator HUMPHRIES:** Minutes or papers published, or outcomes in terms of documents produced by that body though are not tabled anywhere?

**Mr Leeper:** reconstructioninspectorate.gov.au contains the minutes of the inspectorate meetings, of which I think there have been eight. They are the details of site visits. There are also the two former reports to the Prime Minister. The third report should be completed by the end of the month.

**Senator HUMPHRIES:** What work is it doing right now with respect to the flooding in Queensland and New South Wales?

**Mr Leeper:** The current floods? Those are the responsibility of the Attorney-General's Department. The task force was established particularly to manage the very large-scale infrastructure and people response related to last year's disaster. Our mandate is the 2010-11 floods, Cyclone Yasi in Queensland and also the Victorian floods.

**Senator JOYCE:** Back in October 2010, speaking to you as an accountant, I was fascinated to hear about the government's spatial accounting initiative. Spatial accounting! There is something that is right out there. I always struggled with it, all those interregional—whatever they were called—social accounting matrices. Can you give me a guide to understanding the interregional social accounting matrices?

**Ms Beauchamp:** I will hand over to my colleagues in a moment. Minister Crean put out a regional budget statement last year which reflected our first efforts with the department of finance in terms of reporting regional versus non-regional government expenditure. We are still working with the department of finance, who has the lead on this in terms of refining how we do report government expenditure. I might hand over to my colleagues here to go through the details.

**Senator JOYCE:** Give me just a brief description of an interregional social accounting matrix.

**Mr Atkinson:** What we are talking about is the spatial accounting. The first iteration was in last year's regional budget statement—

**Senator JOYCE:** Spatial accounting is highly complicated and, to be honest, I am very dubious as to whether anybody has got a clue how to incorporate it in what they are doing. For instance, can you tell me in your non-spatial framework how you considered the spatial extension?

**Ms Foster:** With the spatial accounting work that we have done is present information about government expenditure on a regional or non-regional basis. It is not the sort of social accounting that you are talking about.

**Senator JOYCE:** Well, it is called spatial accounting. I can remember it was started in Denmark. What about the commodity balance equation. From my knowledge of that it was a heap of zs, or three zs, three us, one q and a lot of little letters above them and below them. Can you give me your understanding of the commodity balance equation?

**Ms Beauchamp:** I think our minister and Minister Wong have spoken about spatial reporting. It is not a purely spatial accounting model that you are talking about. We are talking about spatial reporting. We are talking about—

**Senator JOYCE:** Unfortunately, the minister's quote was:

In addition, we are moving to introduce a breakdown of the Federal Budget which more clearly shows the pattern and priority of Commonwealth spending across all regions of the country. Known as spatial accounting, this will be a major advance and will allow comparisons nationwide across regions.

It certainly would be a major advance. It will almost be astrophysics for most people—

**Senator Arbib:** Could I ask that the document be tabled so we can—

**Senator JOYCE:** It is a quote from the minister.

**Senator Arbib:** Okay, but there is context in terms of—

**Senator JOYCE:** I will give you the date. It was announced by Minister Crean on 9 October 2010.

**Senator Arbib:** Was it a press release?

**Senator JOYCE:** Yes, that he is now involved in spatial accounting. Does any person really have a clue about spatial accounting? Is there any person in this room who has got a clue about spatial accounting?

**CHAIR:** Ms Beauchamp was actually going to answer and you did jump over her, so I think in all fairness and for the purposes of time you should direct the question to Ms Beauchamp, who will answer for herself. Let us let her get the answer out before your next question.

**Ms Beauchamp:** We are trying to make this as simple as possible—

**Senator JOYCE:** That would be a trick—

**CHAIR:** Senator Joyce, that was very 'Heffernanesque' and I know you are not like that because you do respect the officers at the table, so let Ms Beauchamp finish her answer.

**Ms Beauchamp:** The purpose was to provide some transparency in the budget process in terms of where the money goes, regional versus non-regional. As Mr Atkinson pointed out, in last year's statement that was the first instalment in terms of the process for identifying where the Commonwealth dollars go. We are still working with the department of finance this year in terms of this budget to see if we can refine and provide more information in terms of where the government's budget goes in the next budget, so we will be doing some further work with the department of finance on that. It is simply reporting where the expenditure dollars from the Commonwealth go.

**Senator JOYCE:** It is a lot more than simple. If you want to go into spatial accounting it is absolutely at the pinnacle of complex. Mr. Atkinson, can you explain to me your knowledge of spatial accounting?

**Mr Atkinson:** As the secretary said, there is a spectrum of where you can go to in spatial accounting. The commitment in the agreement with the Independents was to do a breakdown of the Commonwealth budget on a regional and non-regional basis. Where we have gone in the previous ministerial budget statement provides, as you can see in the tables, a first cut of the regional and non-regional split which will be seeking to improve in the next version of it.

**Senator JOYCE:** Can you give me your understanding of sectors, groups of production, institutions, commodities which are all part—

**Senator Arbib:** Can I just say, the officials have answered the question—

**Senator JOYCE:** The answer to the question is—

**Senator Arbib:** in terms of spatial accounting, I do not think we can provide any more information on that. If Senator Joyce has other questions he may want to put those—

**Senator JOYCE:** I have got heaps.

**Senator Arbib:** but in terms of this issue I think we have gone about as far as we can go.

**CHAIR:** I think in all fairness for the purposes of timing, maybe Senator Joyce could withdraw the question.

**Senator JOYCE:** I agree with you totally, Minister. We have gone absolutely as far as we can go because no one has a clue about spatial accounting and from my knowledge it has not been implemented so why did we announce it?

**CHAIR:** Minister, I will help you here. Senator Joyce, I think the officers have done everything in their power to answer your question so far. They may not be the answers that you are seeking—

**Senator JOYCE:** Well, the reason—

**CHAIR:** We do not have a habit of talking over each other in this committee. We respect each other's position. I would urge you to remember that time is limited and I know that you do have a lot of questions to go through.

**Senator JOYCE:** Sure. The reason I asked it was that it has been a year since the announcement on spatial accounting I just wanted you to provide me with an update of where this spatial accounting initiative is at and why the delay.

**Ms Beauchamp:** There has been no delay. The department of finance has the lead. It is reporting where the government's money is going as to expenditure—not all the other economic indicators, but exactly where the budget money is going in a regional versus non-regional sense. Further work is being done with the department of finance and we are feeding into that. It is certainly not behind and we are doing that in terms of the development of the next budget.

**Senator JOYCE:** I will ask you a lot of questions about spatial accounting at the next estimates. I will probably take them home and play it to myself when I need to get to sleep.

I refer to correspondence received by the RDA appeal from Carly Perkins, the engagement officer department, where she requested a contact for where they could get an update on her first spatial accounting initiative. The departmental response was that:

It is a difficult task and each agency will need to be contacted individually. I am seeking information from this department and I will let you know when I have more information about how to best go about contacting other departments.

Shouldn't the department already be contacting other departments progressing with this initiative?

**Senator Arbib:** Senator Joyce is quoting from a document and the officials are very happy to try to answer the question, but we would like to see the document so we know where he is quoting from.

**Senator JOYCE:** Sure, I can get it to you now. I have got it now.

**Senator Arbib:** Thank you.

**Senator JOYCE:** Do you want me to give it to you now?

**Senator Arbib:** Please.

**CHAIR:** What I would probably suggest if I could, through the secretariat, let us not worry about photocopying it now. Just give a copy to the table up the front so we do not waste any more valuable time just so that, Senator Joyce, you can follow your line of questioning.

**Senator JOYCE:** Okay, sure. Let us say we have dealt with spatial accounting because I know we are going to get absolutely nowhere there.

I want to go to the myregion government website. When can we expect phase two of the myregion government website to commence?

**Mr Atkinson:** Phase two of the myregion website is expected to go live in March this year.

**Senator JOYCE:** Will it be completed by March this year?

**Mr Atkinson:** Yes.

**Senator JOYCE:** Can you provide a list of the levels at which the seven staff who are working on the myregion website were employed, please?

**Mr Atkinson:** I might just pass to my colleague.

**Mr Bennett:** At the moment we have six staff employed with My Regions. Their levels are the executive level officer 2, two officers at the executive level 1, one officer at the APS 6 and two officers at APS 5.

**Senator JOYCE:** That is a pretty substantial wage bill for a website. How long have they been at the job for now?

**Mr Atkinson:** The first build phase commenced—I think it was—about May of last year. There are two elements to the role. The first is creating and building the website and the second is the mediation role and ongoing content management.

**Senator JOYCE:** I notice that there have only been a couple of new comments posted in the forums on the myregion website since 30 October 2011. You have got a fair few resources and monies tied up. Will the department be conducting a review of the website in the future to determine its viability?

**Ms Foster:** As part of the development of the phase two build, we are currently looking at a range of issues which effect a website's useability and functionality, including the number and type of data sets we have available

and the kind of interfaces that are there. As part of that, we are working closely with the stakeholder group, including our RDAs, to establish how we can increase the functionality and useability of the site for them.

**Senator JOYCE:** What do you think is a reasonable amount of correspondence to be seen on the myregion website to support it? Because, to be honest, there is three-fifths of five-eighths of nothing there at the moment.

**Ms Foster:** We had over 20,000 visits to the site since August last year, so that is not an insubstantial amount of traffic on the site.

**Senator JOYCE:** Twenty thousand?

**Ms Foster:** More than 20,000.

**Senator JOYCE:** It is less than my email address, and I do not have that many staff working for me. What is the basis of the correspondence? What are they asking for?

**Ms Foster:** The site performs a couple of functions. One is to allow people to access information and the other is to allow the interactive function.

**Senator JOYCE:** What is the average time they are on the site for?

**Ms Foster:** I do not know. I would have to take that on notice.

**Senator JOYCE:** What are the key performance indicators of the site?

**Ms Foster:** We are trying to, as I said, fulfil two functions with the site. One is an opportunity for an interactive experience.

**Senator JOYCE:** What is the interactive experience? Spatial accounting?

**Ms Foster:** This is for people to participate in blogs and forums. If I could give you a couple of examples. We have hosted a forum with Victorian RDAs where they have discussed issues leading up to their state RDA forum, so they have dealt with workforce issues and a range of other things. That is a use of myregion website in a closed forum for a particular group. Another example is a forum that—just looking through my notes here—was based around Centrelink activity testing, so we have been—

**Senator JOYCE:** Would it not make more sense to have Centrelink activity testing on the Centrelink site?

**Mr Bennett:** That was a forum that was within the site, but the initial line of comment had come from a user; it was not something we had established.

**Senator JOYCE:** They wrote in to myregion and said, 'I want to talk about Centrelink.' Why did you not say, 'Refer to Centrelink'?

**Ms Foster:** The website provides an opportunity for regional communities to nominate the kinds of topics that they are interested in exploring.

**Senator JOYCE:** How much is this costing us a year?

**Ms Foster:** There are the staff costs associated with it. The staff that are participating in the building of phase two will reduce dramatically this year.

**Senator JOYCE:** I will have another crack at it. How much is that costing us a year?

**Ms Foster:** We will have to take the exact cost on notice.

**Senator JOYCE:** I will just quickly go to the ACCs. Can you explain to me the—

**Ms Beauchamp:** Can I make an interruption in terms of the document you tabled?

**Senator JOYCE:** Yes.

**Ms Beauchamp:** I am not sure what the question was from the external person that asked a question of a junior officer in the department, but it looks like it has nothing to do with spatial accounting. It is called sector mapping and I am not sure what question was asked of the department.

**Senator JOYCE:** The question was asked, if you wanted the question—well, I have not been given back the copy of that. I referred to correspondence received by the RDA appeal from Carly Perkins, the engagement officer department, where she requested a contact for where they could get an update on her first spatial accounting initiative. I have got three emails from them. I will get it for you. We will get it tabled for you.

**Ms Beauchamp:** I just wanted to make it clear there was not any mention of spatial accounting, although it did actually talk about—

**Senator JOYCE:** There is one on spatial accounting. If it is not there, I will certainly get it for you and what I have determined is it is not one person. There is certainly a quote from Mr Crean about spatial accounting. I am absolutely certain there is not one person in this room who has a clue what spatial accounting is, so why on earth

did you bring it up? Why on earth did we have an announcement about something that nobody has any idea about? I mean, it is going to be so complex to actually administer, to bring in, it is just not going to happen.

**Ms Beauchamp:** Can I reiterate what I said earlier in terms of the department working with the department of finance, which has got the lead on this, in rolling out the—

**Senator JOYCE:** There is the department of finance; explain to me spatial accounting in your own words.

**CHAIR:** Just wait, Mr Atkinson. Senator Joyce, I understand your frustration at times through Senate estimates, but I will urge you to just let the officers finish their answers. If you do not like it, I cannot help you there, but let us not cut them off half way through. People are watching our committee; I do not know why, but they are! Mr Atkinson.

**Mr Atkinson:** In the first iteration of spatial accounting, the significant change from the traditional government accounting approach was bringing a geospatial suite into accounting for government expenditure, which is the spatial element that has been brought through in this first iteration. As the secretary said, in future iterations further detail will become available.

**Senator JOYCE:** On the technical capacity, do you honestly have any idea, for instance, about the commodity balance equation? Could you describe to me how that is to be applied region to region?

**Mr Atkinson:** The commodity balance equation in the scope of spatial accounting for government expenditure, which is what the commitment was, is not part of government expenditure.

**Senator JOYCE:** It is part of spatial accounting; it is absolutely. I cannot remember the papers that have been written on it; it is intricate to the understanding of spatial accounting.

**Mr Atkinson:** Certainly, but I am not certain that applies to spatial accounting of government expenditure.

**Senator JOYCE:** It is like saying I have got a different form of double entry bookkeeping. You have to go through your social accounting matrix tools and you have to understand your commodity balance equation. If you can understand it and explain it to me, then you should explain it to the rest of the department, because I have not seen any examples of what would be an absolute quantum of work being delivered on the interrelationship of the regions, how they work together and consideration of the spatial extensions on all this. It is way beyond the scope of the competencies that are available to your department to do. That is basically what I am getting at.

**Ms Beauchamp:** I reiterate that we are working with the department of finance who has the lead on this and we are delivering what the government committed to, providing more transparency around the reporting of the government budget.

**Senator JOYCE:** Have you had any sort of seminars on spatial accounting to explain it to you?

**Ms Beauchamp:** I have an MBA and have an accounting qualification. I do not think the issues you have raised are relevant.

**Senator JOYCE:** They are not relevant?

**Ms Beauchamp:** No, they are not relevant.

**Senator JOYCE:** Tell Mr Crean, because he made them relevant to you when he announced them for you.

**Ms Beauchamp:** I can only reiterate, and I probably have no more to offer, Chair, than in terms of what we are doing to support the government's commitments in this area.

**CHAIR:** That is acceptable.

**Senator JOYCE:** What is not relevant? You said something was not relevant; what exactly is not relevant?

**Ms Beauchamp:** I figured you were asking for my considerations and the like.

**CHAIR:** You were probably thinking aloud, Senator Joyce, but anyway.

**Mr Atkinson:** I would just add that in implementing the first iteration of spatial accounting in last year's budget, it is actually about implementing one of the commitments in the agreement with the Independents. It is:

The Finance Department will develop a spatial accounting model which will provide greater visibility into government spending and service delivery.

It is focused on government expenditure and service delivery.

**Senator JOYCE:** He did say it. I thought he had not said it, but he did say it. Which Independent wanted an involvement in spatial accounting?

