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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Tuesday, 27 May 2014

Members in attendance: Senators Back, Conroy, Dastyari, Edwards, Eggleston, Fawcett, Gallacher, Heffernan, Lines, Lundy, McLucas, O'Sullivan, Parry, Peris, Rhiannon, Seselja, Sterle.

INFRASTRUCTURE AND REGIONAL DEVELOPMENT PORTFOLIO**In Attendance**

Senator the Hon. David Johnston, Minister for Defence

Department of Infrastructure and Regional Development**Executive**

Mr Mike Mrdak, Secretary

Ms Lyn O'Connell, Deputy Secretary

Mr John Doherty, Acting Deputy Secretary

Aviation and Airports

Ms Shona Rosengren, Acting General Manager, Air Traffic Policy

Mr Scott Stone, General Manager, Aviation Environment

Ms Leonie Horrocks, General Manager, Airports

Mr Michael Rush, Director, Aviation Industry Policy

Mr Brendan McRandle, General Manager, Sydney Aviation Capacity

Mr Richard Farmer, General Manager, Aviation Safety Regulation Review

Airservices Australia

Ms Margaret Staib, Chief Executive Officer

Ms Elissa Keenan, Acting Executive General Manager, Corporate and Industry Affairs

Mr Greg Hood, Executive General Manager, Air Traffic Control

Dr Rob Weaver, Executive General Manager, Safety, Environment and Assurance

Local Government and Territories Division

Ms Robyn Fleming, Executive Director

Ms Karly Pidgeon, General Manager, Territories Reform and Service Delivery

Mr Paul McInnes, General Manager, Local Government and Reconstruction Programmes

Mr Andrew Johnson, General Manager, Regional Development Australia

Mr Luvu Mihov-Nicotodis, Acting General Manager, Territories Reform and Service Delivery

National Capital Authority

Mr Malcolm Snow, Chief Executive

Mr Andrew Smith, Chief Planner

Ms Alison Walker-Kaye, Executive Director, National Capital Estate

Policy and Research

Ms Philippa Power, Acting Executive Director

Ms Nicole Spencer, General Manager, Policy Development Unit

Dr Gary Dolman, Head of Bureau, Bureau of Infrastructure, Transport and Regional Economics

Ms Cathryn Geiger, General Manager, Regional Economic Policy

Mr James Collett, General Manager, Planning Analysis / Office of Northern Australia

Surface Transport Policy

Ms Judith Zielke, Executive Director

Mr Michael Sutton, General Manager, Land Transport Productivity

Ms Leanne Kennedy, Acting General Manager, Maritime and Shipping

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

Mr Robert Hogan, General Manager, Vehicle Safety Standards

Ms Donna Wieland, General Manager, Vehicle Regulation Reform

Australian Maritime Safety Authority

Mr Mick Kinley, Acting Chief Executive Officer

Mr John Young, General Manager, Emergency Response

Mr Yew Weng Ho, General Manager, Corporate Services

Committee met at 9:04**Department of Infrastructure and Regional Development**

CHAIR (Senator Heffernan): We will reconvene under the instructions of yesterday and we will call the Aviation and Airports Division.

Senator FAWCETT: Let us start with master planning and the assessment of its impacts. Ms Horrocks, welcome.

Senator FAWCETT: Last night we had a bit of a talk about CASA's involvement in advising the department about the adequacy or otherwise of plans that airport leaseholders put forward as their master plan.

Ms Horrocks: Certainly.

Senator FAWCETT: Essendon is a case in point, where it is proposed possibly to shorten a runway. I was asking CASA about their professional input, which says that the length of the runway, particularly for lower weight aircraft under 5,700 kilos, is not just a function of the flight manual but there are a number of factors that have to be applied which significantly lengthen the requirement that an operator has to meet to allow for engine failures and other things. CASA have confirmed that it is the case that they have to be applied. Can I ask: if the advice that a consultant gave as part of a master planning process did not include that factoring information and it was subsequently shown that CASA had verified that the figures they had interpolated from the flight manual were correct but they had not actually notified the department that the operator had to take these other things into account so that the runway that was proposed by the master plan ended up being too short for the aircraft that would be using it, what would happen to the master planning process? Would it be overturned? Would you go back and change it? What would the department do in that case?

Mr Doherty: Perhaps I could start the answer and Ms Horrocks may wish to add to it. With the general thrust of your question being about whether, in considering a master plan, we would look to the impact of a change in runway, not only in terms of the technical compliance with a manual but in terms of the overall impact about how that change would affect the operations, clearly our interest would be in being able to assess the impact on operations practically. In terms of the detail of how that assessment is conducted, I think it is correct that we would be looking to CASA for an assessment on some of those technical aspects. As for the advice that they provide in relation to each master plan, we would be looking for that sort of advice. When it comes to input from a technical expert or consultant engaged by the airport, we would be keen to understand whether that is reliable and would get an expert opinion ourselves on that. Initially that would come from CASA. If that information is available then to the minister, the minister would make his call in terms of whether that master plan is something that should be approved or not.

Senator FAWCETT: I guess the question I have for you is that I have had a large number of complaints from operators at Archerfield Airport who contend that the expert who was called to support the master planning process looked at the AF10, the flight manual, and derived from that, for each of the aircraft type that flies at Archerfield, a strip length for the new north-south runway which was less than a thousand metres—I think it was about 900 metres—but it did not take into account the factoring that the CAOs require an operator to put into their operations manual. They contend that CASA, in double-checking the figures on behalf of the department, said yes, they accurately interpreted the AFM but did not highlight the fact that factoring had not been included; therefore, the master plan, which has been approved, endorses a runway which is too short to meet the legal requirements that CASA actually require the operators to meet. So my question is: if that contention is validated, what will happen to the master plan?

Mr Doherty: I think CASA took on notice last night the issue about what exactly their assessment was and what it covered in the Archerfield circumstance and I would certainly be happy to take on notice from our side too to look at that assessment. In terms of the impact of that decision, I am not entirely sure at this stage just where the process of the runway changes at Archerfield are and whether there would be some formal further approval required before they were actually given effect to.

Mr Mrdak: If I may add, I think our view would be, in the circumstances that you have outlined, where it was shown that there was any error or there was further information which may have changed that consideration, that would not necessarily invalidate the master plan. What it would mean, though, at the time the airport was to bring

forward a major development proposal for the runway work—and I will ask Ms Horrocks to comment about the status of that—is that is the point at which that adjustment would need to be made and a separate approval process would apply. However, coming to your question, I do not think our view would be that the master plan would be invalid, because it is a concept planning document which is set out predominantly for zoning and planning purposes. The details of any runway shortening at either Archerfield or Essendon would have to be dealt with through an MDP and a specific approval program. If you do not mind, I will get Ms Horrocks to give us an update on where we think Archerfield is at on that runway proposal.

Ms Horrocks: Archerfield has not developed the MDP at this point in time. We would normally seek to look at any preliminary or exposure draft of an MDP and identify any required information at that point in time and then it would go through the legislative process for an MDP.

Senator FAWCETT: Can I just go to a broader issue now around the Commonwealth's responsibilities in terms of both airports it has gifted or sold or leased—and there are a number under that. There is a common theme here—and you would be very well aware of this, Mr Mrdak; I have raised at almost every estimates for a few years now—and it is the issues of aircraft operators, whether they be maintenance shops or flying schools or charter operators, which feel as though the monopoly power of an airport owner or leaseholder has led to unconscionable decisions in terms of conditions of lease renewal or barring them doing certain things on the airport, which, to a layman's reading, appears to be in direct contravention of the terms of the lease in terms of maintaining the airport for aviation and not barring reasonable access for airlines or aircraft operators for aviation-related activities. The feedback I have had from the department again and again is that it is a commercial issue and that those people should take up their commercial remedies. I have had feedback from a number that they have tried that with no success, from the point of view that people say, 'This is an issue between the Commonwealth as either the holder, the owner of the land and at the head of the lease or, in the case of Sale or Broome International Airport that was actually sold, the covenant that was signed between the purchaser and the Commonwealth points back to the Commonwealth having responsibility.' So could I just ask: has the department sought legal advice as to its responsibilities or any powers it may have to enforce the terms of a lease or the covenant that was signed by somebody that it sold an airport to?

Mr Doherty: You are right; there are two different categories. In relation to the ALOP deeds, which are the deeds that applied in relation to the transfer of many of the regional airports, not the leased federal airports, we have taken legal advice on issues from time to time which clearly shows some gaps in the capacity. The practice over a period with those leases has been that we are able to, and do as a matter of policy, ensure that the airports continue to operate as airports but that our powers to control what happens on the airport in any more detail would be very limited. In relation to the federal leased airports, we obviously have a range of more direct regulatory controls which go through the master planning and development plan processes and, in that circumstance, we are trying to achieve the right balance between the airport operators' rights in relation to the site, which they acquired through a tender process, and the development of the site and the interests of the users.

Senator FAWCETT: The question that arises, though, from somebody who has invested significant money in an asset—for example, a hangar—on an airport is that, if the Commonwealth has signed a lease or a sale document with a covenant that says, 'This will be maintained predominantly for an aviation purpose,' and then they are told that they cannot actually park private aircraft on the airfield because it is running out of space and yet the airport owner is selling off airport land for housing, how is that maintaining the prime purpose of that airport for aviation? And if, indeed, we have signed a covenant, what is the point of a contract or a covenant if it is not going to be enforced?

Mr Doherty: Again, coming back, I think the example that you gave there of selling land for housing is not something that we have seen happen on the leased federal airports, where we have that greater level of control. It is perhaps something that can happen at the ALOP airports, where, as I have explained, we have a much lesser degree of control, both legally and in terms of the policy intent of the ALOP program.

Senator FAWCETT: You say you have less control, but has that been tested either in court or via legal opinion? If the covenant is to be worth anything then surely there must be some recourse if the terms of what the purchaser has covenanted with the Commonwealth to do are not followed through? If there is no head of power then what is the point of the Commonwealth entering into a sale that has had a covenant?