**CHAIR:** I will have to make this the last question.

**Senator JOYCE:** I am curious; which Independent has a penchant for spatial accounting?

**Ms Foster:** The agreement was between the government and both Mr Windsor and Mr Oakeshott.

**Senator JOYCE:** Was it Mr Oakeshott?

**Ms Foster:** That is not specified in the agreement.

**Senator JOYCE:** I do not think it would be Mr Windsor. Spatial accounting seems a very Oakeshotty sort of thing!

**CHAIR:** That ended with a smile and welcome back, Senator Joyce. It is good to have you back; it really is and I am not pretending that. We urge you to put the rest of your questions on notice.

Before the senators run away, I will just bore you officers for a quick second. The timing is probably not that perfect, but I am just going to let the committee know, and those out there—I am probably going to be belted here—but it does sadden me to announce that tonight will be the last night that—do not worry, I am not retiring—that our fantastically long-suffering, hardworking secretary will be with us. Now, I am really in the pooh here. Just as a little token of appreciation of the committee to you, Janette—and we know we are not going to lose you because you will be around the Senate, certainly, whipping up other senators—a little something for you to remind you of us. Thank you, Janette. On that, I am going to cop it, so what we will do is, Senator Macdonald. Senator Heffernan is a longstanding member and chair and he is not here but from the coalition, I suppose, I ask Senator Macdonald to say a few words.

**Senator IAN MACDONALD:** Chair, you said it all, and those of us who have been around for a while have known the great work that has been done. You are not leaving the building, I take it?

**CHAIR:** No.

**Senator IAN MACDONALD:** That is one positive on an otherwise unfortunate occasion, but thank you very much for everything that you have done for this committee over a long period.

**CHAIR:** While we are on *Hansard*, to her long-suffering husband, Murray: it is not Valentine's Day, mate; we are just saying thank you. Thank you, Senator Macdonald. Thank you, Janette, and thank you, officers.

#### **Proceedings suspended from 19:01 to 20:00**

**CHAIR:** Welcome to officers for services to territory. We will go to questions.

**Senator BACK:** Thank you very much, Chairman. It was about 12 months ago that Minister Crean and the Norfolk Island government signed an agreement to progress the road map. I would like to ask you some questions about it. Firstly, given what I understand to have been a considerable resistance on Norfolk Island to some of the reforms in the road map, could you give us an indication of whether the Norfolk Island government has obtained the necessary community support in the reforms for them to be implemented?

**Mr O'Brien:** I can say that the Norfolk Island community is still committed to the road map process that David Buffett and Minister Crean set out on. Our priority this year has really been looking at the financial situation of Norfolk Island and looking very deeply at what capacity they have to deliver services and raise revenue on island. A key element of the road map was to look at, in particular, the impost of the airline contract. We have taken steps to overcome that particular issue and renegotiate a new airline contract for Norfolk Island. That was probably the central financial problem that they had on island. We have looked at the financial capacity of Norfolk Island and we have supplemented funding there. But we have also looked at the capability of the administration, which is another key issue that I think has been a barrier to being able to make good progress on the road map.

**Senator BACK:** There are a number of things there. Can you tell me what the supplementary support has been financially to the island?

**Mr O'Brien:** There were two components of the support. There was the buying-out of the airline contract and there was some support provided to Norfolk Island around their funding deficient for 2010-11.

**Senator BACK:** Perhaps you could take that on notice to give me those figures. I would appreciate knowing what they were.

**Mr O'Brien:** Sure.

**Senator BACK:** You made mention of the airline contract. I understand that would be in reference now to the recently awarded Air New Zealand contract. Is that correct?

**Mr O'Brien:** That is right.

**Senator BACK:** Could you tell us then: what has been the degree of support on the island and what has been the degree of support from the federal government for that contract—in the obvious hope that it is a viable contract.

**Ms Savage:** In terms of the previous question and in relation to the financial assistance, in 2010-11 the assistance totalled \$5.7 million. In 2011-12 it was \$14.1 million.

**Senator BACK:** And are you able to tell us what is in the budget for next year?

**Ms Savage:** No. That is under consideration at the moment.

**Mr O'Brien:** But I can point out that the most significant element of the cost in 2010-11 was the actual airline contract buyout.

**Senator BACK:** I did ask the question. Regarding support on the island itself, can you give us some indicator of the strength or otherwise of the island community's interest in this?

**Ms Savage:** I think there is a lot of interest by the community on Norfolk Island. Certainly, the feedback that we have had in relation to changing the air services arrangements has been very positive. Members of the community have advised us that it is something that takes quite a significant financial burden away from the community. It has been seen in a very positive light. Broadly, in terms of the other reforms, the reviews that have been under way, likewise, have been viewed in a very positive light.

**Senator BACK:** There is no formal freight or other rebate, is there, for transport into and out of Norfolk Island—as there is, for example, with some of the islands to the south of us etcetera?

There is no formal rebate, but does the government see the financial support in some way as an offsetting of those transport costs? My understanding, from speaking to people on Norfolk Island, is that the cost of getting agricultural inputs such as fertilisers and chemicals onto the island and the cost impost of them getting agricultural produce off the island is prohibitive. Is there any plan or intention, or have your studies indicated that giving some sort of financial support in that area is likely to improve outcomes?

**Mr O'Brien:** The studies indicate that there has been, for some time, an underinvestment in critical infrastructure, particularly port and airport infrastructure. The port infrastructure itself is something to behold in its current state.

**Senator BACK:** Its parlous state, presumably?

**Mr O'Brien:** In the sense of its inability to take container freight. Studies are underway, and I do not want to pre-empt their conclusions, but that has certainly been highlighted as an issue that needs to be addressed by the Norfolk Island administration going forward.

**Senator BACK:** I understand you have, within the department, an economic evaluation by ACIL. Is that with you? Has it gone on to the minister? Is it going to be made public? Can you give us any idea at all as to ACIL's view of the future economic wellbeing and survival of the island?

**Mr O'Brien:** The study is not complete, so the minister does not have the study. It will ultimately be made public, as with most other studies that have focused on Norfolk Island. I do not want to pre-empt the conclusions of it, but I am happy to say that one of the key themes in that piece of work to date is the need to look at reforming many of the government business enterprises. That is a critical next step on island.

**Ms Beauchamp:** One of the main building blocks or platforms around the economic outcomes for the island was the renegotiation of the airline contract. Obviously tourism has a key part to play in that and, as Mr O'Brien said, we are currently looking at a draft report that has been provided to us from ACIL and we are to get comments back to them.

**Senator BACK:** Having administered an offshore island for seven years, I have a very acute awareness of the challenges. Can you tell us what is the current status of the tourism industry and what can be done realistically to encourage and stimulate further tourism, particularly yielding the sorts of dollars that tourism is going to need: the higher yielding type of tourist.

**Mr O'Brien:** It is no secret that Norfolk Island tourism has been hard hit, particularly with a high dollar and the nature of the tourism market in general. Going forward, I think the critical element here is that they need to invest in tourism product, so there needs to be a re-examination on island of what the island can offer from a tourist experience perspective. That is something that we are keen to work with the administration on.

**Senator BACK:** You are obviously right, but I would have thought that a huge input ought to be coming from, for example, the Australian government tourism organisation. Do Minister Ferguson and his department interact with you or through you with Norfolk Island at all in promoting tourism to the island?

**Mr O'Brien:** We have certainly interacted with Mr Ferguson's department on these things. We are going to have to have a concentrated effort going forward to look at how Norfolk Island tourism can be revived. You are

right: it will be a whole-of-government effort. More importantly, it needs to be an effort from the island. It is their responsibility and we have to assist them to get to where they want to get to.

**Senator BACK:** Yes. It would appear the airline contract is critical to all of this, isn't it? If you cannot get people onto the island safely or if they do not feel confident going—

**Mr O'Brien:** Yes. The former carrier really was not hooked into key tourism systems. It was sort of an offline—

**Senator BACK:** The island can do what it likes, but, if you do not have the cooperation of the transporters to and from, you have got little chance. I would like to ask you some questions about the public service review, which I understand was undertaken by the Australian Continuous Improvement Group; is that right?

**Mr O'Brien:** That is correct.

**Senator BACK:** Before it was released, who had access to the draft and what capacity did those people have to influence any amendments that might have been made before the report was finalised?

**Ms Savage:** The draft was provided to the Norfolk Island administration for comment around factual inaccuracies, so there was some discussion around the crafting of some of the recommendations, but really in large part the input was around correcting anything that was inaccurate.

**Senator BACK:** Was the former CEO of the island still the CEO at the time the report was being undertaken? My question is: did the former CEO have access to the report and have input into it? At the time the report came down, were they the current CEO, in which case I would expect they would, or in fact was the CEO already departed formally by the time the report came down?

**Ms Savage:** From memory, in terms of the timing I think the Acting CEO of the Norfolk Island administration was in place by the time the comment period was occurring on that particular report.

**Senator BACK:** Can you tell me whether people who were adversely commented on had the opportunity to view and comment on anything that may have related to them before the report was finalised?

**Ms Savage:** I am not quite sure what you mean in terms of adverse comments on individuals.

**Senator BACK:** I have not seen the report; the question simply came to me. If I had read it, I would understand if there were people whose performance was the subject of adverse comment. Were there? If there were, did they have a chance to defend their position before the report was finalised?

**Ms Savage:** The intent was not to provide comment on particular individuals. The report is publicly available. It does make some comment about the Norfolk Island administration and management arrangements and the effectiveness and efficiency of that administration.

**Mr O'Brien:** And it examines certain functions and highlights some inadequacies in those functions.

**Senator BACK:** So it is publicly available now?

**Mr O'Brien:** It is publicly available, yes.

**Senator BACK:** Has the government responded to it or has the government made any statement in terms of implementation or otherwise of recommendations in the report?

**Mr O'Brien:** It is a key input into the broader piece of work that we are doing in terms of Norfolk Island reform, so we will look at all the recommendations, and have been looking at all the recommendations, but they are one piece of the puzzle.

**Ms Beauchamp:** I guess it is for the department now to work with the Norfolk Island government. We are putting together a team of public servants from across the Commonwealth, particularly around IT skills, financial skills, HR and legal and placing them on island to work with the Norfolk Island government administration to see how they might improve their processes and transfer some of the skills, so the department and the Norfolk Island government collectively are looking at how we might implement better governance and accountability arrangements on island.

**Mr O'Brien:** That is right, and in fact that was a core recommendation.

**Senator BACK:** So I understand. I understand there is also some resistance on the island to some of the reforms, particularly in terms of the Australian-style income taxation and the electronic process. Can you tell me something of that and have those concerns now been allayed on the island?

**Mr O'Brien:** The implementation of the Australian taxation system is something for the future. What the capability building team will be looking to do over the next 12 months is to put the necessary information in

people's hands, make them understand what the implications are and help us set up the processes, so that is really one of the tasks that the capability building team will be undertaking.

**Senator BACK:** I understand that, because you have not stopped me, Chairman, there are not others leaping to—

**CHAIR:** No. You have the full time and I am quite enjoying your line of questioning.

**Senator BACK:** Thank you. I go then to land tenure. Can you explain to me what is the circumstance with land tenure? Is it leasehold, is it freehold, is there agitation for those who have leases to have them converted to freehold title? Can you give me some understanding of that?

**Ms Savage:** The short answer is that it is a combination of those things. Julian, if you have the history.

**Mr Yates:** I used to have some responsibilities for Norfolk Island, so I can give an overview. The ownership of land on the island is a mix between freehold land and leasehold land. The Australian government had a program of converting essentially residential leasehold land to freehold land, where people paid to have it converted. That program is now largely completed. There are some commercial leasehold lands. Some examples are where people live and run a business on that land that is still leasehold. There is an interest in a second stage of that program. But that is still subject to consideration by government. If we need to go into any more detail on that, I would need to take it on notice, because it can get quite complicated.

**Senator BACK:** I would be appreciative of that, particularly in terms of agricultural land. I understand the residential. Thank you for that. I would also be very interested to read the reviews over time and learn what really is the prospect for agriculture on the island, particular associated with eco- or organic farming. I understand there is quite a move on the island. In fact, it has been put to me that some of the difficulties associated with securing bank finance to advance some of these organic farming projects have been linked in some way to the insecurity associated with leasehold land. If I could receive some information on that, I would be appreciative.

**Mr O'Brien:** It is interesting issue. Again, it would probably come back down to your ability to transport product or produce off the island in a time-effective manner.

**Senator BACK:** One of the residents I was speaking to told me that she traces back her family's involvement with Sydney Cove and the provision of both plant based and animal foodstuffs to 1791 from Norfolk Island, which I was amazed at. I go to a totally unrelated area, juvenile justice. Can you tell me what arrangements are in place on the island for drug and alcohol behavioural treatment for young people?

**Ms Savage:** There are not specific facilities available. The Norfolk Island government, and this is a matter for the Norfolk Island government, has arrangements in place with mainland state facilities. If there is a need they call on those arrangements.

**Senator BACK:** There is no actual facility on the island, if they have to be incarcerated, let us say. There is no juvenile facility?

**Ms Savage:** That is right.

**Senator BACK:** Where do they go? The decision to bring them back to the mainland would be a fairly harsh one, wouldn't it?

**Mr O'Brien:** It can be the only option on certain occasions.

**Senator BACK:** Is there any plan from your department's point of view to address this question? Someone said to me the only place they can go to is in the cells in the police station, otherwise they are simply in the company of adult criminals.

**Mr O'Brien:** The role of our department is to support the Norfolk Island administration and building their capability, as well as looking at issues around the sustainability of the financial situation. Obviously, we are aware of these particular circumstances. We try to work closely with them to have effective service delivery, but there are issues like that on the island.

**Senator BACK:** Because you would be getting to the stage of whether or not we comply with international conventions in terms of the treatment of children.

**Mr O'Brien:** It is the Norfolk Island administration, but yes.

**Senator BACK:** Exactly. My final question goes to the heritage area, which I understand is the Kingston and Arthurs Vale Historic Area. Can you tell me what are the Commonwealth's plans into the coming financial years for that historic area and what funds would be necessary, and therefore what funds would be likely to be made available?

**Ms Savage:** Going forward into the next financial year in relation to KAVHA, Kingston and Arthurs Vale Historic Area, there is work underway around revised governance arrangements. The Commonwealth is the major contributor to funding that World Heritage area. We work in partnership with the Norfolk Island government. We are quite keen to look at it as a supplementary opportunity for tourism, so we are looking at some studies that have been undertaken on the World Heritage area and identifying opportunity for improving the interpretation aspects of that area.

**Senator BACK:** Presumably that would come under the direct presumably of the administrator of the island.

**Ms Savage:** There is a KAVHA board that the Commonwealth and Norfolk Island governments are represented on. The administrator is a member of that board. The administrator has a role to play, but generally it is chaired by the Commonwealth and there are other parties who are involved in the board.

**Mr O'Brien:** In the current financial year, the Commonwealth will invest just under \$600,000 into that facility. That compares to the Norfolk Island contribution of \$345,000. Overall over the last three years that contribution from the Commonwealth has been just under \$3 million.

**Senator BACK:** The island just recently had a new administrator appointed?

**Mr O'Brien:** That is correct.

**Senator BACK:** That was handled by your department presumably—

**Mr O'Brien:** It was.

**Senator BACK:** the advertising of the position and the interviewing et cetera.

**Mr O'Brien:** It is a cabinet decision. The appointment process is ultimately a Governor-General appointment.

**Senator BACK:** Was it advertised?

**Mr O'Brien:** It was not required to be advertised.

**Senator BACK:** But was it? It does not matter whether it was required to be or not.

**Mr O'Brien:** No.

**Senator BACK:** I remember once seeing it advertised. In fact, I placed an application some years ago. So it was not advertised but it was a cabinet appointment.