Mr Doherty: As I have indicated, under the ALOP deeds, my understanding is that there has been legal advice on a number of issues over a number of years, as they have arisen. So our position, as we understand it, reflects the legal advice that we have received.

Senator FAWCETT: Are you able to provide that legal advice to the committee?

Mr Doherty: I can take that on notice.

Senator FAWCETT: My concern is that, if we are seeing this behaviour already—and we have talked at length about the examples at the leased airports, and we are seeing examples at these ALOP airports—then the aviation sector are increasingly coming under pressure and at this point in time it appears that they have no recourse to actually preserve the physical asset they require to run their business, which is an airport, when they are constantly being squeezed by housing or by increasing rates. I have some examples of people who are having rate increases of up to 300 per cent, having rate reviews in years when there are not supposed to be rate reviews, and the operator of the airport is just saying, 'Well, I make the rules.' Where is the recourse and where is the justice for those people?

Mr Mrdak: Are those circumstances at ALOP or at leased federal airports?

Senator FAWCETT: That one in particular was a sold airport.

Mr Mrdak: So a leased federal airport.

Senator FAWCETT: No, a sold airport.

Mr Mrdak: I am sorry; ALOP. This is the example of Broome?

Senator FAWCETT: Yes.

Mr Mrdak: Broome is in a different category, given the nature of the federal government disposal of that site as a freehold sale.

Senator FAWCETT: But still with a covenant.

Mr Mrdak: Still with a covenant to retain that site as an airport; that is absolutely right.

Senator FAWCETT: Not only to retain the site as an airport, but the covenant also goes to issues around the nature of the relationship between the owner and the operators of that airport and there appear to be a number of quite clear breaches of the terms of that covenant.

Mr Mrdak: We will take it on notice. We have had some legal advice in the past about the powers that we have under that covenant. Certainly, in relation to the ALOP, I think, as Mr Doherty has indicated, our powers are not as extensive as might otherwise be imagined, but we will come back to you with some advice on that.

Senator FAWCETT: Sure; that is fine.

Senator GALLACHER: At page 68 of the PBS funding for regional aviation access is predicted to fall by 30 per cent from 2015-16. Can anyone explain why that is so or what the rationale is?

Mr Doherty: At the moment the funding in 2013-14 and 2014-15 covers two elements. One is the RAS program, which provides a subsidy for air services in remote regions to provide at least weekly access to freight and in many cases passenger services to communities which otherwise would not be able to attract a commercial service. That is the first element. The second element is an element for funding for upgrade of remote airstrips. The airstrips funding component is funded at this stage only to 2014-15. So the 2015-16 and forward figures show the component for RAS but include no component for the airstrip funding upgrades.

Senator GALLACHER: We have 33 regional airports in South Australia—a combination of, I think, 22 public, a couple of military and some private. This is in terms of working out where these reductions would occur. None of that money would go to military, I presume?

Mr Doherty: No.

Senator GALLACHER: And none of that money would go to private, like Prominent Hill, Olympic Dam and places like that?

Mr Doherty: I will get advice on that. We can provide to you a list of the airports where there have been projects funded under the program. It is an application based program where the airport comes forward; there is co-funding from the state or local council and there is a process for selecting those which attract a Commonwealth contribution. If I could clarify, it relates to the smaller remote aerodromes and not major aerodromes.

Senator GALLACHER: So out of the 22 public airports in South Australia, are we talking about places like Leigh Creek? I am sorry; Leigh Creek is actually private. Are we talking about places like Oodnadatta that would have no funding for food, perishables and no upgrades?

Mr Doherty: We are looking probably at more remote ones than those. The approved projects that we have seen from South Australia are Ernabella, Minlaton, Marree, Oak Valley, Kingoonya and a number of other Indigenous communities.

Senator GALLACHER: If we look at Ernabella—basically there are about five townships that are in the APY lands—are we saying that that would not be subsidised for freight, so that communities that fly in perishables would not get it?

Mr Doherty: Ernabella is one of the airstrips which have received funding under this program.

Senator GALLACHER: And it will not in the future; is that right?

Mr Doherty: If there is no funding for the program, there would not be.

Mr Mrdak: This program provides capital works essentially for those airports. It is not an ongoing subsidy for their operating costs. The program is targeted to provide essential safety works and upgrades at remote Indigenous communities. As Mr Doherty has indicated, the government will consider the future of these programs in the next budget.

Senator GALLACHER: Talking about Ernabella, are we saying that their capital works are all up to speed and there is no application for any improvements there? Is the work finished? Is it functional and operational and is there no need for the money, or is it just a cut?

Mr Doherty: For Ernabella, a major upgrades project has been approved, with a Commonwealth funding contribution of \$850,000, to reconstruct and resheet the aircraft pavements. As I understand it, that program has been approved but not yet completed.

Senator GALLACHER: And, because these are remote strips, these are ongoing works that need to be done every four or five years?

Mr Doherty: I think that the frequency would be less than that. Depending on the nature of the work in the first instance, you would hope to get a longer pavement life, I would think.

Senator GALLACHER: If we get a heavy wet season or something, they will have a dysfunctional airport because funds have been cut?

Mr Doherty: Certainly, weather is a challenge in some of the—

Senator GALLACHER: It is a big challenge up there.

Mr Doherty: In the remote—

Senator GALLACHER: We are going to fix the road in there, the 210 kilometres projected for upgrade, and then we are reducing the capacity of the airport to handle the increased medical evacuations or whatever may be necessary.

Mr Doherty: The program is about increasing the capacity of the airport, which is what this project is here for. The question about the guarantee of future funding for that program is something that we cannot get—

Senator GALLACHER: It is slightly different. There are some successful airports in South Australia, Port Lincoln being one of them, with recent investment that has been made there and their ability to attract the user charge because the aircraft are over 30 tonnes. Is there any impact in those areas where things are on the more positive side, I suppose?

Mr Doherty: Those airports would not have been eligible for funding under this program in any event because of the scale of operations and the capacity to generate commercial returns to do the work themselves.

Senator GALLACHER: What about Kingscote in Kangaroo Island; is that an airport that has attracted funding?

Mr Doherty: We will have to take that on notice.

Senator GALLACHER: Outside Ernabella, what are the other Indigenous communities that have been beneficiaries of this program?

Mr Doherty: We can provide a full list of the projects funded under this program.

ACTING CHAIR (Senator Sterle): Can you do it for WA as well for the committee, please?

Mr Doherty: Certainly.

Senator GALLACHER: So, just to be very clear, there is no forward funding for these upgrades?

Mr Doherty: The program is funded to 2014-15 and future funding would be considered in future budgets.

Senator GALLACHER: So it is dropping from \$18,834,000 in 2013-14 to \$12,874,000 in 2017-18.

Mr Doherty: That is correct; but, as I have indicated, the \$12 million relates to a different sort of subsidy program for remote air services.

Senator GALLACHER: I am just trying to get a picture of whether there is reduced funding for ongoing work which may be caused by weather in these fairly remote airports.

Mr Doherty: The program which funds the capital works to upgrade those remote airports is not funded beyond 2014-15.

Senator GALLACHER: If we have a very heavy wet season for a few years, we are going to have some airports that would be in need of capital repair. Forgetting about the budget, the common sense of it is that, if we had a program which allowed people to refurbish or spend capital on keeping airports in the best shape possible to suit the needs of the remote communities, if there is no money there and there is a very heavy weather event, either continuous or for a month or so, we could end up with some airports that are not in all that good a state.

Mr Mrdak: Certainly, this program is usually very oversubscribed with applications. Certainly, before this program was established there was a significant deterioration in the number of remote and Indigenous airstrips and aerodromes because of the capacity of those communities to actually maintain them. So we regard this as a very important program. As Mr Doherty said, the government will need to consider this in future budget rounds.

Mr Doherty: We have taken \$6 million out of the program over—

Mr Mrdak: That is the way the program is profiled at the moment, as a result of decisions taken by the former government. That is the time at this stage. The program only ran for a certain number of years and no decisions have been taken since the last federal election. This represents the profile that was in place in PEFO.

Senator GALLACHER: I am trying to get my head around what is actually happening here and listening carefully to your answer. The department would obviously have a role in putting forward the evidence, if you like, that there has been a deterioration and there is a need, and that would be a future budget decision. Is that what you are saying?

Mr Mrdak: That is correct. We have done evaluations of this program. I think it is fair to say that it has been a very successful program. It has been quite critical to maintaining air services in remote areas of Australia. But obviously this program was funded for only a certain number of years by the former government and at the moment that is a lapsing program which will need to be reconsidered in the next budget.

Senator GALLACHER: I know that Senator Peris is not here, but I am sure that we would like the information in respect of the Northern Territory, which probably has a greater proportion than South Australia anyway of Indigenous communities that are totally reliant on their airports for up to three months of the year, given that their roads are impassable.

Mr Doherty: There is no difficulty; we can provide the list of all projects across Australia under the program.

Senator GALLACHER: Excellent; thank you very much.

Senator STERLE: Chair, I have a few questions. Mr Doherty, can you just tell us this: when Australia's airlines land in our major airports at capital cities, what charges do they face from the airport and government?

Mr Doherty: They would pay a charge to Airservices relating to air traffic control and they would pay a charge relating to the use of the airport facilities, which would be a landing charge and then charges for the terminal and other airport facilities that they have made commercial arrangements to access.

Senator STERLE: Anything else?

Mr Mrdak: As Mr Doherty has indicated, Airservices has charges for air traffic control but also rescue and fire fighting. The airport operator levies, generally, a per-passenger or aircraft-landing charge, depending on which system they operate. Then obviously there are the commercial rentals that the airline would face for all of its facilities in the terminal and offices and the like in the precinct.

Senator STERLE: That is worked out on either per passenger or size of the aircraft?

Mr Mrdak: That is correct. Some airports operate on a landing charge based on weight of aircraft, which approximates runway utilisation and costs of providing the aerofacilities. Other airports have moved to a per-passenger charge, again based on aeroinfrastructure costs. Airlines then generally pay a commercial rate between themselves and the airport for use of terminals and office space and the like.

Senator GALLACHER: And that would vary depending on the size of the space they require.

Mr Mrdak: It depends on the floor space that they are utilising and the like and the facilities and whether there is any special-purpose fit-out and the like.

Senator STERLE: In terms of the Airservices levy and the airport levies, it does not matter what colour the tail is; that is a fixed cost—is that right?—or do airlines have the ability to negotiate a bit harder and get a better deal?

Mr Mrdak: Airlines negotiate. Certainly with most airports, they do provide some commercial negotiations in relation to their landing charges and the like. Others do not; others have a fixed charge. Certainly, for the larger airports, I understand they do negotiate with the airlines, either collectively or as individual airlines.

Senator STERLE: That would be a commercial decision and that is their business. What about the Airservices charge? Is that a fixed charge?

Mr Mrdak: Airservices does provide a charge. It is calculated in various ways, but essentially that is a statutory charge. There is a degree of consultation. Airservices normally do a five-year funding agreement with the airlines, based on their capital works and operating costs, and then they schedule a price, which is then agreed with ACCC oversight.

Mr Doherty: That is applied consistently. That is not negotiated separately with each airline.

Senator STERLE: That is what I would have assumed. That would apply to Qantas and the Qantas subsidiaries of the Jetstar and QantasLink network; is that right? It would apply to all of those?

Mr Mrdak: The Airservices charges?

Senator STERLE: All the charges. I do not want to know the figure.

Mr Mrdak: They apply to all airlines operating.

Senator STERLE: So Virgin would have theirs, as would Tiger and all the regional airlines. It would be anyone who uses the major cities; is that right?

Mr Mrdak: That is right.

Senator STERLE: What about the internationals? What do they do?

Mr Mrdak: Similarly, they have a charging structure which is the same as the domestic operators.

Senator STERLE: Will they negotiate the same? Do they have the power to negotiate?

Mr Mrdak: It would depend. They negotiate with individual airport owners and, in the case of Airservices, as Mr Doherty has indicated, there is a set rate, depending on the aircraft. In terms of the airport owners, some would negotiate individual rates with those airlines.

Senator GALLACHER: Could I ask a question?

Senator STERLE: Yes, of course.

Senator GALLACHER: Just on that, airports are a very good investment for lots of people. Is there an ability for an airport to attract an airline, bid for an airline and waive the charges, or is there a statutory charge?

Mr Mrdak: No, there is no statutory charge. The airports—

Senator GALLACHER: So if I wanted China Southern to fly in and out of Adelaide 16 times a day, I am able to say, 'You can come in for nothing because you are going to take a million people through my airport.'

Mr Mrdak: That is right. It is open to the airport operator. In fact, many airports do provide concessionary deals to attract new entrants.

Senator GALLACHER: Those airlines that are servicing regional Australia and do not have that number of people coming through an airport do not have that bargaining power, so they are faced with a statutory charge in an increasingly lean environment.

Mr Mrdak: It is not a statutory charge. Airport landing charges at the major airports are set by commercial negotiation with the airlines and are subject to price monitoring. Aeronautical charges are subject to price monitoring by the ACCC at our four largest airports, but largely they are done through commercial negotiation.

Senator GALLACHER: So a regional carrier that is providing important services but not making a huge amount of money has no bargaining power in respect of charges.

Mr Mrdak: I would not necessarily say that. I think a pretty fierce commercial negotiation takes place between the regional carriers and all of the airports.

Senator GALLACHER: I am just trying to work out whether we could end up with just the people that can bring passengers in bulk into the airport get a free ride and those who provide an important public service pay through the nose.

Mr Mrdak: I do not think so. If you look at all of the major airports—and, if any of the airport owners were here, they would tell you that they engage in a pretty fierce commercial relationship—the regional airlines do, I think, make it clear what they will and will not pay.

CHAIR: Just pausing there for a moment, could I use Wagga as the example and whether it is competitive and whether it is fair? Obviously in Wagga there is screening for QantasLink—and what is the weight of the plane that requires you to go through screening?

Mr Mrdak: It is 20,000.

CHAIR: Kilos on the tarmac.

Mr Mrdak: MTOW.

CHAIR: So there is the cost of that. Do not ask me how they manage it, because there are three flights a day or whatever it is and there are security people sitting around. They go out that door through screening and then Rex airlines, who often have more or the same number of passengers on the plane, even though the weight of the plane is different, go through that door with no screening and without the cost, I presume, applied to them of screening. Is that fair?

Mr Mrdak: It varies, depending on the policy of the airports. Some airports will try and make sure that all of the industry pays an equivalent cost. It depends on what time the aircraft is operating as well as the MTOW to ensure that the security screening is in place in some locations.

CHAIR: Rex and QantasLink are both doing a good job. They fly out more or less within half an hour of each other. One lot gets screened and the other lot does not and they both end up at the same airport in Sydney.

Mr Mrdak: And then there are screening arrangements in Sydney for passengers disembarking from the Rex aircraft if they are entering the sterile area. There are a whole range of security arrangements. In essence, the government has put in place, or successive governments have put in place, an aviation security screening regime. The line was drawn at 20,000 kg for screening.

CHAIR: Is there a logic to that in that it makes a bigger hole and it drops or something—

Mr Mrdak: A lot of analysis was undertaken on the impact of aircraft size as to what sort of security threat it posed, so the MTOW level was set on a security risk assessment basis.

CHAIR: But it is interesting, isn't it, that I have not struck an MP who did not line up to be screened at the airport to get on a plane and yet some of them think they are too important to be screened to come in here.

Senator STERLE: I do not. I think that we should all be screened.

CHAIR: Anyhow, do not take the bait there.

Senator STERLE: Okay. Thank you, Chair. What I am leading to, Mr Mrdak or Mr Doherty, is this: is there the ability, because of this fierce competition, for international airlines to have an unfair disadvantage over Australian airlines in terms of a stronger negotiating power at our international airports?

CHAIR: That would be 'advantage' and not 'disadvantage', wouldn't it, Senator Sterle?

Senator STERLE: Advantage. What did I say? It would be an advantage over our Australian airlines. I really am tired after last night.

Mr Doherty: The international airlines have formed an organisation so that even the smaller operators—the Vanuatus and airlines like that—have access to a central organisation that I believe could help them in those negotiations. I think these are serious commercial organisations that are in a position to put their case in those negotiations with the airports.

CHAIR: Senator Rhiannon.

Senator RHIANNON: I have some questions about Badgerys Creek and a few other issues. However, I will start off with the joint study into aviation needs in the Sydney region, which I notice on page 4 recommended that, if Badgerys Creek was given the go ahead—this is the quote—'work should begin immediately to update the environmental impact study'. Where is that up to, considering that we had the last one in 1985?

Mr Mrdak: No. The last environmental impact study of the Badgerys Creek site was done in 1999-2000.

Senator RHIANNON: A full EIS?

Mr Mrdak: Yes, a full EIS.

Senator RHIANNON: On Badgerys Creek?

Mr Mrdak: Yes.

Senator RHIANNON: I missed that; thank you.

Mr Mrdak: It was quite extensive. In fact, at the time, it was the largest EIS ever undertaken. It was a very comprehensive document. It went through the Commonwealth legislation and at the time it was approved and

agreed as a basis for progressing. The government at the time did not proceed with the development. Subsequently, now, a decision has been taken to proceed with the development of the Badgerys Creek site as a Western Sydney airport. I am sorry; we covered a bit of this yesterday with the Western Sydney unit, but the work that is now being undertaken by the department does include undertaking work which would involve an environmental assessment and meeting the requirements of the Commonwealth environmental legislation for the development of the airport site. We are currently ascertaining what requirements there would be for environmental assessment of the proposal. We are now developing a detailed proposal for development of the site and undertaking negotiations, or starting discussions, with the Sydney Airport Corporation under their first right of refusal, and that will feed into a review of the environmental issues.

Senator RHIANNON: Can you give us some dates on that: when it is going to start and when you expect it to be completed?

Mr Mrdak: We are currently discussing with the federal environment department the requirements for environmental assessment. We are looking at what needs to be done to update the work that was done in 2000. There has not been a great deal of change in the site.

Senator RHIANNON: So when you say 'update the 2000 work', you are referring to the 1999 one?

Mr Mrdak: The 2000 EIS; that is correct.

Senator RHIANNON: Can you give us some dates?

Mr Mrdak: I cannot give you a date, but we would hope to be in a position in the next couple of months to ascertain what environmental assessment will be required and also, as part of that, we will be starting a community consultation process.

Senator RHIANNON: So in the next two months you will decide in what form the EA needs to be?

Mr Mrdak: That is correct.

Senator RHIANNON: Is that how you would summarise it?

Mr Mrdak: And what issues need to be addressed in any—

Senator RHIANNON: And then you mention community consultation. When do you expect that to start?

Mr Mrdak: We envisage that later this year we will start a process of community consultation, once we have developed an indicative airport development proposal and the like. Depending on what the environmental assessment requirements are, that will shape the community consultation process.

Senator RHIANNON: When do you expect the EA to be finished?

Mr Mrdak: I do not have a time frame. That will depend on the requirements of the assessment.

Senator RHIANNON: Will this EA be looking at whether there should or should not be a curfew at Badgerys Creek?

Mr Mrdak: That will be a matter for the requirements of the environmental assessment.

Senator RHIANNON: So the EA will consider whether Badgerys Creek should have a curfew and the impact a curfew—

Mr Mrdak: No, I did not say that. I said that it is yet to be determined as to what the extent of the environmental assessment will be.

Senator RHIANNON: I see; I apologise.

CHAIR: But as given in evidence last night—with your indulgence, Senator Rhiannon—we have protected, to a large extent, the noise corridors.

Mr Mrdak: That is correct. We are very fortunate in the sense that the Badgerys Creek site has been protected essentially since the late 1980s by the noise exposure forecast, the noise contours effectively. The New South Wales state government has precluded development within those noise contours since the 1980s. So we are very fortunate that we have a site which has very little development in close proximity to the airport site.