**Mr O'Brien:** That is right.

**Senator BACK:** And what are the qualifications? It is a gentleman, isn't it?

**Mr O'Brien:** Yes. Mr Neil Pope.

**Senator BACK:** What are his qualifications to do the job?

**Mr O'Brien:** He has a long history in community based issues. He was a former state member of parliament, and I think a minister, in Victoria. He had also had a long and successful mediation business since he left politics.

**Senator BACK:** From my understanding, the residents of the island are Australian citizens.

**Ms Savage:** No, not all. Some are.

**Senator BACK:** So would they enjoy social security payments, Medicare facilities and pharmaceutical benefits? Do they enjoy the same umbrella of benefits that Australian citizens do?

**Mr O'Brien:** No, they do not and that is part of the issue. Nor do they pay Australian taxes. One of the issues that we will work through over the course of the next few years is how we extend services to them and, in return, have them contributing to the Australian tax system. It is that sense of mutual obligation that is very important.

**Senator BACK:** In the economic analysis that has been done in the ACIG report, do you have some profile now of the level or adequacy of wealth? Do you know if there are any or many people suffering severe financial stress et cetera? Do you have that snapshot?

**Mr O'Brien:** You mentioned the Continuous Improvement Group report, but also the Commonwealth Grants Commission updated their 2006 work. It obviously looked at the revenue raising capacity on island. It also looked at per capita income, which is pretty much on par with the mainland.

**Ms Savage:** That is right. The Grants Commission found that in the time between its 2006 and its most recent reports there had been a deterioration of the situation on an island. While incomes were relatively similar, there had been increases in costs. It meant that your buying power did not go as far. In terms of the service delivery, they looked at the range of Commonwealth, state and local government services that are needed in the kind of community that Norfolk is and the opportunity to fund those services through revenue raised. One of the key

issues was that there was a gap between the revenue raised and the cost of providing comparable services in mainland communities.

**Senator BACK:** So the summary would be that its likelihood of ever standing on its own two feet economically is remote?

**Ms Beauchamp:** There are a range of things. We are looking at this from a number of angles, including getting the public sector administration right and that includes, as you would know, looking at some of the management of their GBEs and getting the economic development strategy right. As I said, the renegotiation of the Norfolk Island airline contract was key to that. We are looking at what we do in tourism. There is also the community well-being work, how effective the hospital is running and how the community services are being delivered on island. That, again, is linked to how the public sector is run. Then there is obviously how they strengthen their environmental credentials as well to protect the island. So we are looking at it from a number of angles. I do not think you can look at one bit without looking at the other. You mentioned the tax system and Mr O'Brien spoke about the mutual obligation, so we are working with the tax office, for example, on what it would take, not only through the Australian government putting in a lot of money but also in how we can better use the resources on island. So we are looking at the reform agenda on a number of fronts, as indicated in the road map, and it is going to take quite a few years to get there.

**Senator BACK:** I will be very interested to see that background information. Thank you

**Mr O'Brien:** The report of the Commonwealth Grants Commission is available—

**Ms Savage:** On the Commonwealth Grants Commission website.

**Senator BACK:** Thank you very much.

**CHAIR:** I thank the witnesses.

#### Office for the Arts

[20:27]

**CHAIR:** I welcome, for the first time from this side of the table, officers from the Office for the Arts, incorporating Screen Australia, the National Film and Sound Archive, the National Library of Australia, the National Museum of Australia and the Australia Council. It has been agreed among the committee that the National Gallery of Australia will appear after 9 pm.

**Senator BRANDIS:** I would prefer to start with the Australia Council.

**CHAIR:** We are entirely in your hands. You have the call.

**Senator BRANDIS:** I want to start with, if I may, your announcement of 16 December last year of a prize for works of art dealing with the National Broadband Network. Your press release says, if I may read a bit of it to you:

Through the Australia Council's Broadband Arts Initiative, visionary arts projects enabled by the NBN will be supported by an initial funding pool of \$300,000, with funding of up to \$100,000 available for individual projects.

.....

The aim of the Broadband Arts Initiative is to provide significant grants for artistic teams to demonstrate the opportunities opened up by the NBN for Australian culture.

The NBN has not been built yet and you must know that the entire area or policy is intensely controversial. Why would the Australia Council be using taxpayers' money to, as it seems to me, promote a controversial government policy?

**Ms Keele:** The Australia Council has had a strategic priority that comes up as a common priority across all the art form boards around the digital world and how it is emerging as it relates to making art and accessing art in Australia. This is one of the programs in that. This has been going on for four years. The Broadband Network is up in some places. In fact, it is up in both rural and urban areas. This initiative is about artists who are interested in using broadband for making art and accessing audiences. We did not really consider whether it was controversial or not. It is one of the areas that has high demand by artists.

**Senator BRANDIS:** Ms Keele, you must understand, as I am sure you do, that there is a finite amount of resources in the arts budget and that every dollar spent on one artist is a dollar taken away from another. Why would the Australia Council, in distributing this finite pool of money, choose to spend money in a way that advances a controversial area of policy?

**Ms Keele:** Our intention was not anywhere around the politics of this; it was around the demand by artists to be able to develop this new innovation in art, which we have been involved in for four years. It is a limited

amount of money, but we have over many years had strategic priorities where, when priorities are the same across art form boards, we scale them together to be able to make a grant across to all types of artists. This is an area in high demand by artists across the country.

**Senator BRANDIS:** I might be persuaded somewhat by what you say if the National Broadband Network were a feature of our national life, but the National Broadband Network is in operation in a very small number of areas of the country.

**Ms Keele:** This grant was not for the commercial NBN; this was for the use of broadband.

**Senator BRANDIS:** That is not what you say in your media release. You talk about the National Broadband Network.

**Ms Keele:** What I am getting at is digital and the digital side of things is of great interest to artists and great interest to communities. This is an area that, despite the controversy that is around, artists are interested in using to develop their art and to access their audiences.

**Senator BRANDIS:** I understand that digital technology has been used as a medium for a long time now in art. I am sure the Australia Council has, over the years, funded the use of that medium for visual art in particular. But that is not what your press release talks about. Your press release talks about one particular platform. In fact the heading of the press release is 'Artists Invited to Enrich our Future with the NBN'.

**Senator Arbib:** It would be useful for us to get a copy of the press release if it is possible.

**Senator BRANDIS:** It is your press release, Ms Keele. Presumably you have got a copy.

**Senator Arbib:** There are other officials at the table.

**CHAIR:** Senator Brandis, with your agreement and help, it would probably make it a little bit easier for us to get through if you could table that.

**Senator BRANDIS:** I do not want the proceedings be to delayed so by all means have a look at my photocopy of it. The passages I have quoted to you are highlighted.

**Ms Keele:** What was the question?

**Senator BRANDIS:** The point is this is not about the use of digital media. This is about the NBN, which is a very controversial platform. It is one of the great areas of political controversy in Australia today, as you must know. Why would the Australia Council take money away from other artists—

**Ms Keele:** Who is—

**Senator BRANDIS:** If I may finish my question—

**CHAIR:** If I could please—we do not know a lot about your area of expertise in this committee yet; some of us do. One thing I do insist on is, if ministers or senators or officers are asked a question, I afford them the decency to be heard in silence from both sides. Ms Keele, let me get that home because I will pull Senator Brandis up for the same behaviour if that happens. I am sure it will not. When Senator Brandis is finished, you will have all the time you need without being interrupted.

**Senator BRANDIS:** Ms Keele, you have agreed with me that there is a finite amount of money that is able to be distributed by the Australia Council for all purposes. I put it to you that by spending this money on artists who want to promote the National Broadband Network, you are taking it away from other artists. I do not think that is an unfair characterisation.

**Senator Arbib:** I have got the press release now. Senator Brandis has quoted from one paragraph but it is quite a detailed press release. Another one of the paragraphs, which I think explains this quite well, is the third last paragraph which says:

Now, with the Broadband Arts Initiative, the Australia Council is encouraging ambitious art proposals that are truly dependent on broadband infrastructure, particularly with its high-capacity bandwidth and ability to connect artists and audiences across regional, remote and metropolitan centres.

I think that explains what it is about. It does not say anything about NBN. It is about broadband. It is about connecting up regional centres, artists and communities. That is my reading of it.

**Senator BRANDIS:** Ms Keele, coming back to my question, why would the Australia Council choose to use its limited scarce funding allocation, or part of it, to promote the NBN? Why would you do that?

**Senator Arbib:** It is not promoting the NBN.

**Senator BRANDIS:** I think it is and I am putting that proposition to Ms Keele.

**Senator Arbib:** Ms Keele has already answered that question. She said it is not promoting the NBN.

**Senator BRANDIS:** That is not what the press release says and that is not what the title of the press release says.

**Senator Arbib:** With all due respect, that is your reading of one paragraph. I have read another paragraph which completely contradicts your reading of it.

**Senator BRANDIS:** Ms Keele, are you going to answer my question?

**CHAIR:** Ms Keele, for the purposes of the use of time, I cannot control what the questions will be. That is up to the senators around. The senators know themselves that they will explore every opportunity to ask the same question four or five times, maybe. But I would just remind everyone in the room that time is of the essence here.

**Ms Keele:** Senator Brandis, firstly, the purpose of this grant was not to promote the NBN per se. Secondly, in answer to your question, this actually did not take money away from anything; this was money that went to a consistent demand across council, so it actually took a very small amount of money, \$300,000, and made it available to artists to be able to develop art and access audiences with this new innovation around the broadband. That is what it is meant to do. Every single year in our strategic planning process we identify strategic priorities. This has been a consistent strategic priority, so it actually is not taking money off any other art form board.

**Senator BRANDIS:** I do not quite understand that, since there is a finite amount of funds. Anyway, if you were to say to me, 'Digital media are an important platform for modern art and the purpose of this allocation is merely to satisfy the interest that a sector of the artistic community has in the use of digital media,' I could understand that. But that is not what you say and it is not what, according to your press release, this is for. This is for the use and promotion of the NBN, and I put it to you—

**Senator Arbib:** That is not what Ms Keele is saying.

**Senator BRANDIS:** Excuse me, Minister. Please do not interrupt me.

**Senator Arbib:** That is not what Ms Keele said.

**Senator BRANDIS:** You are not chairing this committee; Senator Sterle is.

**Senator Arbib:** No, I am not, but I am making the point—

**Senator BRANDIS:** I am entitled to put a proposition to the witness—

**Senator Arbib:** that that is not what Ms Keele said.

**Senator BRANDIS:** and I am entitled to have her answer it without being interrupted.

**Senator Arbib:** So you cannot mislead the committee, because that is not what Ms Keele said.

**CHAIR:** Minister and Senator Brandis, if I may. We have already used 10 minutes of Senator Brandis's required half-hour. I heard the answer very clearly. I am of the opinion that Ms Keele has answered, but it is the opposition's question time and, if Senator Brandis chooses to ask the same question until nine o'clock, that is entirely up to Senator Brandis. You have given a very in-depth answer to that question, Ms Keele, and all I can say is you have done a good job. Senator Brandis has the call. Keep going, you are doing well.

**Senator BRANDIS:** Thank you very much, Mr Chairman.

**CHAIR:** I was actually talking to Ms Keele.

**Senator BRANDIS:** I knew you were, but I think you were just throwing the call to me, so that is why I was thanking you. Ms Keele, what I am putting to you is that by allocating these funds in this way, not to digital media in general but to the NBN in particular, you are wittingly or unwittingly allowing the Australia Council to become a tool for the promotion of government propaganda. Would you like to comment on that?

**Ms Keele:** We are not promoting—

**CHAIR:** Senator Brandis, it has been brought to my attention that your question might have been asking for an opinion. I did not hear your question; would you mind repeating it.

**Senator BRANDIS:** I am putting it to you that, wittingly or unwittingly, you are allowing the Australia Council to be used as a tool for government propaganda and I am inviting you to comment on that assertion.

**Senator Arbib:** That is not a question the witness can answer.

**CHAIR:** I would have to say that I think you are asking for an opinion.

**Senator BRANDIS:** I am asking for a comment. Do you accept that, Ms Keele?

**CHAIR:** I understand that as an SC, Senator Brandis, and a wordsmith you will run rings around me—though I can back a road train—but I do think you may be bordering on asking for an opinion.

**Senator BRANDIS:** I am not asking for an opinion about government policy; I am asking for a comment—

**CHAIR:** You are asking for an opinion of the officer in terms of government policy.

**Senator BRANDIS:** All right, I will rephrase that: do you dispute that this is being—

**Ms Keele:** I do not accept that the Australia Council is unwittingly, or even wittingly, promoting the Broadband Network. We are an arms-length agency of government. We do this based on what the sector tell us they would like to have. So I disagree with your proposition.

**Senator BRANDIS:** That is fine. Do you accept that one of the principal roles of art is social criticism?

**Ms Keele:** I do not know if I would put it quite like that, but I suppose that is one of—

**Senator Arbib:** I think we are starting to get into opinion again, Chair, and well outside the—

**Senator BRANDIS:** The only prohibition, Minister, is opinions about the policies of the government. I am asking Ms Keele about the purpose of art.

**Senator Arbib:** It is an opinion of art.

**Senator BRANDIS:** Do you accept, Ms Keele, that one of the purposes of art is to challenge and criticise society and to criticise current social trends and conditions?

**Ms Keele:** Who could disagree with that?

**Senator BRANDIS:** So do you agree. It seems to me that if you wanted to do something about the NBN, rather than facilitating its promotion it would be much more faithful to the purpose of art to award a prize or an allocation for artists who want to criticise the NBN. That is what artists do. Artists challenge what societies and governments regard as the prevailing wisdom. The prevailing wisdom at the moment is that the NBN is a good idea. Why wouldn't you reward artists for challenging received wisdom rather than allow yourself to be used to promote received wisdom?

**Senator Arbib:** I am glad that you accept the opinion that broadband is a good idea.

**Senator BRANDIS:** It is the conventional wisdom of this government.

**Senator Arbib:** It is good to see. It is good that it is on record.

**Senator BRANDIS:** Ms Keele, why wouldn't you—

**CHAIR:** I am quite looking forward to Ms Keele's answers because I think that you are doing extremely well. Keep going. Where were you when DAFF was here?

**Ms Keele:** Demand from the sector was about having the ability to create art using digital and broadband technology and being able to experiment with accessing audiences, both rural and regional, using this. There was no request, no big demand, to be able to criticise. So that never came into our thinking, Senator, I am sorry.

**Senator BRANDIS:** How many individual artists came to the Australian Council and said, 'We would really like there to be an allocation for us to use the national broadband network—specifically that—to create art?'

**Ms Keele:** I can get you the input but I would have to go back and search out the specifics. But you would understand that we are in touch with artists across the country, rural, regional and remote—

**Senator BRANDIS:** I do not know, Ms Keele. My experiences of arts—

**CHAIR:** Senator Brandis, I will just pull you up there. You did ask Ms Keele a question and then you interrupted her halfway through. If I could transfer that look coming off Ms Keele's face, you are lucky you are not within whacking distance. Ms Keele, please continue with your answer.

**Ms Keele:** We have forums. We have access to artists all over the place. Last year at Parliament House there was a broadband forum where we got a lot of input from all kinds of players around what they wanted to see, and there was a lot of interest in broadband and how it works, how it could play into developing art, how it could play into accessing audience. So we have quite a little bit of input from a number of different sources on an ongoing basis. It is our job.

**Senator BRANDIS:** Coming back to my question, I asked you how many individual artists came to the Australia Council and specifically said, 'We want to use the NBN specifically for the purpose of creating art,' and you said that you would have to check. But given the assertion you made two answers ago, you must have a rough idea. Was it more than a dozen?

**Ms Keele:** No, I do not have a rough idea, Senator.

**Senator BRANDIS:** You don't have a rough idea? So the assertion you made before—was that the truth or was that just an impression?

**Ms Keele:** Excuse me, are you saying that I am lying?

**Senator BRANDIS:** No, I am asking you whether it was the truth or whether it was an impression. If you cannot respond in any way to the question—how many artists made the request that you have asserted artists across the sector have made—then I am going to challenge you on it.

**Senator Arbib:** Senator, I have to say here that you are constructing words that Ms Keele has not said. She did not talk about artist demand in terms of the NBN. She was talking in terms of broadband. She mentioned a number of the forums that have been undertaken by the Australia Council and I think that her answer is sufficient.

**Senator BRANDIS:** That is your opinion, Minister, but I am asking a different question. I am asking how many artists, if any—

**Senator Arbib:** And Ms Keele has answered that question. You are asking a completely different question now—

**Senator BRANDIS:** I am entitled to ask a different question.

**CHAIR:** I will assist, and I hear your concerns, Minister. As far as I can see it, I think that Ms Keele is doing wonderfully well, and if Senator Brandis chooses to use his allotted half-hour to ask whatever questions he may want, I would just say to you, Ms Keele, keep answering the same question the way you are. I cannot tell Senator Brandis how he will spend his half an hour asking his questions.

**Ms Keele:** I would be glad to take it away and provide you an answer on notice.

**Senator BRANDIS:** I hope you will, Ms Keele, but while we have you here I want you to focus on the specific question I am asking you and not engage in commentary on the question. Just provide the answer if you can and, if you cannot, tell us that you cannot. I want to know how many artists came to the Australian Council and specifically asked for funding for the use of the NBN to create art.

**Senator Arbib:** Ms Keele has said she will take the question on notice and Ms Keele will provide Senator Brandis with an answer on notice as per her previous statement.

**Senator BRANDIS:** I have asked the question of Ms Keele.

**Senator Arbib:** She has answered the question, Senator.

**Ms Keele:** I have just answered your question.

**Senator BRANDIS:** I did not understand your answer.

**Senator Arbib:** She said she is going to take it on notice.

**Senator BRANDIS:** Is your answer that you do not know?

**Ms Keele:** I said, in these exact words, I will take it on notice.

**Senator BRANDIS:** Are you able to—

**Senator Arbib:** Chair, this is badgering.

**Senator BRANDIS:** Are you able to offer us an estimate?

**CHAIR:** Senator Brandis, the minister is in his realm to be able to answer for and on behalf of the officer and the officer has continued to answer those questions for you. Senator Milne, do you have a very quick question on this?

**Senator MILNE:** On a specific matter in relation to this. As I understand it, the Australia Council has asked artists, groups and organisations to propose innovative arts projects that utilise next generation high-capacity broadband and then it simply says 'enabled by the NBN'. So it is a statement of a technology which is enabling the arts to use high-speed broadband. So aren't we talking about arts and new technology—that is, high-speed broadband—and the fact that it is enabled by the NBN is no different from saying it is enabled by a telephone line? Is that correct?

**Ms Keele:** Yes. Thank you for the clarification.

**CHAIR:** Thank you, Senator Milne, and I have taken it that Ms Keele has answered that in that same way but maybe with some different words and on more than one occasion.

**Senator BRANDIS:** Let me just clarify in my own mind your previous answer, Ms Keele. You have told us that you are not sure and, therefore, you want to take the question on notice.

**Ms Keele:** I did not say I was not sure. I said I would take it on notice to be clear.

**Senator BRANDIS:** Are you able to tell us approximately how many?

**Ms Keele:** I would take the question on notice.

**Senator BRANDIS:** I asked you: are you able to tell us?

**Ms Keele:** My answer is I will take it on notice.

**Senator Arbib:** Chair, will you just—

**Senator BRANDIS:** A point of order, Mr Chairman: it is not the role of a minister at the table to overtake the chairman's role and direct opposition senators or any senators how they may ask their question. That is the first point. The second point is this: questions may only be taken on notice if they are unable to be answered to the committee at once. The question I just asked Ms Keele was whether she knows the answer to the question. If she does know the answer to the question, she has no entitlement to take it on notice. She must be responsive to a question to which she knows the answer.

**CHAIR:** On your first point of order, I do not agree with you. I think the minister has full right to be able to answer for and on behalf of the department and officers. On the second point, Ms Keele, I will ask you to answer Senator Brandis's question and, if you do not know, you know you can take that on notice. You are in your full right.

**Senator BRANDIS:** I will put it to you again, Ms Keele.

**Ms Keele:** I do not mean to be difficult, I am sorry.

**CHAIR:** You are not being difficult. You are doing very well. Just continue.

**Senator BRANDIS:** Ms Keele, I asked you a question about a number and you said—I am paraphrasing—I don't know, I will take it on notice.'

**Ms Keele:** I did not say, 'I don't know.' I did say I would take it on notice.

**Senator BRANDIS:** That is my point. I thought, to give you the benefit of the doubt, that you gave a reason for taking it on notice. I then said, 'Did you know the approximate number?' and you said, 'I will take it on notice.' I then asked you—and this is the question before you—'Do you know the answer to my question?' because, if you do, it is an abuse of the process of this committee to decline to give an answer when you know.

**Ms Keele:** I do not know the answer.

**CHAIR:** Senator Brandis, I have been very relaxed and I do not think that this is in order. In all fairness, we are not in the Supreme Court or wherever it may be. When Ms Keele leaves this committee tonight, there will be a loving partner at home and probably some beautiful kids and nothing matters, because it is not a hanging offence if she does not answer your questions. So I do not think we have to take that line.

**Senator Arbib:** It is Valentine's Day.

**CHAIR:** It is Valentine's Day and obviously we will need to flick some of those roses from Senator Heffernan's office towards yours, Senator Brandis. It's nine o'clock. I know you have a role to perform, Senator Brandis. I just put it to you: please ask the questions that you want and I know Ms Keele will answer them to the best of her ability and, if you cannot, do not hang her on her line of words that she will take it on notice. I am sure she meant, 'I don't know and I will take it on notice.' Let's not split hairs.

**Senator BRANDIS:** I want to clarify: do you know the answer to my question, Ms Keele?

**Ms Keele:** No.

**Senator BRANDIS:** You do not?

**Ms Keele:** Not right offhand. I am not going to speculate. I will take your question on notice.

**Senator Arbib:** Senator, you are asking for a specific number—

**Senator BRANDIS:** You do not know the answer to my question about approximately how many artists?

**Senator Arbib:** Now you have changed your question.

**Ms Keele:** I do not know the answer to your question at all. All right?

**Senator BRANDIS:** All right. Do you understand the point of view of those who—like, for example, Mr Turnbull—in criticising this initiative, drew comparisons with the arts policy of the former Soviet Union in using artistic funding bodies in order to advance the political causes of the government? I am not expecting you to adopt that view, but do you understand that criticism?

**Senator Arbib:** You are now comparing the Australia Council to the old Soviet Union?

**Senator BRANDIS:** I am quoting something Mr Turnbull said. I am asking Ms Keele whether she understands the criticism.

**Senator Arbib:** It is ridiculous. You are being absolutely ridiculous. Please, Chair, it is offensive; it is ridiculous. Let's just move on.

**Senator MILNE:** Utterly ridiculous.

**Senator BRANDIS:** I am entitled to ask any question that I would like—

**Senator Arbib:** Yes, I know, and it reflects on you, Senator.

**Senator MILNE:** The Cold War is over.

**Senator BRANDIS:** The opposition spokesman on the Broadband Network, Mr Turnbull, made that observation. It was quoted in all of the main newspapers. I am sure you saw it, Ms Keele. I am not asking you to agree with it, but do you understand why the impression could be created in the mind of some that, by using a funding initiative of the Australia Council for the apparent purpose of promoting the government's very controversial policy, you are adopting what Mr Turnbull described as a Soviet style approach to arts policy?

**Senator MILNE:** This is embarrassing, actually.

**CHAIR:** Senator Brandis, it is starting to go a little bit off the rails. I cannot put words in Ms Keele's mouth and I am sure she will answer that with a simple yes or no.

**Senator BRANDIS:** Do you understand the criticism, Ms Keele, even if you do not share it?

**Ms Keele:** Actually, I do not.

**Senator Arbib:** The question has been answered.

**Senator BRANDIS:** Ms Keele, do you believe that it is very important for the Australia Council to protect its integrity?

**Ms Keele:** Absolutely, and we do that every day, all day.

**Senator BRANDIS:** Do you believe that one important aspect of the Australia Council protecting its integrity is to protect its independence from government?

**Ms Keele:** You are making an assumption here, Senator, that we were not independent in making that grant. That is a wrong assumption. That grant category came from the demand we received in the sector in conversations with artists and arts organisations and at the regional arts broadband committee. We have had a long engagement in this area. It was not a secret letter from the government or anything like that. Positing that is wrong.

**Senator BRANDIS:** By the way, the quote I was referring to—let me give it to you in full, in fairness—comes from Mr Turnbull. He said:

It reminds us of Soviet artists being recruited to glorify the heroic labour of the No.3 VI Lenin Missile Factory.

Coming back to my question: do you believe that it is a very important value of the Australia Council to preserve its independence from government? Do you believe that?

**Ms Keele:** Yes, Senator.

**Senator BRANDIS:** Then do you then accept that, if the Australia Council is to preserve its integrity and if an essential element of its integrity is to be independent of the government of the day, the Australia Council needs to be very careful, in the decisions it makes, about not being seen to promote or favour elements within the artistic community with programs which might be thought to be advancing the purposes of the government of the day?

**Ms Keele:** I got a little lost in that question, but I think the answer is: yes, I think that is important, and that is what we did.

**Senator MILNE:** Ms Keele, is it true that the arts community in general, in your collaboration with them, are recognising the incredible opportunity of high-speed internet broadband for creative content and services, for accessing national collections, for live performance and for online and real-time collaboration. Are they approaching the Australia Council to make sure that all aspects of the arts can engage in innovation with high-speed broadband?

**Ms Keele:** Yes, I think artists and audiences and arts organisations across the sector are having conversations with us, with Screen Australia, with the Office for the Arts—it is quite a live area of conversation.

**Senator MILNE:** Is that feeding into the convergence review?

**Ms Keele:** Yes, it is.

**Senator MILNE:** Now I will go on to some other questions in relation—

**CHAIR:** Sorry to interrupt you, Senator Milne, but it is nine o'clock and we had better take a break; otherwise, we will be in trouble with the staff. We shall take a 15 minute break.

**Proceedings suspended from 21:02 to 21:14**

**CHAIR:** Welcome back. We are going to go back, in continuation, Senator Milne, with questions to Screen Australia and with—

**Senator MILNE:** No, it is Australian Council.

**CHAIR:** Australia Council, sorry. That is right. Senator Milne, I will just clarify for the officers that you request to ask questions of each separate department. Ms Beauchamp, once they are finished the officers can pack their bags and skedaddle. We will work our way through. Thank you, Senator Milne.

**Senator MILNE:** I want to go particularly to the issue of Craft Australia. I understand that in November 2010 the Australia Council Visual Arts Board gave a general warning that all key visual arts organisations were up for review, but it was not until October 2011 that Craft Australia was notified their funding would be discontinued, effective 31 December. That was then, after considerable protest, given an extension but only until April, which leaves little time for them to wrap up 40 years of history or transition. So I want to ask: does the Australia Council consider that a general notice of warning, without any indication given to individual organisations, constitutes proper notice under the fair notice provisions?

**Ms Keele:** The fair notice provisions of council generally give a 12-month notice. In this case, with Craft Australia, we were also able to engage with them in transition funding to extend that period, as you mentioned. So we do consider that they have had enough notice. We have actually come to an agreement on winding up and how they do that. We are very much working with them for—

**Senator MILNE:** I understand that you have done all that, but the issue for me is that they were not told until 11 October 2011 that they were going to be defunded, effective 31 December. That is only a couple of months notice, contrary to the 12 months provision.

**Ms Keele:** I might just correct that a little bit. They were put on notice, I am not sure of the exact number of months, but eight to 12 months ahead of that, that the category would be reviewed. The way it works is: when a category of organisations are going to be reviewed, we put them on fair notice and generally that is a 12-month notice. I just have to check to see what exactly this one was. Then the decision comes down the line from that, based on the meeting time that was held. In this case, there was time after that for when their contract would come to an end. And, as you say, it was December.

**Senator MILNE:** Could you, on notice, please, provide a copy of the first notice letter of review to Craft Australia, because I still think it comes well within the 12-month provision. So I wanted to ask: is defunding successful organisations without proper notice Australia Council accepted modus operandi, given that for Craft Australia it was less than 12 months, and given that exactly the same thing happened to Leigh Warren and Dancers at the end of last year?

**Ms Keele:** Actually, the Leigh Warren dancers have been on notice for three if not four years. We have been working with them for quite some time around various issues that the dance board had with them. But I will provide details on both of those for you.

**Senator MILNE:** Thank you. Given the Australia Council's ongoing work developing a strategy for craft, is it not an odd time to be defunding the national craft organisation?

**Ms Keele:** The category was assessed on merit. It is a very competitive category. Unfortunately, in that group of applications, Craft Australia's application was not successful. We do not fund based on nonexcellence; we fund based on excellence, and they did not meet the board's need for that. We do think that is important, and we do think that there is a big concern in the sector, which is why we are working with the sector to do two things. Firstly, we are working with Craft Australia to make sure it is wound up properly—that all the years of information and files are kept and moved on to other organisations. Secondly, we have agreed to work with the sector to develop a craft strategy, keeping in mind what the sector is after. They have noted that there are quite a few changes, so I do think it is timely to be reviewing this.

**Senator MILNE:** So you are saying this strategy is being developed in conjunction with the existing Craft Australia members or more generally?

**Ms Keele:** The visual arts board is developing with the sector. It is not specifically just with Craft Australia but with the whole sector. It is a four-year craft strategic initiative.

**Senator MILNE:** Including people from Craft Australia?

**Ms Keele:** I am not sure if they want to be involved, but they would certainly be welcome.

**Senator MILNE:** Have they been invited to be involved in working on the craft strategy.

**Ms Keele:** I am really not sure, but I am sure they would have. They would not be excluded, if that is what you are asking.

**Senator MILNE:** Can you take on notice whether they have been proactively invited to participate in the development of the strategy?

**Ms Keele:** Indeed.

**Senator MILNE:** Thank you. I understand there is a major visit by a delegation from China next month to discuss craft. What national body will the delegation coordinate with in the absence of Craft Australia—or is Craft Australia being expected to coordinate with the delegation at the same time as it is being wound up?

**Ms Keele:** I am sorry; I have no idea about the answer to that question. I will have to take it on notice and ask.

**Senator MILNE:** Please take that on notice. In relation to that, if it is Craft Australia that is being expected to host the Chinese delegation, are they being provided with extra resources separate from the wind-up et cetera in order to manage the visit?

**Ms Keele:** Okay.

**Senator MILNE:** You told me that Leigh Warren and Dancers had been on notice for a few years. What I would like to know is whether they have been given assistance to meet their contractual obligations this year, because it is the same thing: even though they had been under review, the actual notice of their not being funded was very swift. They had contractual obligations.

**Ms Keele:** I will get you the exact details of those when I get back to the office. They have the ability to apply like any other organisation for project funding. For example, if they want to present, tour or do a creative project, they can apply to those project grant categories, which is how that works when organisations are defunded. They are able to apply to the project categories. And we have made them aware of that.

**Senator MILNE:** But nevertheless they had contractual obligations prior to that occurring.

**Ms Keele:** I do not think they were contractual. I think they would very much like to participate with some of the festivals that they are talking about, but I do not know about their contractual obligations for that. The contract has always been written such that they know when the contract ends. They have been on fair notice for quite some time, so what contractual obligations they got into are unknown to us. We just do not know.