Senator RHIANNON: So that sounds like a decision has already been made not to have a curfew?

Mr Mrdak: No decision has been taken, apart from the fact that the development of the site has always been based on it being a 24-hour operation.

Senator RHIANNON: Just to understand a bit more about the process—and you made reference to this in your earlier answer, when I was asking about the EA—the Sydney Airport Corporation has the first option on agreeing to build at Badgerys Creek. How long does it have to make up its mind about whether it will take up that option?

Mr Mrdak: A process is set out in the sale agreement for the airport. The first stage is a consultation period, which has to be a minimum of five months but can be up to 12. After that, the Commonwealth has to provide what is called a notice of intention, which sets out what the Commonwealth's proposal is for the development of the airport at the site. Effectively that is the document which would be a contract to build and develop the airport. The Sydney Airport Corporation then has a period, under the sale agreement, in which they can consider that, which I think is four months—I think it is of the order of four months or so—to make a decision, depending on the contractual time frames that are being met.

Senator RHIANNON: Can you just clarify what actually kicks off the five months? When do we start the countdown?

Mr Mrdak: There is a formal process under the sale agreement where the Commonwealth issues what is called a notice to consult, and we envisage issuing that very shortly. We have currently been undertaking informal consultations with the company. We envisage issuing the notice to consult shortly, which will formally start the process off under the sale agreement.

Senator RHIANNON: What does shortly mean? Is that within the week or within the month?

Mr Mrdak: I would hope it would be within the next month or two. We are currently engaging specialist advisers to the Commonwealth to assist us in the process. Once that is in place, I envisage being able to issue the notice to consult from then.

Senator RHIANNON: So July-August?

Mr Mrdak: That would be my intention.

Senator RHIANNON: Just going back to the May 2012 estimates, you replied, in response to my question on notice No. 54 about the last airport risk assessment on Sydney airport's third runway, that there has been no EIS in relation to Sydney airport operations since the third runway development in the early 1990s. Can you confirm when the last airport risk assessment was undertaken? Why I am asking it again is that you did not answer about risk assessment specifically. I must admit that perhaps you were saying that all the EISs have risk assessments in them. Maybe this will be my first question: when you answered by saying that there has been no risk assessment in relation to Sydney airport operations since the third runway development in the early 1990s, was that because the EIS always had a risk assessment in it?

Mr Mrdak: My recollection is that the EIS that was done for the parallel runway development did include a risk assessment; that is correct. I am not aware of a risk assessment of that form being done since that time.

Senator RHIANNON: You said 'my recollection'. Do you need to take that on notice?

Mr Mrdak: I will take it on notice. I am not aware of any risk assessment of the type that was done for the parallel runway EIS being done since that time.

Senator RHIANNON: So since Sydney airport's third runway came in, we have had no risk assessment undertaken; is that correct?

Mr Mrdak: I am sorry, could you clarify what you mean? What risk assessment are you looking at? Clearly the operations of the airport are constantly under assessment and review. For instance, we do security assessments and there are safety assessments by the operating agencies and the authorities. If you are looking at a comprehensive risk assessment of a new development, that has not been done since the parallel runway development.

Senator RHIANNON: Isn't that surprising?

Mr Mrdak: No. The individual agencies—for instance, Airservices Australia or the Civil Aviation Safety Authority or, in our case, the Office of Transport Security—are working with industry constantly on risk management and are also developing new processes for handling traffic and also passengers. But if you are looking at a formal risk assessment in the sense that is done for a development, I am not aware that that has been done in such a comprehensive way since the parallel runway. It has not been needed to be done, because the parallel runway fundamentally changed the operations of the airport. Therefore, accordingly, a full risk assessment was done as part of the environmental impact study.

Senator RHIANNON: So you are saying that the comprehensive risk assessment is not needed because—I am certainly not trying to verbal you; I am just trying to understand this—the third runway in fact made the airport safer?

Mr Mrdak: Certainly because the third runway was changing the nature of operations at the airport, the risk assessment was undertaken as part of that because it changed the way in which the airport runways would operate and changed the traffic flow both on the ground and in the air into and out of the airport. We have not had that

significant change of operations. But having said that, all of the agencies continually update their processes and procedures on risk assessments, as they handle traffic growth and the like in and out of the airport.

Senator RHIANNON: But we are talking about the comprehensive risk assessment that was undertaken just on 25 years ago. So I take your point—and I am not trying to doubt the fact that the people working at the airport doing everything to make it safe—but it would seem that having a comprehensive risk assessment needs to be part of the foundation of how you manage airports?

Mr Mrdak: No, I do not think so, in the sense that all of the various operators at the airport do their own risk assessment of their operations. The risk assessment that was in the EIS that you are referring to was in relation to changing the infrastructure at the airport and what that then did. What that largely reviewed was the safety of moving to parallel runway operations over and above the former cross-runway operations that took place at the airport. Since that time, we have largely operated parallels with a combination of modes involving the cross and the parallel operations quite safely—very safely—but obviously, the operating agencies continually review their safety management systems to make sure they take risk assessment and modify their operations as necessary. So all of the operators at the airport utilise safety management systems, including Airservices Australia, to make sure they are constantly updating them for any identified changes in risk.

Senator RHIANNON: But none of that material is publicly available, though, is it?

Mr Mrdak: All of it is part of the operations of the individual companies and firms involved, and I do not think that is publicly available, no.

Senator RHIANNON: However, those comprehensive risk assessments that have been part of EAs in the past have been publicly available?

Mr Mrdak: They have. But the risk assessment to understand what they are is largely an analysis of traffic and similar operations globally around what would happen if you were to move from a pattern of operations that was pre parallel runway to parallel runway. It was largely a mathematical, numerical risk assessment of what happens when you move to different configurations.

Mr Doherty: I think part of the issue here is that the environment legislation and the need for an environment assessment and risk assessment of environmental impacts are triggered when there is a major new proposal, a major new development, to operate something in a completely different way. That is why the full process was carried out when the new runway was developed. But that basically set the pattern then for Sydney airport operations which has been followed since. So in the absence of any major new change to the airport's layout or its operations since, there has been no need and no trigger under the environment legislation for a further assessment, including a risk assessment.

Senator RHIANNON: But over those 25 years, the amount of traffic through Sydney airport would have increased astronomically; do we agree on that?

Mr Mrdak: There has certainly been a significant increase in aircraft movements and passenger movements, yes.

Senator RHIANNON: So in terms of a crash risk analysis, isn't that needed?

Mr Mrdak: Not in the way that it was done in the EIS, no, because we are not changing the fundamental parameters of the field. Certainly, as I say, the agencies involved continually update their safety management systems. As we saw with Airservices Australia last night, who spoke about some of the measures they have been taking over the last number of years to increase capacity and safety management, they are constantly updating their procedures and processes to take account of the traffic growth.

Senator RHIANNON: I will just move on to 'upgouging', which is a delightful word—

Mr Mrdak: Upgauging, not upgouging.

Senator RHIANNON: Upgauging, is it? I thought upgouging might have been a bit of honesty coming into what goes on. Anyway, upgauging; thank you for correcting me. You have outlined before the factors that limit upgauging when I have asked questions about them, but have those factors changed? According to my recollection of when I asked about this before, you said that it would not be occurring at Sydney airport, for various reasons. Is that still the case or can upgauging occur at Sydney airport?

Mr Mrdak: Upgauging does occur and will continue to occur at Sydney airport. There are some limitations at Sydney airport that mean that it is not going to continue at the rate that it possibly has in the past, because of the limited amount of parking and apron space available and the terminal facilities at Sydney airport, which makes it more difficult to accommodate a shift into larger aircraft types. The recent master plan which has been approved for the airport sets out a range of proposals for new terminal expansion, which tries to provide for an upgauging to

enable them to handle passenger growth, given the limitations of the airport's movement rate at 80 movements per hour. So over time, they have made some assumptions about upgauging, but there are physical limitations at Sydney airport as to the extent to which everyone will move and also market limitations, given the nature of the market, as to everyone moving into larger aircraft types. That has been steadily happening but with some limitations.

CHAIR: Could I just seek some guidance from you, Senator Rhiannon?

Senator RHIANNON: I have only two more questions, and this is my last point. I just want to clarify a couple of things and then it will be back to you Chair; thank you. Could you tell the committee what percentage of current aircraft movement at Sydney airport is undertaken by the small planes?

Mr Mrdak: We can get that data for you. When you say small, you are talking non-jet aircraft?

Senator RHIANNON: Yes, the non-jet aircraft.

Mr Mrdak: We can get that information for you.

Senator RHIANNON: Unfortunately I do not have it in my head, but there was a recent report and I thought it was 26 per cent that are small planes. So to ask the question, if you can take it on notice: what is the percentage and any changes that have occurred in that and what you are anticipating could change with upgauging?

Mr Mrdak: We will get that information for you.

Senator RHIANNON: Thank you.

Senator GALLACHER: I have a very broad question, Mr Mrdak, on the unbelievable tragedy of MH370. What is aviation and airports doing in an environment of competitive tension? We have a report that life rafts are going to be taken off Qantas planes to save some fuel costs. Where is the travelling public to look for some guidance? It is a very safe industry, but this is really focused on 'how can we lose an aircraft'? Is it within your jurisdiction to be talking nationally or internationally to make sure that we can track an aircraft from point to point and know where it is going and, if something unfortunate happens, find it?

Mr Mrdak: Clearly the tragedy of MH370 has focused everyone's mind on the question you asked last night of Mr Dolan and Mr McCormick. How can it be that an aircraft can effectively be lost? Mr Dolan, I think, set out that that continues to be a possibility with certain extreme circumstances. There has been a lot of work, since MH370, with the International Civil Aviation Organisation. I might get Mr Doherty to talk a little about that. There was a special meeting of the ICAO council last week or the week before.