**Senator MILNE:** So under review necessarily means that they are about to be defunded?

**Ms Keele:** No, it means that there is a possibility that they could be defunded or that their funding could be changed. That is anywhere from being defunded to having their funding change up or down.

**Senator MILNE:** Yes, but the point I am making is that suggesting that they entered contractual obligations at their risk because their funding was being reviewed means that they would not do anything if they had no idea whether it was going to be a minimal change or they were going to be shut down altogether, so I think that is unfair.

**Ms Keele:** Organisations do not just rely on the Australia Council for funding. In fact, some organisations rely very little on us; others rely quite a lot. That is one of those things that you have to manage.

**Senator MILNE:** Are there any other organisations that have been defunded with such little notice—bearing in mind I am talking about those who have received the notice that they are about to be defunded and the date at which they are about to be defunded had been less than a year away?

**Ms Keele:** We have ongoing reviews of categories. There are always some that are defunded and some that are funded, so I would have to get you an exact list of who has been funded or defunded. But it is an ongoing and necessary process because we have to make sure that we retain the artistic vibrancy of these organisations, not just, 'This is yours; you can have it for the rest of your life.' It is an active and very challenging process that we stay abreast of. I am happy to get you a list of the ins and outs of the last 12 months if you like.

**Senator MILNE:** At least the last two years if you could do it, thank you.

**Ms Keele:** The normal process on that, just to be clear, is that more and more these days the contracts are written for a period of time with no promise of continuing. We are moving away from fair notice of a review to 'We will review all contracts every three years.' That will make this clearer.

**Senator MILNE:** Can you tell me if the Australia Council is coming under pressure to cut or re-allocate funding?

**Ms Keele:** Not particularly, no.

**Senator MILNE:** Okay. I now move to the review of the Australia Council. There is considerable concern in the arts community about the fact that it is not an open and accountable process and that the results of the review are not going to be made public. Can you tell me what involvement the Australia Council—I recognise that it is the minister and the Office of the Arts that we will be coming to after that, but I am asking for the Australia

Council's point of view—had in designing the process? Did you request that it be a secret, non-transparent process?

**Ms Keele:** No, we did not request that it be a secret, non-transparent process.

**Senator MILNE:** Okay. Do you accept that it is a secret and non-transparent process given that it is never going to be made public?

**Ms Keele:** I cannot comment on that. That is for the department.

**Senator MILNE:** Okay. We will come back to the department. The other question in relation to that is about the people heading up the review. What input did the Australia Council have in nominating who might conduct the review—or was that a matter for government?

**Ms Keele:** It was a matter for government.

**Senator MILNE:** Okay. Were the terms of reference done in consultation with the Australia Council or, again, was that a matter for government?

**Ms Keele:** That is a matter for government.

**Senator Arbib:** It is a matter for government.

**Senator MILNE:** So basically you are telling me that the design of the review, the process of the review and the reviewers were decisions of government.

**Ms Keele:** Yes.

**Senator MILNE:** Okay. Thank you. That is all I had for Australia Council.

**Senator HUMPHRIES:** With respect to the register of peers, I understand from an answer to a question on notice to Senator Brandis that as of the 2010-11 financial year there were 438 peers and that, of those who applied to be on the register of peers not just for that financial year but since 1 July 2007, nobody has been refused the right to be a peer.

**Ms Keele:** No.

**Senator HUMPHRIES:** You shake your head, but this is what the answer to the question on notice—

**Ms Keele:** That is right; the answer is no.

**Senator HUMPHRIES:** Does it seem strange to you that this register which hundreds of people have applied to over the last five years had not one person judged to be unworthy?

**Ms Keele:** Are you asking me: were any of the peers put onto any of the boards?

**Senator HUMPHRIES:** No, I am saying question on notice No. 86 from Senator Brandis asked how many unsuccessful applicants there were for the register of peers—that is, to become a member of the register of peers—in each of five financial years. The answer that came back was there have been no unsuccessful applicants for the register of peers. You say between 1 July 2007 and 30 September 2012, on the present rate, it is fair to assume that by 30 September 2012 there will not be any more unsuccessful applicants. Why?

**Ms Keele:** It is the detail of the question. Once you apply to be on the register of peers you are on our register of peers. The way we use that register of peers is when the boards are considering who they need, based on the applications that have come in, all of those names that have either self-nominated or have been put on there by other people are put before the boards to consider. So they are on that register of peers. We do not take people off that unless we know something bad.

**Senator HUMPHRIES:** But getting onto the register appears to be extremely easy. Presumably, I could apply tomorrow and become a peer.

**Ms Keele:** That is correct, you could.

**Senator HUMPHRIES:** Apart from an interest in the arts, why would I be put on the register of peers? What expertise would I have?

**Ms Keele:** The question is whether or not you get asked by a board to come and help peer review applications, you see?

**Senator HUMPHRIES:** So everybody who asks gets on the register.

**Ms Keele:** Sure, so that we have a full body of interested parties. But the boards then make considerations about what is the right group to look at those particular applications that have come in.

**Senator HUMPHRIES:** What criteria do you use to decide which members of the register get asked to peer review somebody's work?

**Ms Keele:** It differs by application type. There are different categories for different kinds of grants. If, for example, music had received for their grant category for creation heaps and heaps of applications for jazz and they did not have enough board members who knew enough about jazz, they would look for peers who could come in and help them evaluate those assessments.

**Senator HUMPHRIES:** Who are they?

**Ms Keele:** The board.

**Senator HUMPHRIES:** The board of the Australia Council?

**Ms Keele:** No, the music board. The music board is a group of eight people with quite a wide variety of skills

**Senator HUMPHRIES:** I know who the music board is.

**Ms Keele:** When those skills are lacking or the applications cover another area, they would bring in some peers to help them assess.

**Senator HUMPHRIES:** Okay. Presumably they have got the CVs of these people on the register and they look through them and decide who needs to be selected?

**Ms Keele:** They very often know these people.

**Senator HUMPHRIES:** Indeed, I am sure they do. There is nothing more scientific than that? Are there criteria that are published as to why a person gets chosen to review?

**Ms Keele:** As I said, it depends on what you are assessing and what kinds of applications have come in. They will make a decision. Obviously they will be looking for experience. You do not want to get a surgeon in to evaluate jazz if they are not experienced in that sort of area. They are looking for the right kinds of skills to be able to help them do their work on the music board, theatre board or whichever board they are dealing with.

**Senator HUMPHRIES:** Would it be fair to say that most of the chosen peers are themselves or have themselves in the past been the recipients of grants from the Australia Council.

**Ms Keele:** I am afraid I could not answer that off hand. If you want me to do an analysis, I can take a look at that.

**Senator HUMPHRIES:** Yes, please. In the last financial year, 2010-11, what proportion of the people who were chosen to be peers, doing the job of peers, had themselves been recipients of grants?

Air travel.

**Ms Keele:** Which question is that?

**Senator HUMPHRIES:** That is the heading, sorry—I am alerting you to the subject matter of my question. In fact there was a question on notice from Senator Brandis—

**Ms Keele:** There was.

**Senator HUMPHRIES:** No. 84, relating to air travel, in which it was advised that in the 2010-11 financial year the Australia Council spend \$355,606 on domestic air travel, between 112 full-time equivalent staff, averaging about \$3,000 per staff member per year. That would seem to be quite a lot of travel for an organisation of that size. Is teleconferencing, videoconferencing—things like that—not favoured by the Australia Council?

**Ms Keele:** We do more and more and more of that all the time, yes. Remember, this is travel for councillors and board members as well.

**Senator HUMPHRIES:** Yes, so it is not just for the 112 staff?

**Ms Keele:** Correct. When we would have a council meeting or a board meeting in another part of the country so that we can be accessible to the whole country—we are a national organisation. Also, lots of the boards like to get around to see the work around the country. That increases our travel as well.

**Senator HUMPHRIES:** Presumably with the Broadband Arts Initiative and the use of the NBN those meetings would be less necessary because people would be able to get on screens instead of appearing in person.

**Ms Keele:** We are already doing quite a bit of that. It would still allow us to see the performances and do those kinds of things. I think it will help to some extent. The way it will help is by having us being in even closer touch with people face-to-face, because we will be able to use it on a regular basis.

**Senator HUMPHRIES:** Can I turn to another subject which comes under the heading of a question asked by Senator Brandis. This question No. 82 dealing with appeals against decisions made by the Australia Council. Senator Brandis asked how many appeals against decisions did the Australia Council formally deal with in each of five financial years. The answer came back that the Australia Council did not formally deal with any appeals against decisions in this period. Why would that be the case?

**Ms Keele:** Because there were no official appeals.

**Senator HUMPHRIES:** What—no-one lodged an official appeal?

**Ms Keele:** No. The appeal process is about appealing the process, not appealing the decision. The decision of a board stands. But an applicant has the ability to come in and appeal the decision making process. They have to provide evidence that the appeal process was incorrect or corrupt or whatever you want to call it. There were none that qualified in that category.

**Senator HUMPHRIES:** Does the Australia Council provide guidelines to applicants concerning the availability of an appeal on the basis of process?

**Ms Keele:** Yes.

**Senator HUMPHRIES:** And nobody has appealed in five years?

**Ms Keele:** There would have been people who would have come to us and did not like the decision but, as I have said, the decision is final at board level—it is not appealable. What is debatable is whether due diligence was followed, process was followed. So, as an example, you might get someone in who would say, 'Things outside of what I submitted were considered,' and if they could provide evidence that way we would take it up. I am giving you that as an example. There have been none that have been about the process with evidence. There have been queries. Over the past five years I would have had a half a dozen queries, but, as I say, most of those were about the decision as opposed to the process.

**Senator HUMPHRIES:** You have no doubt read the article by Katrina Strickland in the *Financial Review* on 21 December where she reports—and I do not know on what basis—that there was a high number of complaints about the Australia Council among the 450 written submissions and 2,000 online comments to the National Cultural Policy discussion paper. Would that suggest that people are not complaining to the Australia Council but are complaining about the Australia Council in opportunities like this? Is that a yes? I cannot see you nodding.

**Ms Keele:** I am not sure the question is.

**Senator HUMPHRIES:** The question was: does that statistic—a high number of complaints about the Australia Council, as reported by Katrina Strickland, suggest that people are complaining not to the council but about the council when they have an opportunity, because they are concerned about processes that the council uses?

**Ms Keele:** I would suggest that people do complain to council and we hear them out. Whether that means they lodge an official process review is a different story. We get plenty of people who come in and are not happy with the process.

**Senator HUMPHRIES:** This is talking to—

**Ms Keele:** Can I finish my answer?

**CHAIR:** Yes, you can.

**Ms Keele:** Remember, we say no to 70 per cent to 80 per cent of the applicants who come to us because of the level of funding that we have. So we have to stay pretty on top of things as it relates to our process and what that is about. It is a real challenge to make sure that everyone understands that process. It will be an ongoing process forever and ever and ever. So I would expect that, with those kinds of numbers, there will be constant reminders about how our process can be improved.

**CHAIR:** Thank you, Ms Keele. Senator Humphries, I am mindful of the time, being 9.40 and we have got some 50 minutes left. But we still have Office of the Arts, questions to Screen Australia, National Film and Sound Archive, the National Gallery, National Library and National Museum. I know Senator Milne has told me she would need 15 minutes for the Office of the Arts. I think, colleagues, we need to start measuring what we are going to do. Or, with your guidance, do we make some changes and spend more time with less agencies—but bear in mind there are visitors from interstate. I will talk to privately about that.

**Senator HUMPHRIES:** I could indicate which individual agencies I will need—not all of them, by any means. If Senator Milne has a similar list we can let some agencies go that are not required.

**CHAIR:** I do not think Senator Milne has questions of all. Senator Humphries, would you be happy to put further questions to the Australia Council on notice?

**Senator HUMPHRIES:** Yes.

**CHAIR:** We can now move to Office of the Arts. Senator Milne has 15 minutes. I will talk to you about the rest of the schedule, Senator Humphries. Thank you very much Ms Keele, Ms Cowdry. Go and have an nice, cold sav blanc or whatever—you have earned it.

**Office for the Arts**

[21:42]

**Senator MILNE:** Minister Crean, towards the end of last year, announced consideration of extending the 40 per cent producer tax offset to games developers. But we have not heard a great deal about it since. Where in the process is that up to? Was it just an aspiration? Where are we up to with that promise?

**Mr Eccles:** Can you just clarify what you are referring to? It was a statement by Minister Crean regarding?

**Senator MILNE:** It was about the support for games developers, basically extending the 40 per cent producer tax offset to games developers. The Greens welcomed that at the time that it was announced at the end of last year. He said it was under consideration. I want to know where that is up to?

**Mr Eccles:** Support for that sector and the broader creative industry sector is being considered as part of the development of the National Cultural Policy, which is in the process of being finalised.

**Senator MILNE:** Yes, but we are coming up to a budget session and if it is going to be considered in the context of a National Cultural Policy it is going to miss deadlines for the budget. I would like to know: was it anything more than an announcement of consideration in the Cultural Policy or is there something more to it than that?

**Mr Eccles:** It is under consideration. The Cultural Policy is being developed as we speak. The response to the needs of the creative industry sector will be reflected in that policy.

**Senator MILNE:** I understand that Screen Australia has been quite outspoken in its support for the games developers and the collaboration with that kind of creative sector in the industry. I would be keen to have any information you can provide as to where that is up to and a time frame. Is there any expectation that we will see that 40 per cent offset, or is that under consideration for the budget?

**Mr Eccles:** As I said, the support for the creative industries, including the games developing sector, is being contemplated in the context of a cultural policy. That is currently in the process of being finalised through government.

**Senator MILNE:** I move to the issue of tax offsets but in particular for filmmaking. I have welcomed the lifting of the production offset, the postproduction digital effects and visual effects offset, but I am concerned about the location offset. The others were increased to 40 per cent, but unfortunately the location offset is only at 16½ per cent. As a result we are still not getting big filmmakers coming to Australia to film. Please outline for me the impact of the increase in the production and PDV offsets. How many new projects came? How many businesses benefited? What was the benefit of that offset to the bottom line?

**Dr Arnott:** As you would be aware, the PDV offset was increased in the last budget. It is too early at this stage to give you precise numbers on the increase in the number of applications, but we in the Office for the Arts have seen a significant increase in inquiries and applications for the PDV offset.

**Senator MILNE:** You cannot give me a budget bottom line at this point, because it is all flowing through the system. Is that what you are saying?

**Dr Arnott:** Yes, that is correct. You would be aware that these projects have relatively long lead times. The PDV offset increase is only effective for productions that started post 1 July 2011. It is early days yet.

**Senator MILNE:** On the same basis, are you aware that Australia is losing opportunities thanks to the decision not to bring the location offset into line with global standards and, in fact, that the team looking at filming the sequel to *Wolverine* in Australia basically have said Australia is the world's second-most-expensive major location to film in?

**Dr Arnott:** That has been brought to our attention.

**Senator MILNE:** Wouldn't it seem to be sensible, given what you said about the offset being granted now but it will be some years before there is a cost to the budget, to lift the location offset to 40 per cent as the impact on the budget would not be in the forward estimates?

**Dr Arnott:** Current government policy is to have the location offset at 16½ per cent. I cannot comment outside of that.

**Senator MILNE:** That is current policy, but I am asking you if you recognise it is a problem for us to be known around the world as the second-most-expensive location and that an increase in that would alter our ability to attract those major films.

**Dr Arnott:** It is true that we have seen a decrease in the number of films accessing the location offset. But it is current government policy to have the location offset at 16½ per cent.

**Senator MILNE:** Can you give me any examples of lost opportunities because the location offset is only at 16½ per cent?

**Dr Arnott:** I cannot talk about specific applications under the location offset and films that may or may not have approached us about that.

**Senator MILNE:** I want to move to the review of the Australia Council. Of course, it will have a substantial potential impact on the great majority of artists. A lot of people have called for the review over a long period of time, but why did you determine that the review would take no public submissions and that the reviews recommendations would not be released? Why was that decision taken and who made that decision?

**Ms Beauchamp:** I understand the review has been over 20 years or almost 20 years since a review of the Australia Council.

**Senator MILNE:** Yes.

**Ms Beauchamp:** As you would be aware, I think figures were quoted previous by Senator Humphries about some of the submissions coming forward in the National Cultural Policy. Some of those submissions did comment on some observations and comments on the Australia Council. The minister publically announced the review on 19 December. The terms of reference are available on the website. We, as office for the arts, and the department are meeting with the reviewers tomorrow and will be talking about the consultation arrangements at that meeting. I think the outcomes of the review, I think it was very clear that Minister Crean said that that would feed in to the development of the National Cultural Policy. Whilst you comment on the review itself impacting on artists and the art sector, I think also the development of the policy will do the same. We are seeing this as part of a suite of things that government is currently considering.

**Senator MILNE:** I know all of that. What I am asking you is who made the decision and what was the rationale for no public submissions and the review's recommendations not being released?

**Mr Eccles:** Senator, can you please repeat the question?

**Senator MILNE:** Who made the decision that there would be no public submissions and that the submissions to the review would not be released? What was the rationale for a decision to keep this secret when there is so much interest in the community? This is in arts community and the board community on this issue.

**Mr Eccles:** I am not sure if I would agree with your characterisation that the review is going to be secret. The outcomes will be reflected as part of the broader National Cultural Policy. I think we mentioned earlier, there have been several thousand surveys. There have been 450 formal submissions. There has been significant consultation with the sector. It was the government's view that the consultation that had taken place had elicited a significant amount of views and input from the areas that we consider to be our stakeholders, and that a more targeted, quick review would be required to ensure that the cultural policy was able to ensure that the Australia Council is best placed to deal with the broader objectives of Australia in terms of the arts and culture.

**Senator MILNE:** That might be as you see it, but the way I see it, rolling any recommendations into a broader policy does not tell me what the review's recommendations were in relation to the Australia Council. I just want to indicate that. The second thing is in terms of who was chosen to do the review. Whilst I am a big fan of the chamber orchestra, is there not a perceived conflict of interest for Angus James to be conducting the review while he is chair of an organisation which receives substantial funding from the Australia Council? What is the rationale and justification for that?

**Mr Eccles:** I understand he has taken a leave of absence from his position with the chamber orchestra so that he can focus on the review without the concern of suggestions of conflict of interest.

**Senator MILNE:** He may well have taken leave and that is appropriate that he would do so, but it does not alter the conflict of interest perception that his commitment is with the Australian Chamber Orchestra, which receives substantial funding from the council. When you then feed that into the fact that the recommendations of the review are not going to be made public, nor are the submissions, it is actually jeopardising his reputation as well as that of the government, in my view, by this appointment. You do not believe that conflict of interest is a problem to this whole process?

**Mr Eccles:** I believe that, if there is the potential for any conflict of interest, then Mr James would conduct himself in a manner which is appropriate so that the conflict of interest does not actually arise. This sector has a lot of people who volunteer and do a lot of good work with organisations and it was the view that Mr James would bring significant experience and expertise to this position.

**Senator MILNE:** This is not an attack on Angus James or the Australian Chamber Orchestra; I am concerned about the position he has now been put in by an appointment that the government has made, notwithstanding the actions that have been taken. I just want you to be aware that that feeling is out there.

**Mr Eccles:** Thank you.

**Senator MILNE:** The terms of reference for the review restrict it to structural and administrative questions. I wondered if there was any flexibility within those terms of reference to look at the Australia Council's potential role in assisting with major systemic problems, for example, the ability of the artists to earn a living wage. This issue is really critical to the arts community and it never gets properly incorporated into a future vision of the arts. If you are going to make the arts central to Australian life, artists have to get a living wage. Is there any capacity in this terms of reference to engage that bigger question?

**Mr Eccles:** It would not surprise you that the focus on the artist and on the artist being able to have a clear pathway and be able to make a sustainable living, but also have a pathway through education and onwards, has been something that has arisen in the consultations around the cultural policy. The cultural policy, I would imagine, will address that issue in some way.

**Senator MILNE:** You are suggesting that it will not come through this review process, but it could be part of the cultural policy process?

**Mr Eccles:** That is right.

**Senator MILNE:** That would come through submissions or how, to the cultural policy process?

**Mr Eccles:** Regarding the cultural policy, there has been 450 or more formal submissions and at least 2,000 online surveys. One of the themes that we have heard is the importance of the role of the artist in how the government supports the sector.

**Senator MILNE:** The importance of the role of the artist is one thing. The artists having a living wage is quite another. I am concerned that we actually get that into the discussion. Finally, some are concerned, because the review submissions are secret and recommendations are secret, that it might be a back door way of cutting funding for the arts. Can you rule that out?

**Mr Eccles:** That is a matter for government; it is inappropriate for me to offer a view on. But there is no suggestion, as far as I have heard, to that effect.

**Senator MILNE:** What about you, Minister? Do you have a view on that?

**Senator Arbib:** I have heard nothing to that kind, but I am very happy to pass that question along to Minister Crean.

**Senator MILNE:** Thank you.

**Ms Beauchamp:** Senator, can I just clarify. You kept making reference to the secret review. The review will not be made public while the cultural policy is in development. It will be up to the minister whether he releases the review once the government has made decisions on the announcement around the cultural policy. I will take that back.

**Senator MILNE:** Thank you.

**Senator HUMPHRIES:** I go back to the machinery of government changes that were announced in December, with respect to the arts. I note that Minister Crean was interviewed by *Meanjin Quarterly* in September. He said:

The fact that the arts is within the Prime Minister's broader portfolio sends a strong signal that this government is serious about delivering.

Is it fair to assume that when the portfolio was moved out of the Prime Minister's department and into its own separate department, where it comes under the heading Regional Australia and Local Government, that in fact this was something of a backwards step for the arts?

**Senator Arbib:** No, I do not think you can assume that.

**Senator HUMPHRIES:** Why? Putting it in the Prime Minister's department gave it special status; taking it out of the Prime Minister's department surely indicates it never got that status, doesn't it?

**Senator Arbib:** It is a decision of the Prime Minister, so it is a matter that probably should have been raised with the Prime Minister's department during Senate estimates.

**Senator HUMPHRIES:** That is a nice way of dodging the issue but if the minister thought—

**Senator Arbib:** It is not a way of dodging the issue, it is where the question should have been asked.

**Senator HUMPHRIES:** I am sure you could defend the arts portfolio and its status within government.

**Senator BERNARDI:** Did you bother?

**Senator Arbib:** It is Minister Crean and it is a good fit. I think it works well. The sport portfolio has moved to Minister Crean's department and that is a good fit too.

**Senator HUMPHRIES:** I noticed that some of the sector take a different view.

**Ms Beauchamp:** Senator, we still have Minister Crean as the senior minister responsible for the arts and I think it is also the first time I have seen, for quite some time, sports in the title of a department so, again, it has given added profile and I am looking forward—

**Senator BERNARDI:** You might be Prime Minister tomorrow!

**Ms Beauchamp:** As secretary, I am looking forward to the consolidation of activities and really making a difference in this area, so there is certainly no lack of commitment.

**Senator HUMPHRIES:** We will wait for the next reshuffle and see where it ends up.

**Senator BERNARDI:** You will be in Prime Minister and Cabinet again, under Mr Crean.

**Senator HUMPHRIES:** Did the Office of the Arts have to physically move when the reshuffle put them into a new department?

**Ms Beauchamp:** No, they have not. But, as I indicated earlier to the committee, I am looking forward to consolidating us in one building if that is going to deliver efficiencies across the portfolio.

**Senator HUMPHRIES:** Okay, and when will that be?

**Ms Beauchamp:** We are currently negotiating with a number of landlords at the moment. That is in terms of our Canberra based operations but, as I mentioned, the department now is spread across 24 locations across Australia and we are looking at collocation opportunities there too.

**Senator HUMPHRIES:** So you are talking to landlords. Are you also talking to people who might build a purpose-built facility for the department?

**Ms Beauchamp:** No, we are looking at the most efficient option possible.

**Senator HUMPHRIES:** Which does not include a purpose-built building.

**Ms Beauchamp:** No.

**Senator HUMPHRIES:** I see. I will put a series of questions on notice about the costs associated with the reorganisation of the department. When he was the arts minister, Minister Garrett promised to deliver a National Cultural Policy in 2009. It is now 2012 and the task is ongoing, which is good—and that work has been continuing, as you have told us at each of the estimates committees in recent years. But I do note the interview that Minister Crean gave with Matthew Westwood in the *Australian* on 17 January where he said: 'It's been in our (Labor) policy for two elections and was the centrepiece of the 2020 thing; we've done bugger all.' What was he referring to when he said we have done bugger all?

**Ms Beauchamp:** I cannot comment on that quote but I will comment on the short time I have been associated with the Office for the Arts and the work that is happening around the National Cultural Policy. I understand that last year there was a comprehensive 10-week public consultation period on the discussion paper that was put out. There has been a lot of work happening in the development of that policy and hopefully we can land one in the next few months.

**Senator HUMPHRIES:** Indeed. You would not describe that as 'bugger all', would you, Ms Beauchamp? You would not utter those words, would you?

**Ms Beauchamp:** I am not sure what the definition of bugger all is.

**Senator BERNARDI:** I can tell you. I can help you with that. It means little or nothing at all. That is what the dictionary says.

**Senator HUMPHRIES:** That is good. Thank you, Senator Bernardi. Who will have the responsibility of launching the policy when it is completed—the Department of the Prime Minister and Cabinet or the Department of Regional Australia?

**Ms Beauchamp:** That will be up to decisions within the government.

**Senator HUMPHRIES:** Okay. I wrestled Mr Eccles about the subject of the application of the efficiency dividend to small agencies. You will recall our discussions in previous estimates committees about the announcement made by Minister Wong shortly before last year's budget in which she indicated that there would

be a capacity for small agencies to negotiate with their mother agencies—those might not be the words she used, but that is the effect of what she was announcing—to produce a redistribution of the efficiency dividend burden.

I note that most of the arts organisations have been exempted from the hike in the efficiency dividend from 1½ per cent to four per cent, and I—

**Mr Eccles:** The one-off increase, yes.

**Senator HUMPHRIES:** Yes, I mean the one-off increase—which, of course, keeps having an effect in out-years as well. I have one procedural question: why was the National Portrait Gallery not included in that exemption?

**Ms Beauchamp:** The National Portrait Gallery is part of the department proper, so, as I mentioned earlier, I will be looking at how we cut overheads—and I have given a couple of examples to you just now—in terms of how we will meet the additional efficiency dividend of 2.5 per cent in 2012-13. We are currently going through some of the internal planning processes. The National Portrait Gallery is part of the department, so it has not been singled out for special consideration.

**Senator HUMPHRIES:** But it is an accident of administration that it is not a separate, freestanding cultural institution. Will you be treating it like the other institutions and effectively insulating it from the extra dividend which presumably the rest of the department will have to face?

**Ms Beauchamp:** I will be looking at what we can possibly do within the portfolio; there have been no decisions made. Obviously, we need to make sure that there is no impact on or diminution of services, particularly services to the public, and I will be looking at how I can meet the efficiency dividend by looking at overheads and just doing business a bit differently. The machinery of government changes, and it has given us a good opportunity to do that around collocation and consolidation of corporate type functions. So I will be looking at all I possibly can to ensure that there is no diminution of services.

**Senator HUMPHRIES:** We already know, though, from other cultural institutions that even with the 1½ per cent efficiency dividend they are facing cuts to the quality of their services. They have made that perfectly plain when they have come before this committee. They have had to reduce staff, to not proceed with travelling exhibitions and to make other cuts which have to be considered to cut the quality of services provided to the Australian people by these institutions. Will you be able to tell us, when we come to examine this department in May, what decisions have been made with respect to the efficiency dividend as it applies to the National Portrait Gallery, and will you be able to tell us at that point what decisions have been made about things like exhibitions and staff at the gallery and so on?

**Ms Beauchamp:** I will be to give you a clear indication, I think, of some of the strategies we will adopt internally to meet the requirements of the efficiency dividend; I cannot go making any promises at this stage. It applies from 1 July, and we will be looking at all possible options within the department.

**Senator Arbib:** Senator, I do not want to go through the dance, but I will put on record at the start that the coalition has also had plans for an efficiency dividend which would have applied to these departments and agencies.

**Senator HUMPHRIES:** Yes; but not of four per cent.

**Senator Arbib:** There have been changes for some of the smaller agencies, yes. But it is a policy of the Liberal party to put in place efficiency dividends of probably greater than four per cent, because you are trying to fill that 70 billion-dollar hole now.

**Senator HUMPHRIES:** We can reprise that battle on another occasion, Minister. I am sure we will. I hope you will still be here in May!

**Senator BERNARDI:** You know it is not true, Minister. You should not repeat media speculation. We cannot believe everything we read about you.

**CHAIR:** We will be here until two o'clock in the morning with this sort of frivolity.

**Senator HUMPHRIES:** I have some questions about the resale rules. I see that, after a couple of years of operation, the scheme has now generated payments of over \$500,000 from 3,200 or so sales and that more than 350 artists have benefited, which is good. The minister has claimed that the scheme is a success as a result. But is it not the case that the scheme has cost \$1.5 million to establish and that so far it has cost three times more to implement than it has generated for artists? Would that really be regarded in any other area of activity as a success?

**Mr Eccles:** I am not sure if that is the right way to characterise the impact or the role of the resale royalty scheme. While three years' funding was announced at half a million dollars each year, as you pointed out, the

impact is going to have significant benefits well into the future. What we are seeing is essentially a doubling of impact each year, and there is no reason to believe that that is not going to increase into the foreseeable future.

**Senator HUMPHRIES:** But won't the costs also increase into the future—or continue at least?

**Mr Eccles:** It was always anticipated that it would take quite a bit of start up time, partly because the scheme applies to the second sale. Is that right, Mr Arnott?

**Mr Arnott:** That is right, yes.

**Mr Eccles:** So it was always anticipated that there would be a lead time before it started to have an impact, and I am pleased to note that it is beginning to have the impact that was desired. In particular, it should be noted that two-thirds of the artists benefiting are Indigenous artists.

**Senator HUMPHRIES:** That does not answer my question, though. Will the costs be increasing at the end of that start-up period? Will there be more costs to have to pay to make the scheme work?

**Ms Basser:** The assumption is that, as the volume of resales increases, the cost to government for the administration of the scheme should diminish—so it works the other way.

**Senator HUMPHRIES:** How does it diminish? Do the resale royalty payers have to contribute something to the cost of the scheme through a percentage that goes the government?

**Ms Basser:** No—

**Mr Eccles:** Not in that regard; there were some higher establishment costs when the scheme began to do with developing guidelines and publicity and recruiting the galleries to get involved, and it is expected that once we hit the tipping point those costs will diminish and that the benefits will continue to accrue.

**Senator HUMPHRIES:** You say that two-thirds of the beneficiaries have been Indigenous. Why do you think it is, then, that the president of the Australian Indigenous Art Trade Association, Ian Plunkett, has said that Aboriginal artists are being disadvantaged under the scheme because of the way it has been set up. He also said:

Instead of getting more money back to the artists it's had the opposite effect, and they're really feeling it.