Mr Doherty: It was a special meeting of experts convened by the International Civil Aviation Organisation and, from Australia, experts from search and rescue, air traffic control and civil aviation safety attended. The idea was to look at the experience of MH370 and, for that matter, the Air France accident some years ago and to look at how the system could be improved. It covered a wide range of issues, things like improving the search and rescue response; when we understand there is an issue, being able to track aircraft better through the equipment that they have and the use of satellite technology; being able to download data during flight so that a certain amount of information which would otherwise be obtained from a data recorder in an aircraft is available; to try to work on the various levels of the system in a way that fits in with what the operators and the air navigation service providers are doing to try to give us a better assurance about being able to both locate the aircraft and, if there is an accident, to save life; and, importantly in the aviation context, to understand what went on so that the issues can be avoided in the future. The International Civil Aviation Organisation has now set up a range of processes which will follow in those various different streams of activity. Australian representatives will be actively involved in that process, and in fact will try and take the lead so that we can get some better assurance about these sorts of incidents.

Senator GALLACHER: There was some media comment about Boeing, Airbus or the manufacturers having a role in this. Is that a focus? Are they going to design planes that cannot be lost?

Mr Doherty: It is already very much a part of the picture. It is not the whole picture by any means. But as part of the manufacture of modern aircraft, there are systems on board which monitor engine performance and transmit that back to the operational base. Airbus and Boeing have slightly different systems, but they have both been working on that and it is becoming more and more frequent. So being able to lever off those sorts of systems is the type of option which may be able to be used to improve the coverage of the search and rescue authorities and air traffic control without imposing a huge new technological cost on the airline operators. So the industry is very much involved in the process, as are both the major manufacturers.

Senator GALLACHER: If I am travelling every day and other people are travelling every six months or every year, in an Australian environment could we be assured that this sort of thing could not happen to us?

Mr Doherty: The threat of losing an aircraft is much less in Australia through developments that Airservices have been rolling out with what they call ADS-B. We now have very good coverage of the Australian mainland and close waters for aircraft. There are still gaps in the world-wide technique. That is what the International Civil **CHAIR:** I take it, though, as Senator Fawcett has just pointed out, that you could install a system which cannot be disabled by the pilot?

Mr Doherty: That is an important part of the picture. There is concern amongst the pilot group about having electronic equipment on board that you cannot disable, either to restart if something goes wrong or if there is a fire risk. So there are some complexities around that. An important element is not having a system which could be turned off too easily at the discretion of the crew.

CHAIR: I note that the Minister for Defence is in the room. The great comfort is that in a future war it will just be a matter of disabling the electronics and you will not have to drop a bomb. I was out on a warship and I noticed the war room—

Senator STERLE: They let you visit one of our warships!

CHAIR: The war room had aluminium walls. I said, 'Oh my God, you would soon put a shell through that'— 'Oh, Senator, we are not designed to take a shot.' They said, 'But if they blow those aerials off up there we've got to turn around and go back to port because we are only designed to take so many shots.' I said, 'You don't think the enemy would fire the one extra shot?' That is modern warfare.

Senator STERLE: They will, now that it is in *Hansard*.

CHAIR: Thank you very much for your attendance. We will move on.

Mr Mrdak: Does that complete aviation and airports, Chair?

CHAIR: It does. We will now move to the local government and territories division.

[10:05]

Senator FAWCETT: Ms Fleming, coming from South Australia, we are incredibly sensitive in local government areas about supplementary road funding and the support that we need for roads in South Australia. Could you give the committee a brief history of why there was supplementary road funding made available to the state?

Ms Fleming: There was the introduction of supplementary road funding in 2003-04 as a consequence of the Hawker review and a government decision to accept that review.

Senator FAWCETT: Has that funding been continued until this point? When was it funded until under the previous government? I am assuming they followed on from the Howard government in funding that?

Ms Fleming: The funding has always been a lapsing measure. Governments from time to time review those lapsing measures. That lapses on 30 June this year.

Senator FAWCETT: Was there any plan by the previous government to extend it beyond 30 June this year?

Mr Mrdak: The program is to lapse on 30 June. There was no decision taken prior to the election that it be continued.

Senator FAWCETT: In terms of the road funding formula and options for South Australia, under the current budget, accepting the fact that there were no plans to extend it and it has not been extended—is there additional Roads to Recovery or black spot funding that has been made available?

Mr Mrdak: Yes, Senator. The government has made a commitment in the budget to special funding of \$350 million in 2015-16 for Roads to Recovery to all local government and also has provided two additional rounds of \$100 million each over two years in black spot funding to be available for local government for particular road projects.

As has been outlined, the supplementary funding for South Australia was put in place following a parliamentary review. After 30 June, the South Australian local government share of the road funding, the untied local road funding grants, will revert to the situation pre-2003-04. There was a historical split formula that was put in place in the early 1990s which resulted in South Australian councils being allocated a certain share of the national pool. That was put in place following the arrangements that were put in place following a Special Premiers Conference and reflects the fact that until that time, or following that time, the South Australian government essentially used to take about 30 per cent of the local roads untied grants and it was held by the South Australian government. It was not allocated to councils on the basis that the South Australian government retained an amount of money for what they regarded as unincorporated areas in South Australia and road works in those South Australian areas.

So the history is that South Australian councils did receive a lesser share than other councils in Australia because of the way the state government previously handled this unincorporated share of the pool. That was then reflected in a historic split that was done across the jurisdictions. The parliamentary inquiry headed by the former Speaker of the House, Mr Hawker, identified some issues with that and the supplementary payments were put in place for a period, but they will lapse on 30 June.

Senator FAWCETT: In terms of moving forward, a number of South Australian members and senators have raised concerns around this issue. With respect to the proposed review of that, following on from the Hawker review, to look at the current situation, where is that at?

Mr Mrdak: The government in the budget has not made any adjustment to the lapsing of the program. Any changes or reviews will be subject to future government decisions.

Senator CONROY: The government took a range of decisions in the budget that will impact negatively on regional Australia. What analysis was carried out, to pick an example, by the department of the GP co-payment and other increases in health payments on a regional basis?

Mr Mrdak: I am not aware that we undertook an analysis of that.

Senator CONROY: So the department was not consulted at all?

Mr Mrdak: Not to my knowledge. I will take that on notice. I do not believe we were.

Senator CONROY: Was there any analysis carried out around the changes to Medicare? Were you consulted or asked for any input?

Mr Mrdak: Again, not that I am aware.

Senator CONROY: Does the department know if this change will discourage doctors from bulk billing where there is less choice for people to access GP services in regional areas?

Mr Mrdak: They are not matters which the department deals with.

Senator CONROY: I am asking whether you were consulted. Your department has the remit. You are there to give us a run-down on how things affect regional Australia. I am wondering whether you were consulted at any stage during these budget deliberations.

Mr Mrdak: Clearly, through the budget process, there is advice provided to government.

Senator CONROY: You just said you were not consulted, so do not try to pretend that suddenly, mysteriously, you were.

Mr Mrdak: No, I am indicating to you that these are matters taken in the budget context in other portfolios. To the best of my knowledge we were not consulted or provided advice on these matters.

Senator CONROY: How about the health and education cuts as a whole, the \$80 billion? What are the impacts of these cuts on regional Australia? Have you modelled that at all?

Mr Mrdak: We have done no modelling of that issue.

Senator CONROY: You were not consulted? It was not discussed with you?

Mr Mrdak: Not to my knowledge, no.

Senator CONROY: What analysis was carried out regarding the changes to university funding? What is the department's view on the impact of these changes on regional students and regional universities?

Mr Mrdak: We have not undertaken any analysis at this point of the changes that have been announced. They are matters for another portfolio.

Senator CONROY: Are you intending to?

Mr Mrdak: Not at this stage.

Senator CONROY: Isn't that part of the remit?

Mr Mrdak: Senator, we will leave that with our colleagues who have the portfolio responsibility for these matters.

Senator CONROY: You do not have to worry about a range of measures; you do not bother to do any work, provide any analysis or provide any input to the government on \$80 billion of cuts and how they impact on regional Australia?

Mr Mrdak: Senator, I leave that to our colleagues in other portfolios. I am not sure I could even agree with your characterisation of the measures.

Senator CONROY: Senator Ron Boswell has agreed. He has probably met a few more people in regional Australia over the years than you have. The government is going to pull around a billion dollars from local governments through the financial assistance grants, leaving a fairly significant funding hole that will certainly have a negative impact, with less funding for local roads and services. That is unambiguous, I would have thought, or are you going to disagree that that is what has happened?

Mr Mrdak: Sorry, is there a question, Senator?

Senator CONROY: I was asking if you were going to disagree that there was a reduction in moneys to local governments through the financial assistance grants.

Mr Mrdak: No, I am not disagreeing, Senator. The government has put in place some measures essentially to remove the indexation arrangements for three years for local government financial assistance grants.

Senator CONROY: So there is less funding for local roads, less funding for local services and all of that cumulative impact means less regional jobs.

Mr Mrdak: That would depend on how local government decides to deal with the measures and how they factored any indexation in to their forward planning.

Senator CONROY: You usually would factor indexation into forward planning. It was a new measure announced in the budget, to take it away.

Mr Mrdak: It will be a matter for local governments as to how they decide to deal with that.

Senator CONROY: Did your department carry out any analysis of the impact on regional Australia before the budget?

Mr Mrdak: We provided advice in terms of the issues involved. We administer the financial assistance grants payments.

Senator CONROY: I am pleased to see you were consulted on this one.

Mr Mrdak: We provided advice on that matter, yes.

Senator GALLACHER: Can I ask for clarification? If you pause the indexation that then becomes a cumulative deficit, doesn't it? It has an effect in the year, but then if that pause is never reinstated, it is a growing component of funding that is removed in future years, isn't it?

Mr Mrdak: That is correct. If any pause in indexation does not result in that being re-addressed then it goes to the base funding; that is correct.

Senator GALLACHER: It is a huge—

Senator CONROY: It is a fair whack.

Senator GALLACHER: It is huge.

Senator CONROY: Have you modelled the impact or is there just a stock standard answer, 'Oh, it depends on how it is dealt with by the—

Mr Mrdak: It will depend on two things: One is the way in which state grants commissions allocate the available funding amongst councils. That obviously has an impact on the way in which they do their equalisation process, which is done inside each jurisdiction. Once the funding is allocated nationally that will obviously impact differently on different councils, depending on how some state grants commissions allocate the available funds. That is done on an equalisation basis using various formulas they utilise. It is difficult to ascertain impacts on individual councils beyond identifying—we can certainly do an analysis based on what the allocation would be if the state grants commissions continued, say, their allocation that they have done in past years.

Senator CONROY: Are you indicating that you have or you have not done any analysis on the changes?

Mr Mrdak: We have done analysis based on what we understand if the funds are allocated on the existing basis by a state grants commission, but that may actually change depending on the allocation they make.

Senator CONROY: Is that analysis available to the committee?

Mr Mrdak: I would have to take that on notice. It was advice to the government. I will take that on notice.

Senator CONROY: The government also proposes an increase in the fuel excise. This will certainly have an impact on Australians who live in regional areas. By definition, they are probably going to travel a little bit more. They have to travel to work, drop the kids off to school and, as I said, travel longer distances to see families and friends. That seems a fairly bleak picture when you add up all of those cuts I have been talking about—local government, health, education, universities and fuel excise. You have not sat down and had a look at the cumulative impact of all of those on regional Australia yet?

Mr Mrdak: No.

Senator CONROY: Are you planning to?

Mr Mrdak: We will give some consideration to that. Not at this stage.

Senator CONROY: So you are not planning to do a regional impact study of all of these cuts?

Mr Mrdak: Not at this stage.

Senator CONROY: You have indicated that you were not consulted about a whole range of them, so it would not have been possible for you to model them before the budget because you were not aware of them. But now that they are all there in public you are still saying you are not going to bother to do any regional impact study on all of these cuts across the country?

Mr Mrdak: No, not at this stage. We will have a look as particular issues emerge for where they may impact on Australia's regions. We will look at those as the need arises. I am not contemplating at this stage any major modelling exercise.

Senator CONROY: It is quite amazing; I do not think we have a single National Party senator present for a discussion of regional Australia and the cuts in regional Australia. I appreciate that we have very diligent Liberal senators here, but there is not a single National Party senator here to discuss the cuts in regional Australia. It is quite extraordinary, really; quite extraordinary. Anyway, moving on. I am sorry—did you want to ask a question, Senator Gallacher?

Senator GALLACHER: Yes, just on road funding and particularly the South Australian issue. I think we said last night that Minister Briggs came out on 6 May and said that this \$18 million was not going to be there. Hasn't it been the case that under the former government and from 2004 these funds have just been put in the budget on an annual basis?

Mr Mrdak: Not on an annual basis. They have required decisions to be taken. The length of the program has varied under successive governments. My recollection is that the former government renewed the program twice for varied periods. I think the last time it was reviewed was for—

Ms Fleming: 2011-12, and 2007-08 was the time before that.

Mr Mrdak: So it was last reviewed in 2011-12 for two years.

Senator GALLACHER: I understand that. Basically, Minister Briggs or Minister Truss reviewed the situation and decided not to put \$18 million into South Australian regional roads?

Mr Mrdak: There was a lapsing program and a decision was taken—

Senator GALLACHER: They decided not to fund.

Mr Mrdak: The decision was taken in the budget process that, given the budget circumstance, it was not possible to continue that program.

Senator GALLACHER: So those 78 people who—

Senator CONROY: So this government took a decision not to renew the funding?

Mr Mrdak: There was a lapsing program and a decision was taken in the budget that it could not be funded.

Senator GALLACHER: It was announced prior to the budget that it was not going to be funded—on 6 May by Minister Briggs. I think the article was in the *Australian*.

Mr Mrdak: I am not aware of that statement; I am sorry.

[inaudible]

Senator GALLACHER: That is right. That is what ministers do. As I said last night, there were 76 people killed on regional roads in South Australia in 2010, 61 in 2013 and there were 237 serious injuries. My concern is that the lack of shoulder sealing, lack of separation, lack of removal of fixed objects and mitigation of head-ons will cause more economic loss and pain in regional South Australia—for \$18 million.

CHAIR: We all agree with you on that. Let us collect some of the \$3 trillion of tax avoidance through transfer pricing that the previous government—

Senator GALLACHER: I am with you. I am on a unity ticket with you on that.

Senator CONROY: We did not cancel all of the G20 agreements that—

CHAIR: It took me a long time to get Swanny and his Treasury officials to understand it.

Senator CONROY: And then your government cancelled it all.

CHAIR: No, they didn't.

Senator CONROY: They cancelled all the tax measures being put—

CHAIR: We are pursuing it.

Senator CONROY: It is an entertaining diversion, but we are actually in agreement on it. So can we get back to the questions Senator Gallacher was asking?

Senator GALLACHER: So, very clearly, I am not mistaken. There was a decision taken on around 6 May, announced in the Australian, that \$18 million would not be funded for South Australian regional roads?

Mr Mrdak: Senator—

CHAIR: They ran out—

Senator CONROY: And you could have renewed it.

Mr Mrdak: I am not aware of any—

Senator BACK: They do not have any monies, Senator Conroy. There is no money.

Senator CONROY: You cancelled it. You did not renew it.

Senator STERLE: Chair, could I just raise a point of order?

CHAIR: You can.

Senator STERLE: We are on television. It is embarrassing enough when we start arguing amongst ourselves, but this is becoming a continuing trend from that side of the table. Senator Conroy—

Senator BACK: I just—

Senator STERLE: He has started again, Chair. He cannot help himself.

Senator BACK: I just got here.

Senator STERLE: I know you are embarrassed about Mr Biggs' decisions down there.

CHAIR: Is that the train robber or—

Senator STERLE: Minister Briggs; I am sorry.

CHAIR: So not the train robber.

Senator STERLE: This is embarrassing. People are watching thinking, 'How did this mob ever get out of the dark age?'

Senator GALLACHER: I would just like to hear Mr Mrdak's answer.

Senator BACK: We are trying to repay your debt.

Senator STERLE: He is still going. Chair, with the greatest respect—

CHAIR: Yes. Order!

Mr Mrdak: Senator, I am not aware of any announcement on 6 May by Minister Briggs. Certainly, there was a budget. In the budget the government has not been able to renew this program because of the circumstances of the budget. There was a lapsing program and that decision has not been changed. Having said that, coming back to your point, as I answered to Senator Fawcett, the government has provided a significant increase in Roads to Recovery and Black Spot funding which will be available to all councils. I think we all recognise the point you are making that improving regional roads and relatively modest amounts of money can make a significant difference in safety terms on a number of our regional roads, hence Black Spot is \$200 million and Roads to Recovery is \$350 million. The supplementary funding for South Australia, as with all financial assistance grants funding, is untied. It is not required to be spent on roads, unlike Roads to Recovery and Black Spot.

Senator GALLACHER: Thanks, Mr Mrdak. We will be looking very carefully at the Black Spot funding to see whether that does mitigate this \$18 million. I think everybody in regional South Australia will be looking at the road statistics to make sure they do not go the wrong way because they have been going—through this funding and the great efforts of a lot of good people—in the right direction.

Mr Mrdak: I agree.

Senator STERLE: That was well said. It is road safety. I would be interested to know what the state government is going to do about it.

CHAIR: Next question? Are you finished?

Senator CONROY: Just coming back to the cuts, which Mr Mrdak has acknowledged, to local government, particularly around the financial assistance grants, what I want to understand—and I am just looking at budget paper No. 2, at page 178—

Senator BACK: It will be written in the *Hansard*.

Senator CONROY: I am not sure I quite define a Liberal-National party as a 'Nat', but I am not sure what his colleagues over there think. Budget paper No. 2, at page 178, sets out nearly a billion dollars of savings by pausing indexation over the next three years. That is approximately right: \$925 million over four years?

Ms Fleming: That is correct.

Mr Mrdak: Yes.

Senator CONROY: That is correct?

Mr Mrdak: Yes, Senator. We said that is correct.

Senator CONROY: I just did not see your lips move; it threw me. I understand that the work that local governments achieve as part of the rollout of projects under financial assistance grants are a great generator of local jobs for local communities. That is a fair proposition?

Mr Mrdak: Yes. A local government is often a major employer and a provider of services, particularly in regional Australia.

Senator CONROY: Given that nearly a billion dollars have been cut from the FAGs, as I think they are affectionately known—

Mr Mrdak: They are.

Senator CONROY: has the government carried out any form of analysis or impact study to determine how local governments will be affected, especially across regional Australia? That is your remit.

Mr Mrdak: No. We have done some analysis of what the implication is but, based on the current allocation by state grants commissions, in the wake of this decision, some state grants commissions may seek to do a reallocation, as they do annually of their grant allocations to individual councils. The impact is not easily able to be determined in advance of those state grant allocations. The \$925.2 million over four years by pausing indexation may have different impacts in different jurisdictions depending on how state grants commissions make the final—

Senator CONROY: Will any of those impacts be upwards?

Mr Mrdak: It may for some councils. They operate an equalisation process, the state grants commissions.

Senator CONROY: I admire your optimism. That is a truly Orwellian answer: we have cut their funding, but they might be better off!

Mr Mrdak: What I am saying to you is that state grants commissions undertake their own equalisation process. There may be some changes. I cannot predict what the impacts will be on individual councils at this stage.

Senator CONROY: Oh, dear.

Mr Mrdak: I have found it helps to be an optimist in public policy.

Senator CONROY: I think you almost deserve a Public Service medal for that one, Mr Mrdak. You mentioned there was some analysis done. Is that available to the committee?

Mr Mrdak: I will take that on notice. We provided some analysis during the budget process to the government. I will have to take that on notice.

Senator CONROY: I also note that the government's Stronger Regions Fund is allocated \$1 billion over five years. Is it just a coincidence that around a billion dollars is to be taken away from the FAGs and put into the government's Stronger Regions Fund?

Mr Mrdak: The Stronger Regions Fund was an election commitment of the government. It predated the budget consideration. It has been a long-standing commitment, as I understand it.