Why would he say that?

**Mr Eccles:** I do not understand the rationale for those statements.

**Senator HUMPHRIES:** Have you been in touch with this organisation? It does represent Indigenous artists.

**Ms Basser:** What is the organisation?

**Senator HUMPHRIES:** It was a comment made in the *Australian* on 26 December last year. Perhaps you did not see it—it was Boxing Day, I suppose.

**Mr Eccles:** No; we have seen it.

**Senator HUMPHRIES:** Can I suggest that you might like to talk to that organisation and understand their concerns?

**Mr Eccles:** We have been talking to Indigenous arts organisations, I think, to take it on notice as to whether or not this particular individual has been party to discussions.

**Senator HUMPHRIES:** Can we have the details of the changes that the minister announced in December to the scheme?

**Mr Eccles:** The administrative efficiencies?

**Senator HUMPHRIES:** Yes.

**Mr Eccles:** Would you like us to talk about those now?

**Senator HUMPHRIES:** No, I do not have time. But if you could table the document that describes it, that would be useful.

**Mr Eccles:** Okay—we will take that on notice.

**CHAIR:** That takes us to the end of questions for the Office for the Arts. We will now proceed to questions for Screen Australia, the National Film and Sound Archive, the National Gallery of Australia, the National Library of Australia and the National Museum of Australia.

[15:15]

**Senator MILNE:** I want to take the opportunity to hear from each of the cultural institutions about what action they have taken to meet the 1.5 per cent efficiency dividend, since it has come on top of efficiency dividends over a large number of years now. I would like specifically to know what impact there has been on the life of the nation, if you like, as a result of this dividend. At the time it was announced, I saw the National Gallery

saying that it could lead to the cancellation of exhibitions which might have been in the pipeline and/or to job losses. I would like the staff in the National Gallery to tell me what it actually has meant.

**Dr Radford:** We postponed a couple of exhibitions—for example, the National Aboriginal Triennial will now take place this year instead of last year. We have reduced the number of touring exhibitions by a small amount, but we have had supplements from the vision funding to enable our temporary exhibition program to go around country Australia. We have not filled jobs by attrition; we have let 17 staff go during the last year.

**Senator MILNE:** So 17 positions have not been filled, and some exhibitions have been postponed a year—the one you just mentioned. What does it mean if these efficiency dividends keep being imposed: if there is another one in this year's budget?

**Dr Radford:** We have all had to live with efficiency dividends for over 20 years under successive governments. If it continues for the next few decades there will be no money left for anybody. I suppose that is the logical thing to say, isn't it? I think that is logical, isn't it?

**Senator MILNE:** It is logical, but it is important to get a sense of what it means for the premier gallery in Australia to be dealt with in this matter. I would like to hear from all of the institutions about the efficiency dividend. The National Film and Sound Archive: what does it mean for digitising records et cetera? How many jobs have you lost? Tell me what it means for some of your work.

**Mr Vogt:** In the current financial year we have investigated where we can cut back our operating costs in terms of spending less money on consultancies; we have thoroughly reviewed, and we are trending down, the amount of money we spend on travel; we are looking at whole-of-government procurement efficiencies we can get in terms of a small agency tapping into some of the whole-of-government procurement options around our mobile phone, travel and ICT services to find efficiencies; we are also looking at pursuing a fundraising strategy with the support of our board. That is a major priority for the organisation. We are looking to grow our own revenue base. We are looking at opportunities for increases in our commercial revenue streams through some of our product sales as well as some of the charging regimes for our access services. We are also looking at opportunities for online educational resources and, perhaps, grant program funding that we might be able to tap into. In terms of staffing levels, we have identified that we need to review every position as it comes up. We are doing that and looking at strategic workforce planning to identify where we might be able to reduce in some areas but still deliver the full work program.

**Senator MILNE:** Okay. So there is nothing specific in terms of positions that you have not been able to fill or major programs like digitising the collection that you have had to delay?

**Mr Vogt:** We have identified a target of up to seven positions, and we are looking at doing that strategically by identifying how we can reassign duties to other officers. So, in that context, we are looking at efficiencies. We are still digitising the collection to the extent to which we are resourced and able to do that.

**Senator MILNE:** I have some questions for the National library.

**CHAIR:** Before we do that, without being rude, if we can get the answers out as quickly as possible it would be greatly appreciated.

#### National Library of Australia

[22:21]

**Ms Schwirtlich:** The National Library has reduced the level of retrospective cataloguing. It has sought to increase the amount of funding that it raises in order to do digitising. It increased charges for interlibrary loans and it reduced the level of support for some of the internal help desks for various services that we run, consortia and things like that. We reduced our own IT help desk, restricted the number of public events and made significant reductions in supplier expenditure, including travel.

**Senator MILNE:** And jobs?

**Ms Schwirtlich:** Over the course of the year we looked to reduce by 11 positions, all by attrition.

**Senator MILNE:** Thank you. Can we now go to the National Museum.

#### National Museum of Australia

[22:22]

**Mr Sayers:** Before this committee in the past I have made the point that the efficiency dividend is just one of the pressures that is faced by the National Museum as a cultural agency. Such things as rising costs, the cost of leases and supplier costs are other pressures. However, in 2011-12, the National Museum undertook a round of voluntary redundancies, and 20 voluntary redundancies were offered to the staff of the National Museum. The

temporary exhibition program has been reduced. The smaller exhibitions in the Museum have been reduced from 12 to six. We had predicted that travelling exhibitions would be reduced down from nine to four, but we have remained at that level of nine travelling exhibitions as a result of our determination to make the most of programs which fund touring exhibitions, such as the National Touring Fund. So that is the sum of our budget reductions in 2011-12.

**Senator MILNE:** Thank you. I have questions now for Screen Australia.

**Screen Australia**

[22:23]

**Dr Harley:** When Screen Australia was formed on 1 July 2008, one of the purposes was to achieve a reduction in the administrative expenses that the three prior agencies collectively spent. We have reduced our administration expenses from some \$30 million down to about \$22 million, so we have managed the efficiency dividend in that context.

**Senator MILNE:** I hope you were here, Dr Harley, to hear the department's response to my questions in relation to the tax offset for film location and also in relation to the announcement in November last year of the possibility of extending the 40 per cent producer tax offset to games developers. I would like to ask you, since the government was not able to tell me a moment ago, what impact has it had that the offset is still at 16½ per cent whereas the other two offsets are now at 40 per cent. What does that mean in terms of attracting films to Australia and to the health of the film industry in Australia?

**Dr Harley:** I do not think I can add to what Dr Arnett said. I agree with him that it is correct there has been very little in the way of international production shooting in Australia in that period and the dollar has a lot to do with that but it is also true that there have been substantial scale productions which have shot in Australia and indeed post-produced in Australia because of the 40 per cent offset. I think there are swings and roundabouts on that.

**Senator MILNE:** And what about the games industry? Is Screen Australia supporting a producer tax offset for games developers and why?

**Dr Harley:** That is correct. We have had representation from the industry and we accept that that is an area of potential growth for the Australian screen sector.

**Senator MILNE:** Given that, we did not hear very much detail from the government. Has there been any consultation with Screen Australia in relation to the tax offset for either increasing it to 40 per cent for film location or the games? Has there been discussion with you on that particular matter to get more detail?

**Dr Harley:** I would like to take that on notice. I do not know the answer to the question.

**Senator MILNE:** I would like to come back to the National Gallery to talk about the opportunity cost. We have heard across all cultural institutions that everybody is not filling positions, reducing the number of touring exhibitions and basically restricting the growth of the cultural sector in Australia in order to meet what might appear to be quite a small dividend. What is the opportunity cost, Dr Radford, to the National Gallery or more broadly as you see it across the cultural community in Australia?

**Dr Radford:** Sorry, I do not understand your question.

**Senator MILNE:** What is the opportunity cost to the National Gallery of having to continually meet efficiency dividends? What difference would it make if you did not have to meet efficiency dividends across yours and all of these sectors in terms of the arts?

**Dr Radford:** I suppose it would mean more exhibitions because we have had to postpone or cancel shows. It would mean more digitisation and more of the things that we have not been able to do.

**Senator MILNE:** To come back to the National Library: how important is digitising collections to community access, given we are going to go to fast broadband?

**Ms Schwirtlich:** The National Library considers that digitising its collections is a major way of enabling access to and opening the collections for the nation and indeed internationally.

**Senator MILNE:** So the efficiency dividends are slowing down by what sort of factor? Are you delayed by a year from where you would expect to be or have you a plan when you intend to reach a certain achievement level in that regard?

**Ms Schwirtlich:** The first phase of the National Library is digitising related to newspapers. That was completed very successfully. The size of the collection is such that there is no way of saying that there is a

deadline in 2050 but we are seeking to continue to place the premium on digitising because of the importance of the strategy.

**Senator MILNE:** What about the Film and Sound Archive? Are you behind in your strategy in terms of digitising the collections for national access, given we are going to have fast broadband?

**Mr Vogt:** Certainly the extent to which we can digitise the collection is limited by the resourcing we have. That is certainly the equation. We prioritise what we can digitise based on what the access demand might be and the attractiveness of digitising certain parts of the collection. This simple equation is the more resources the faster we can digitise. So we just operate within the confines of what we have in our existing budgets.

**CHAIR:** Thank you for your evidence.

#### Office for Sport

[22:31]

**CHAIR:** I welcome witnesses from the Office for Sport.

**Senator BERNARDI:** Minister, it is reported that \$7.5 million of additional funding was provided to the Football Federation of Australia. Is that correct?

**Mr Eccles:** Yes, the PAES provide the detail of that \$7.5 million.

**Senator BERNARDI:** What was the \$7.5 million used for or allocated towards?

**Mr Eccles:** The \$7.5 million is being provided to support the Football Federation in the lead-up to the 2015 Asian Cup to ensure its ongoing sustainability and to assist it to position itself and put in place the necessary structures for the Asian Cup.

**Senator BERNARDI:** Okay. Should that sum appear on the grants and allocations spreadsheet that is on the Australian Sports Commission web site?

**Mr Eccles:** No. That is being provided through the Office for Sport, which is in the department.

**Senator BERNARDI:** Minister, how does that sit with your earlier claim that you were concerned about funding for professional sports? You have made statements—

**Senator Arbib:** Which claims?

**Senator BERNARDI:** I am looking for the right document.

**CHAIR:** If possible, you might table that document, if that would make it easier.

**Senator BERNARDI:** It would not help me at all, Senator Sterle. Minister, you have talked about how you regard the Australian Sports Commission as a bureaucracy out of control and how you want it to return to its regular charter. And I know that these funds are separate to the ASC funding.

**Senator Arbib:** You have seen that in print, Senator Bernardi?

**Senator BERNARDI:** I have. An article from last year reported that Minister Arbib wanted the ASC to refocus on its original charter. I quote:

The ASC is a bureaucracy out of control. Senator Arbib wants it to re-focus on its original charter, which ...

**Senator Arbib:** A quote from me saying that the bureaucracy is out of control?

**Senator BERNARDI:** That is what it says.

**Senator Arbib:** That is what the media said.

**Senator BERNARDI:** If you let me finish—

**Senator Arbib:** Are you paraphrasing?

**Senator BERNARDI:** No, I am reading directly from what is quoted in a story.

**Senator Arbib:** Was it a media release?

**Senator BERNARDI:** No, it was not a media release. It was written by Rebecca Wilson in the *Advertiser* of 6 August 2011.

**Senator Arbib:** First off, I do not think I ever made that statement. Secondly, I think, as Mr Eccles just said, the money that went to Football Australia was not from the Australian Sports Commission.

**Senator BERNARDI:** I have acknowledged that. I asked how that does sit with your reported criticism that funding for professional sports is not consistent with the charter of the Australian Sports Commission about supporting amateur—

**Senator Arbib:** I do not think I have ever said that.

**Senator BERNARDI:** So you are saying it is an inaccurate article?

**Senator Arbib:** I am saying I have not got the article in front of me but I do not ever recall saying that.

**CHAIR:** Would you care to say then, Minister, that you don't believe anything you read in the paper?

**Senator Arbib:** That is possible. If I can elaborate, I think there are plenty of opportunities for government to work with professional sports. We provide a great deal of funding for professional sports to meet our aims as a government particularly to increase participation. There are countless programs we run with the NRL, the AFL, Cricket Australia, netball—you name it—to try and increase the number of kids playing sport and increase opportunities. I think that is entirely appropriate.

**Senator BERNARDI:** So as for the request for the \$7.5 million, I am going to make the presumption it came from Football Federation Australia.

**Mr Eccles:** That is right.

**Senator BERNARDI:** Was that on top of the \$16.5 million that was already allocated or is it another part?

**Mr Eccles:** What \$16.5 million are you referring to?

**Senator BERNARDI:** The \$16.5 million—

**Senator Arbib:** Are you talking about the \$16.5 million that came from—

**Senator BERNARDI:** I am not sure.

**Senator Arbib:** I am just checking because they provided—

**Senator BERNARDI:** I am just saying that, according to the PM&C website, the total they have given to the effort to support football in the lead-up to the Asian Cup, by August 2012, is \$16.5 million. In fact, if I look at the grant announcements, it says:

To provide funding to ensure the sustainability of football leading up to the 2015 Asian Football Confederation Asian Cup, paid in two instalments of \$8.25 million with the second payment subject to the outcomes of the Strategic Review of Football in Australia.

I am just asking: is this additional payment on top of that?

**Mr Eccles:** I would need to find out what 16.5 you are referring to.

**Senator BERNARDI:** I am referring to this: the Department of the Prime Minister and Cabinet, on their website, about grants, says that it was approved on 1 June 2011 and it was \$16.5 million in value.

**Mr Eccles:** I have just had clarified for me that that 16.5 is GST inclusive and that includes the \$7.5 million that was in the PAES and the \$7.5 million that was provided last financial year.

**Senator BERNARDI:** So that goes to my question and so it is not additional.

**Mr Eccles:** It is not. It is a part of that.

**Senator BERNARDI:** It is simply a part of that grant.

**Mr Eccles:** It is the final payment of that grant.

**Senator BERNARDI:** Thank you. I am going to go to the ASC, so I might need an officer from the ASC, please. It was reported in the *Australian* that \$1.25 million that was usually spent by the ASC for overseas development programs in India and the Pacific, for the development of football, was instead given to FFA to administer. Is that correct? And is this your first estimates, Mr Hollingsworth?

**Mr Hollingsworth:** Yes.

**Senator BERNARDI:** You may want to resign from your job immediately after the department leave! But I should say welcome. So it is about the \$1.25 million. Apparently you used to administer it through the ASC for these programs but that has been given to FFA to administer. Is that correct?

**Mr Hollingsworth:** The Australian Sports Commission, in partnership with AusAID, delivers a number of programs through the Australian Sports Outreach Program in partnership with a number of professional sports including netball and football. The federation is one of them, yes.

**Senator BERNARDI:** Okay, that is terrific. But you use to administer this program yourself and now the \$1.25 million has been given to Football Federation Australia. I want to know if that is correct.

**Mr Eccles:** I can provide a little bit of historical context. It is still administered through the Sports Commission. The Sports Commission is responsible for developing the relationships and finalising the grants. The origin of the funding is AusAID. It gets channelled through the Sports Commission, who utilise their processes. In this instance, as Mr Hollingsworth said, funding ends up with the NRL. It might end up in netball. It

depends on the strategic aid issue that is being dealt with. In this instance the FFA is a recipient of that sort of funding.

**Mr Arnott:** There is a netball program in India for which money comes out of AusAID and netball undertake—

**Senator BERNARDI:** I understand. Is it an on-line appropriation in that instance? Are the programs approved by AusAID or by the Sports Commission?