Senator CONROY: That is not what I asked. I am asking whether it is a coincidence that you took a billion dollars out of FAGs and gave a billion dollars to this fund?

Mr Mrdak: I thought I was answering your question. Stronger Regions was a long-standing commitment of the government when they came into office. It predated any consideration of this budget.

Senator CONROY: I am actually now talking about the quantum, not the actual fund names.

Mr Mrdak: The quantum—

Senator CONROY: The point I am making is they have taken a billion dollars out of FAGs and they have put a billion dollars into the Stronger Regions Fund. That sounds like they have just shifted money and called it a new title.

Mr Mrdak: No. The government came to office with a commitment of \$200 million a year and at least \$1 billion for Stronger Regions before it took office.

Senator CONROY: I am not disagreeing with that. I am just saying that they have created that money by taking it from FAGs.

Mr Mrdak: I do not think you can make that link.

Senator CONROY: A billion dollars less for regional Australia on one hand and a billion dollar more for regional Australia on the other hand. You are robbing Peter to pay Paul.

Mr Mrdak: The financial assistance grants pause applies to all local governments in Australia, not just regional local government. I would not say it is a direct relationship. The government has taken some budget measures to address the budget circumstances. There is not a direct relationship between Stronger Regions and the pause on indexation.

Senator CONROY: I repeat: I admire your optimism. You are familiar with how indexation works?

Mr Mrdak: Yes.

Senator CONROY: Do you accept that with a freeze on indexation for three years the losses are permanent? This is basically the point you made to Senator Gallacher before. So the losses are permanent and they increase every year in theory, as Senator Gallacher said, in the absence of any corrective action; so that the loss over four years is almost a billion dollars and over eight years it is more than \$2 billion. It keeps on increasing. It is cumulatively negative, which is, I think, the point you were making?

Mr Mrdak: That is correct. I agree with Senator Gallacher's point that in the absence of corrective action it does result in a reduction to the base beyond the term of the pause. That has been the experience in the past when pauses have been put in place.

Senator CONROY: No-one is suggesting there is going to be a corrective measure. You are not predicting. You might be optimistic in your own mind but you are not predicting the government is going to correct this cut, a permanent cut.

I want to put to you that after six years the annual cut to local government from this measure will exceed the entire annual Roads to Recovery funding. That is about \$350 million to local government. So after just six years that is more money taken off local governments than is being given back to local governments in the Roads to Recovery? That is just maths.

Mr Mrdak: I have not done that calculation but I am happy to go and do that.

Senator CONROY: I am sure you are not suggesting I am misleading you or that my maths is bad.

Mr Mrdak: I would not be suggesting that. We have not done the calculation on that basis but I am happy to go and look at that.

Senator CONROY: If you could take on notice to confirm that it is \$350 million after six years?

Mr Mrdak: I will take that on notice.

Senator CONROY: Every year after, forever, it will be more than \$350 million lost per year, if you could confirm that?

Mr Mrdak: I will take that on notice.

Senator CONROY: We have the budget announcement and we are talking about funds being ripped out of local government. You could fund other—not you, but the government—policy priorities. I am confused why local government is no longer a government funding priority.

Mr Mrdak: I do not think you could say that. I think the government maintain their current funding level and this year's funding level out over the forward estimates. The government have obviously had to deal with a very difficult budget process. They have had to make savings across a range of programs and initiatives. This is an area where the government have had to take some measures to address the budget challenges they face. I think the Treasurer has made that clear.

Senator CONROY: Funding for paid maternity leave at \$5 billion a year in the budget is a greater priority than local government, than roads, community projects—

Senator STERLE: Safety in the bush?

Mr Mrdak: Is that a question?

Senator CONROY: It just seems fairly obvious that in actual fact the government's priorities do not involve regional Australia and local governments.

Mr Mrdak: I think that is more of a comment than something I can respond to.

Senator CONROY: In the budget statement it says the \$925 million cut is to fund government priorities. That is what the budget paper says. So local government is not a government priority?

Mr Mrdak: The government has made its budget statement very clear in terms of the measures it has taken and the savings that are required to address its fiscal strategy.

Senator CONROY: I think Senator Lines has some questions.

Senator LINES: I just wanted to go back to the FAGs, not me personally but the grant program. I am looking at a media release by the Australian Local Government Association. It is particularly concerned about the loss of this funding. As I understand it, two-thirds of that funding is untied to local councils and one-third goes to roads. Is that correct?

Mr Mrdak: All of the funding is untied. There is a notional allocation for local government roads program, but that has been, since the 1990s, effectively untied. The only tied money in roads is the Roads to Recovery program and black spots.

Senator LINES: Since about 1990 it has been a significant part of local government funding. They say in the media release that they use that funding for a range of things, but in particular for community services, services to youth, to the local community, to support local community grants and so on. I think, if I did not mishear, you said to Senator Conroy you had no idea what local governments put that money towards.

Mr Mrdak: The money would be applied to the whole range of activities they undertake, including the ones you have raised, roads, community services, health services, all of the functions a local government performs.

Senator LINES: You do not collect that information on what that funding is used for?

Mr Mrdak: We collect some information for the national report on local government, which we compile under the legislation. It does contain some details of expenditure. I am very happy to give you a copy of that report.

Senator LINES: Yes, that would be good.

Mr Mrdak: I think the last report is—

Ms Fleming: The last report tabled is 2010-11.

Mr Mrdak: We are currently doing 2011-12. We can give you a copy of that material which sets out where local government is expending the financial assistance grants, as best data we can ascertain.

Senator LINES: In freezing these funds—and as Senator Conroy has pointed out, it is a significant loss of funds over the forward estimates—did you do any modelling about what impact that would have? If local government are, as you say and as they say, providing a health service and they have suddenly got to stop that health service, have you done any impact modelling on who picks that up, for example?

Mr Mrdak: No. The only modelling we have done is how the indexation pause would impact, based on the current allocation to councils. As I said, that may change, depending on state grants commissions. But we do not have the level of information to ascertain what each individual council would do and how they might reallocate priorities. I imagine, in light of the budget, each individual council would now be looking to see how they need to reshape their budget in terms of no longer having access to that indexation factor.

Senator LINES: That is the modelling that you agreed to give us?

Mr Mrdak: We certainly undertook what we could, knowing what we did of the proposal in the budget, but it does not go to that level of what each individual council would do in terms of allocating money across each individual function.

Senator LINES: One of the things that councils will now have to look at, if they want to continue a health service which is a vital part of the wellbeing of a community, is increasing rates for families and property owners?

Mr Mrdak: Councils have access to a variety of revenue sources. Clearly smaller councils are much more dependent—

Senator LINES: Some of them do not get any rate money, though, do they, some councils?

Mr Mrdak: That is right. Smaller councils are much more dependent on financial assistance grants and transfers from state and Commonwealth government than others. Councils have access to not just property rates

and other levies. Some of them have access to their council business operations, fees and charges and the like. They have a mix of funding available. Obviously they also access grant funds from other levels of government. That varies individually between councils. Clearly, as I said, the level of income particularly of smaller rural councils is much more dependent on financial assistance grants than the larger ones.

Senator LINES: Where that grant funding is frozen or indeed removed, that creates a problem for the local government authority to continue to provide services?

Mr Mrdak: It certainly means they either have to find efficiencies or cease undertaking some functions.

Senator LINES: But yet in this budget measure you were not asked to look at any of that impact, the impact of the removal of a health service, for example?

Mr Mrdak: We were not able to because we do not really have the level of information about what each individual council spends on each individual activity, to ascertain that. I do not disagree with you that this measure will force councils to look at either efficiencies or increasing other charges.

Senator LINES: What do you mean by efficiencies?

Mr Mrdak: As we all need to do, finding more efficient ways to deliver the service, reducing costs of service—

Senator LINES: Or cutting it out all together?

Mr Mrdak: Or ceasing to perform some functions, prioritising some functions over others. Councils may choose to no longer do some less important functions, where they prioritise things such as health or roads over other activities they undertake. Or they seek to increase charges or seek to access other grant funds beyond financial assistance.

Senator LINES: Yes, which you are also reducing. The states do not have the financial capacity to increase what they are doing. But certainly the Australian Local Government Association are in a position to be able to identify exactly what is at risk here and they are very concerned about the loss of this grant money. So it would seem to me that we could see an added burden going on to ratepayers to support these services.

Mr Mrdak: Some councils may choose to increase their rates. That will be a judgment they make, you would presume, after they have looked at which functions they decide to continue. As I say, it will somewhat depend on decisions that they will need to make, as will all levels of government, to address the budget problem.

Senator GALLACHER: Could I just have a clarification? You referred to efficiencies. From my background, efficiency generally means less paperwork. So are you saying that councils would have a choice between raising rates, increasing funds from wherever, by grants or whatever, or by putting people off?

Mr Mrdak: All organisations, when their budgets are reduced, have to make some judgments about which functions they perform, their level of staffing and the like. Are there other more efficient ways to deliver the services than what they are currently utilising? All levels of government will need to do that over the coming years.

Senator GALLACHER: Has the department done any modelling on how many job losses there will be in regional Australia as a reduction of these FAGs, as you call them?

Mr Mrdak: No. We are not able to do that. We do not have information on individual councils and what their cost structures are to enable to us do that type of modelling.

CHAIR: Just to assist the committee through that problem, being an ex-shire president, I know that some councils, which are inclined not to merge—and I understand that because you like to know your local councillor—for instance with their graders, have 12 hours a week use of the grader. They have several graders. There are some serious problems associated with efficiency in local government in maintaining their own little sovereign patch, as it were, and the use of plant is one of the serious inefficiencies.

Senator GALLACHER: I have no problem with efficiency. I am just saying that in certain regional areas of Australia, without the capacity to raise charges or rates, then people will lose their jobs as a result of significantly lower funding.

Mr Mrdak: I cannot give you an exact answer to that. That will depend on the circumstance of individual councils and how they decide to allocate their budgets.

Senator GALLACHER: But logic would tell you that would be one of the ingredients that would have to be considered at the very least? You should concede that.