**Mr Eccles:** It is through the Sports Commission.

**Senator BERNARDI:** Who makes the decision about which programs are actually operated in these places?

**Mr Eccles:** I think it is a decision that is made in partnership between the Sports Commission and AusAID but it depends on the—

**Senator BERNARDI:** My terminology is 'on-line appropriation' meaning 'Okay, here it is. You get \$1.25 million; you can do what you want with it in these places.' Or is it for specific programs?

**Mr Eccles:** They are absolutely to address specific or broad issues. In the context of the money you are talking about, it was a Pacific Sports Partnerships program, which had some specific deliverables including things, I recall, about programs about respect for women, getting girls involved in sport and other elements. The Sports Commission channelled the funding to the FFA to administer it and to provide the—

**Senator BERNARDI:** I am satisfied with that, Ms Beauchamp, unless you want to add something. I will tell you the reason I am asking. It seems to me that it could be considered that there is a bottomless pit of cash from government flowing into the FFA. I do not want to be disrespectful but the FFA in their annual report disclosed where their previous funding sources came from—from sponsorship, match payments and all these other things, including from government. They are not doing that any more. They declared a modest loss in their last annual report and claimed that as a big improvement. I am concerned—it is about transparency—whether that big improvement in the change to a modest loss from an earlier, larger loss is due to government injecting money.

**Mr Eccles:** I am aware of the media article about that. I am not sure that that tells the complete picture. All I can say is that FFA has been transparent with us and that we have had the appropriate justifications for the expenditure of public funds.

**Senator Arbib:** When football in the nineties was in a very poor shape—in financial terms and also because of ethnic tensions—and was on the verge of collapse, I am sure you know that the then Prime Minister John Howard intervened.

**Senator BERNARDI:** I was on the board, actually. I am familiar with the history and I supported—

**Senator Arbib:** I know but am going to take you to the current history.

**Senator BERNARDI:** You are going to have a go at me about something.

**Senator Arbib:** No, I am not. It is important to know a bit of background.

**CHAIR:** We do not do that!

**Senator Arbib:** John Howard intervened in football and worked with Frank Lowy. Government has been working since then in partnership with FFA to try and ensure that football in this country is sustainable. I think that the best way to look at the FFA's former, current and future finances is to have a look at the Warwick Smith report into football. The review was done mainly to ensure that the governance of the FFA was appropriate to build the sustainability of football. This is something that Mr Lowy and Mr Buckley have said to me. They are 100 per cent supportive of football becoming sustainable but obviously the cost structures are extremely high, especially when you are playing, I think, five or six teams in international competitions overseas. The review has recommendations that the FFA must undertake in terms of their governance and also in terms of reducing their costs. It also provides recommendations that government can monitor into the future with benchmarks.

**CHAIR:** There was a flurry of activity down at the end of the table and Mr Nance looked as if he had just won TattsLotto. Did you want to add anything, Mr Nance, to assist, Senator Bernardi?

**Mr Nance:** No, I do not. It seems to have moved on from—

**CHAIR:** You tricked me with the way you were smiling! Sorry, Senator Bernardi.

**Senator BERNARDI:** Minister, my concern is not so much FFA; it is about the representations that I get from literally dozens of other sports that money is so tight for sport. The government is the biggest sponsor of sport in this country and we want to see not only participation. I understand there is great participation there, but the professional sports typically have received a great deal less in funding—

**Senator Arbib:** A great deal less in funding?

**Senator BERNARDI:** because they have other income sources. It seems to me that FFA is getting enormous injections of cash and other sports are seeing that and saying, 'We could do with a bit more as well.' It is hard to explain to them. I am not having a go at FFA. They are doing their business. They are asking you for the stuff that they want. I support the transparency that is there. I have some concerns about their annual report, which I raised earlier. It is about the whole of sport in this country. There is \$8 million, or whatever it is. Extra that goes into one sport is \$8 million that is not going to appear somewhere else.

**Senator Arbib:** The Smith report was especially put in place for that reason. The goal is the sustainability of football—that is what we are working towards—so it is sustainable without large injections of government funding. I refer you to the recommendation, Senator Bernardi, because that is exactly what it goes too. As part of the recommendation, there are changes that FFA need to make in terms of their cost structures, particularly around the stadium and the stadium deals they have. We are going to take that seriously into the future, and I know they take that seriously as well.

In relation to other sports, though, I would just add that there are record amounts of funding going into sport in this country. In the May budget in, I think, 2010 there was an extra \$195 million put into sport and that money is being used by sports in terms of high performance but also in terms of participation programs that we really have not had in this country in the past. At the same time as that, we have worked with the AOC, the Australian Olympic Committee, through the Sports Commission to try to ensure that we are best prepared for the London games. We came up with the Green and Gold project. We just provided extra funding and targeted support for athletes, especially those athletes who are just outside the medals or come in around the bronze or silver area.

**Senator BERNARDI:** Minister, I hate to interrupt you, but could you put it on notice. I only have three more minutes.

**Senator Arbib:** Sorry. I am just trying to explain. You have raised that money, and it is important—I agree with you—and we want to make sure that all sports get some of the money.

**Senator BERNARDI:** And it is genuine. Let me go to this briefly. You talked about participation programs. The Active After-Schools Communities program has been a great success. You have 3,000 schools. I will stand corrected on that. It is something along those lines. I also understand that there is no commitment for funding past 2012.

**Senator Arbib:** I am a big supporter of the program. There has been a review of the program. We are looking at how to improve the program and make sure that it is better coordinated with weekend sporting competitions and sporting clubs. At the same time as that, it is part of the normal budget process of the cabinet, and those issues will be discussed and there will be announcements in the budget.

**Senator BERNARDI:** Mr Hollingsworth, you could probably help me with this. Are there any difficulties in retaining staff attached to the AASC program, given the uncertainty and the cloud hanging over its continued operation?

**Mr Hollingsworth:** No, Senator. It is a competitive market always to attract and retain talent, but we have made significant progress, often in partnership with our key sports, in terms of retaining a number of coaches beyond London. A number of coaches have already signed up. You are always going to see a bit of movement of coaches in the international market.

**Senator BERNARDI:** Forgive me for interrupting, but this is about the people who are operating this Active After-Schools Communities program.

**Mr Hollingsworth:** Sorry—my apologies.

**Senator BERNARDI:** I will give you a compliment in a minute, so you can just play a straight one to this.

**Mr Hollingsworth:** In relation to AASC staff?

**Senator BERNARDI:** Yes. Do you have trouble retaining them, given that there is uncertainty and there is a cloud hanging over the continued funding?

**Mr Hollingsworth:** We have to carefully manage that. There was funding uncertainty in the past and we managed that successfully and retained a large number of existing staff. We do get some turnover, but we invest in significant effort in terms of keeping staff aware of where things are up to in the program. Since I started this job back in September, I have personally been around to meet each of the officers right around the country. There are a couple still missing, but I am struck by the enthusiasm and passion these people have for this program. That is a good counterbalance to some of the obvious uncertainty that comes from not knowing about funding beyond the end of the year.

**Senator BERNARDI:** You will not get any complaints from me about the program. I do think that it is worth continuing and there is continued uncertainty. It seems like every year we revisit this sort of conversation. Let me congratulate you and the team at the ASC—I hope correctly—on the recruitment of Matthew Favier from the UK. It is an excellent appointment, albeit he has not started as yet.

**Mr Hollingsworth:** No.

**Senator ARBIB:** Do you know whether he had a background—

**Senator BERNARDI:** What the ASC does not say is that he was going to start in early 2012, but on some other websites—

**Mr Hollingsworth:** We are delighted that Mr Favier is coming back from a stint in the UK. He spent 10 years in high performance and he has got a strong understanding of the system here. We were keen to see him start as soon as possible. His task is obviously focused on London, but much will be on strategy and future direction as well. The British government confirmed that we have got the right person for the job and has been being quite stringent in not allowing him to start early. That has meant that his start has been delayed until 15 March. In the scheme of things that is not going to affect our overall performance in London at all.

**Senator BERNARDI:** It gets them back for taking a couple of ours over the years.

**Senator BUSHBY:** What involvement did the office for sport have in a decision to grant \$15 million for the redevelopment of Bellerive Oval, or Blundstone Arena, in Hobart?

**Mr Eccles:** The office for sport was asked for some advice by the Department of the Prime Minister and Cabinet on the status of the plans for the redevelopment of Bellerive Oval.

**Senator BUSHBY:** What date were you asked for that advice?

**Mr Eccles:** I would need to check on the date, but it was around the Christmas period. I do not recall the date off the top of my head.

**Senator BUSHBY:** So well prior to the new year?

**Mr Eccles:** It could well have been. All I know is that I was on leave so it could well have been around the Christmas-New Year period, but I will have to check.

**Senator BUSHBY:** It might have been early this year or it might have been a bit before.

**Mr Eccles:** I do not think that it was before Christmas.

**Senator BUSHBY:** When did you come back to work?

**Mr Eccles:** About the twelfth, so it was before 12 January.

**Senator BUSHBY:** If you could take that on notice, it would be appreciated. So you provided advice, essentially, as to the due diligence process regarding the application—is that so?

**Mr Eccles:** We provided advice on the background to the plans. I think it is best to characterise it as providing background information on the plans for the redevelopment of the Bellerive Oval to the Department of the Prime Minister and Cabinet.

**Senator BUSHBY:** Would that have included a recommendation on whether to assist or not?

**Mr Eccles:** No, we were not asked for that information.

**Senator BUSHBY:** Prior to being asked for that advice, you had not looked at this application at all?

**Mr Eccles:** I am not sure what you mean by 'this application'. We have been in discussions with states and territories around the stadium developments and stadium redevelopments for several years.

**Senator BUSHBY:** This particular development proposal by Cricket Tasmania regarding the development that they are looking at doing at Bellarine—

**Mr Eccles:** Not this specific one, we hadn't. It was not on our radar—

**Senator BUSHBY:** Before the Prime Minister's office contacted you seeking your advice?

**Mr Eccles:** That is right.

**Senator BUSHBY:** When the Prime Minister's office did contact you, did you liaise at all with Regional Development Australia, given a full application had been made to them with regards to that development?

**Mr Eccles:** No, Senator. We provided the advice to the Department of Prime Minister and Cabinet.

**Senator BUSHBY:** But in terms of preparation of that advice, did you liaise with RDA?

**Ms Beauchamp:** It was not a full application to the RDA. The RDAs, in terms of Regional Development Australia fund, get a broad range of applications. I think there are about 462. That was a separate process. The government quite rightly funds different projects under different programs. On this occasion, the announcements were made about funding Bellerive Oval outside of the process that the department was managing around the Regional Development Australia fund.

**Senator BUSHBY:** You say it was not a full application. It was an application under round 1—

**Ms Beauchamp:** No, it was only an express of interest.

**Senator BUSHBY:** Yes, then if I understand that, RDA then moves some applications through to round 2 for further work. Is that correct?

**Ms Beauchamp:** This time we have gone through a slightly different process. We have asked for expressions of interest and have asked Regional Development Australia committees, of which there is one in Tasmania covering the whole of Tasmania, to prioritise those projects. Unfortunately, there is obviously a number of worthy projects, but we had asked the Regional Development Australia committee to put forward three. There was only a small amount of work done in the expression of interest process, but as I say the government funds infrastructure projects through a number of programs. Bellerive was done separately.

**Senator BUSHBY:** I understand. I do not want any misconception that I do not think that funding the Bellerive development is not a worthy project. I think it is a fantastic thing and I am very supportive of it. But my questions are going to different things. When the office provided the advice to the Prime Minister's office, were they aware—

**Mr Eccles:** The Department of the Prime Minister and Cabinet.

**Senator BUSHBY:** The Department of the Prime Minister and Cabinet, sorry. Were you aware that Regional Development Australia had not recommended that the application to it under the RDAF proceed?

**Mr Eccles:** I would need to check with the range of staff who did take the calls and facilitate the provision of the background information to PM&C. It was not on my radar when I was involved.

**Senator BUSHBY:** You were directly involved with the provision of the advice to the Department of the Prime Minister and Cabinet?

**Mr Eccles:** Over the phone from the South Coast.

**Senator BUSHBY:** When you look at something like that, do you apply selection criteria or do you issue a standard set of—?

**Mr Eccles:** I think you are going to the decision-making process. That would need to be referred to—It was a decision made by the government and announced by the Prime Minister. I think you might need to seek some of the background information from PM&C regarding the process for decision making.

**Senator BUSHBY:** I suspected that might be the case with this particular ones.

**Mr Eccles:** Our role was to contribute to their considerations. We provided them with what can best be described as background information on the nature of the proposal.

**Senator BUSHBY:** Do you know where the money came from? Was it out of any recognised fund? Obviously, nothing that you administer.

**Mr Eccles:** It is absolutely not from any money that we administer. However, it will be the Office for Sport that will give effect to that commitment and work with the proponents to finalise the proposal and ensure the funding flows.

**Senator BUSHBY:** Will it come out of your funding?

**Mr Eccles:** No, it will not.

**Senator BUSHBY:** At all?

**Mr Eccles:** No, it is new money that is coming to the portfolio.

**Ms Beauchamp:** It has been identified in the portfolio additional estimates as new funding.

**Senator BUSHBY:** So it is unfunded, effectively, prior to the decision being made. Then it is not out of an identified fund that would be—

**Mr Eccles:** Not that we would be aware of.

**Senator BUSHBY:** That would have been in the last year or whatever.

**Ms Beauchamp:** It is now a separate appropriation.

**Mr Eccles:** Yes.

**Senator BUSHBY:** Okay. Minister, do you have any involvement with the decision?

**Senator Arbib:** There have been many discussions around Bellerive, there have been discussions around stadiums across the country for many months. During the football world cup process, there was a huge amount of work done in the stadia in this country. There has been intense lobbying from state governments across the board about trying to ensure that they get funding. I cannot recall any direct—

**Senator BUSHBY:** But you do not recall any specific involvement or provision of advice to the Prime Minister or her office regarding the provision of \$15 million for Bellerive Oval?

**Senator Arbib:** I will need to check..

**Senator BUSHBY:** If you could—

**Senator Arbib:** There have been numerous discussions in sports circles, sports minister circles, about stadiums. I know that Bellerive has been one of those.

**Senator BUSHBY:** I am sure that everyone wants money for this.

**Senator Arbib:** No, Bellerive has been one of the grounds where there have been discussions. I have been approached in the past by Tasmanian ministers and had informal discussions about that stadium.

**Senator BUSHBY:** I am particularly interested though in whether you had between 11 January and 16 January, inclusive, discussions with the Prime Minister or the Prime Minister's office regarding—

**Senator Arbib:** I had no discussion with the Prime Minister about it.

**Senator BUSHBY:** Or your office? Anybody in your office?

**Senator Arbib:** I will need to check.

**Senator BUSHBY:** If you could take that on notice, it would be appreciated. Thank you.

**CHAIR:** On that, Senator Bushby. Thank you very much. It is now 11:00 pm and I am having a groundhog day moment. Ms Beauchamp, it has been an honour and a pleasure having you and your officers here. Thank you very much. I do pass on my thanks to the Department of Regional Australia and Local Government, Arts and Sports. Minister Arbib, thank you very much for your assistance today.

**Senator Arbib:** It has been a pleasure.

**CHAIR:** My normal modus operandi, I want to take this opportunity on behalf of the committee to sincerely thank Hansard and Broadcasting for your great effort. To the Secretariat: arrivederci, Madam Secretary. we will haunt you for the rest of your days in the Senate to bring you back one day. That concludes today's hearing. The committee now stands adjourned, thank you.

**Committee adjourned at 23:00**