Mr Mrdak: Every council, as does every state and federal government agency, has to look at how to become more efficient. That may include reducing staff. As I say, in a lot of cases it might be a reallocation of resources, but in some cases it may lead to that if that is where the council decides to take that.

CHAIR: The Hay and Balranald shires and one other shire down there had the national parks acquisitions, which is a leakage from the revenue base, and on top of that there was the serious fraud of the Commonwealth with the buy-back of the water in all that country in the lower Bidgee. There are some serious bloody holes in that. That is a great challenge.

Senator GALLACHER: Thank you, Senator Lines.

CHAIR: Do you want to ask a question, Senator Conroy, before we go to morning tea?

Senator CONROY: When are we going to morning tea?

CHAIR: After one question from you.

Senator CONROY: I am happy to wait. I am happy to break for morning tea.

Proceedings suspended from 10:43 to 10:59

Senator GALLACHER: Mr Mrdak, you mentioned the funding that is not approved or not in the budget for roads in South Australia. I am being very parochial. There is an ability under Black Spot funding to seek revenue. Can you tell me what the criteria for Black Spot funding are?

Mr Mrdak: I will get that for you. There is a series of criteria as to what projects qualify. As you are aware, there are state assessment committees that then rank projects against those criteria. Rather than confuse myself and you, I would prefer it if I can take that on notice and give you the guidelines, if that is all right. It does talk about ranked projects based on level of accident, incident and the like, which I will get for you.

Senator GALLACHER: I would appreciate that. I am glad you mentioned the actual criteria, which most people would understand is the level of accident. So we are moving from a proactive system of 11 per cent of Australia's regional roads, which are funding at 5.5 per cent—a proactive system of some \$18 million which has been arguably very successful in reducing 76 fatalities down to 61 over a period of about three or four years—to a system where we have to count the red and black crosses on certain sections of our regional roads and then apply for funding.

Mr Mrdak: As I said to you earlier, we all are concerned to maintain the improvement in road safety. The financial assistance grants supplementary roads payment was untied. It is not clear that all of that was being spent. It went to all councils in South Australia, not just the rural and regional councils. It is not clear that that was being spent on roads. It was untied. It went to Senator Lines' question. It went to a whole range of things that councils fund. I cannot give you a definitive relationship answer in relation to that funding being directly related to road expenditure. But, as I said earlier, certainly for rural and regional councils, a large proportion of their funding does go to roads. That is one of their major expense items.

Senator GALLACHER: In your answer you said that that diminution in funding could be retrieved or applied for through Black Spot, which basically goes to counting red and black crosses and then trying to fix the problem, rather than a more proactive approach.

Mr Mrdak: The increased money for Black Spot and Roads to Recovery will provide some assistance for councils, but I recognise the point you are making about the impact on a whole range of council services coming from the reduction in payment.

Senator GALLACHER: Thank you.

Senator STERLE: Black Spot is all over the place. If there have been massive cuts to local councils for funding that goes partly to roads, they cannot rely on the Black Spot. You have to wait until half a dozen people have been killed. It is not as though you are going to get a big heap of dough put into your council and it is going to go to dangerous—

Mr Mrdak: It does not go to each council on some allocated basis. As Senator Gallacher said, it goes through a process of ranking. Certain projects will rank ahead of others. It is not allocated across every council equally.

Senator STERLE: Thank you.

CHAIR: Thank you. Senator Peris, do we have a parliamentary hockey team?

Senator PERIS: No.

CHAIR: Should we have one so you can be coach?

Senator PERIS: No.

CHAIR: Why not?

Senator PERIS: I can coach but my knees are no good. I am getting old.

CHAIR: No, but we should have a team coached by you. Away you go.

Senator PERIS: My questions are around the local council funding. Are you able to provide the amounts of funding provided to each local government authority in the Northern Territory under the financial assistance grants program for the past three years?

Mr Mrdak: They are on the website, I am told. We can provide you a link to that. We will do that through the course of this morning.

Senator PERIS: Thank you. As we have been discussing just recently, I guess one of the ways to accommodate the reduction of the financial assistance grants is to increase revenue options, in particular rates. Not only do regional councils in the Northern Territory face the greatest infrastructure deficit in the country but also they have the lowest revenue generating capacity. Many regional councils essentially do not have rate payers. With the greatest infrastructure needs and the lowest revenue base, is it fair to say that the cessation of the index to the financial assistance grants will have the greatest impact on these regional councils?

Mr Mrdak: I do not know if I can be as definitive as that. I do acknowledge that, for regional councils, the financial assistance grants are a larger proportion of their income. The point you have made about their revenue raised based on the capacity of particularly remote councils is a problem. They have very limited capacity to raise revenue so the implications of a pause may well be greater for those councils than it is for metropolitan councils. That is correct.

Senator PERIS: Do you have those figures with regard to what rates were received by each of the councils?

Mr Mrdak: No, I do not think we do. The state governments would have that.

Senator PERIS: The state governments.

Mr Mrdak: The state grants commissions, or the territory grants commission in the case of the Northern Territory, would have that information, I would imagine.

Senator PERIS: Is that easily accessible, do you know?

Mr Mrdak: We can check for you. I think the Northern Territory Grants Commission should have that information quite readily, or the local government authorities in the Northern Territory administration would have that.

CHAIR: To assist the committee, as to 'easily available', I can tell you what June's is. It is there for everyone to see. It is just a matter of pushing the button.

Senator PERIS: That is how much revenue is raised through each of those councils?

Mr Mrdak: I believe that the Northern Territory administration have that.

Senator PERIS: One of the other questions I have is around swimming pools. Swimming pools in communities provide not just recreation but improved health outcomes. A 2010 report commissioned by the Department of Families, Housing, Community Services and Indigenous Affairs conducted by the Royal Life Saving Society found that pools in remote communities should be considered a core community service. Operating pools in remote communities is costly and we have seen several communities being forced to close their pools due to not having sufficient funds to operate them. Do you guarantee that the changes to be the financial assistance grants will not result in pool closures?

Mr Mrdak: I cannot make any such guarantee. It is a matter for the individual councils as to how they allocate their resources. I am sorry; I do not know enough about individual councils in the territory and how they allocate that for pools as opposed to their other activities.

Senator PERIS: And just a last question: in December last year the federal government provided \$150,000 to keep pools at Areyonga and Santa Teresa open. Has this money been continued in this budget?

Mr Mrdak: It is not a program with which I am familiar. Can I take that on notice? It probably rests with the sport or health portfolio. You may wish to pursue it with them. It is not a program that we have operated. It is probably either with the Prime Minister's department, if it is related to Indigenous support, or it may be with the health and sport portfolio.

Senator PERIS: Thank you very much.

Mr Mrdak: Thank you, Senator.

Senator CONROY: I want to talk about the minor region website. What is the status of it at the moment?

Mr Mrdak: The website remains in operation. We have currently got it under review to update it. I will just see if I have some details with me. My understanding is that the—

Senator CONROY: Will you be identifying the \$350 million funding cuts through RDAF round 5?

Mr Mrdak: Identifying them?

Senator CONROY: Will you be putting up on the website that \$350 million of funding through RDAF round 5 will no longer be available?

Mr Mrdak: I think all of the proponents have been advised of that. I am not too sure as to whether that is on the website. I will check that for you.

Senator CONROY: I would consider that that is what an update is. You do not just update the good news; you update all of the news.

Mr Mrdak: I would imagine that we have a statement on the website which sets out what projects are being funded under RDAF and the fact that RDAF 5 and 5B are not proceeding. I will check that, Senator. I will check that this morning.

Senator CONROY: Do you identify that \$350 million of funding is no longer available, not just 'oh, this program has been ceased'? You identify the quantum?

Mr Mrdak: I will identify the quantum. Certainly, the—

Senator CONROY: No. I am asking if it does identify the quantum.

Mr Mrdak: Again, I will check for you, Senator.

Senator CONROY: I am willing to bet, without having been on the website, that it certainly makes some announcements about quantum that it is claimed are new money.

Mr Mrdak: Again, I am not familiar. I have not looked at the website.

Senator CONROY: I am just looking for consistency from the department.

Mr Mrdak: Certainly, I will take that on notice. I have not looked at the website for a little while. I will refresh my memory.

Senator CONROY: What has been the delay in the update or is it now completed?

Mr Mrdak: Again, I do not have the officers with me who are responsible for that. That is handled in our policy and research group. I will get an answer for you this morning in relation to the website status and where it is at.

Senator CONROY: Okay.

Mr Mrdak: Just looking at the program, policy and research are scheduled for later this afternoon. I will get you an answer on that through the course of today.

Senator CONROY: As far as you are aware, the government is committed to continuing to develop the website and ensure that it remains an important support tool for regional Australia?

Mr Mrdak: Yes, that is our intention.

Senator CONROY: Is the government committed to retaining all 55 RDA committees?

Mr Mrdak: Yes. The government has continued its commitment in the budget for RDAs. The current status—and I will ask Ms Fleming to give you an update—is that contracts are in place for all jurisdictions, apart from Victoria. Arrangements are being put in place for the extension of the contract in Victoria.

Ms Fleming: Yes, contracts are in place until 2016 for 46 of the 55 RDAs. The other RDAs are covered under a single contract with the Victorian government which currently runs to 30 June this year and which we propose to extend.

Senator CONROY: Are there going to be any structural changes to the RDA committees? We still notionally have them in existence, but you can amalgamate 27 of them and pretend there are still 27.

Ms Fleming: Not that I am aware, Senator.

Senator CONROY: Does the government intend to remove metropolitan RDA committees?

Ms Fleming: Not that I am aware of, Senator.

Senator CONROY: I wanted to move to Tasmania, not in a literal sense—

CHAIR: Cheaper living or—

Senator CONROY: Not in a literal sense.

Senator STERLE: I do not think they can fit any more senators on their quota.

Senator CONROY: That is entirely correct. I think there is a quota. I note that the government's first round of community development grants are a mix of projects already approved by the previous government and have come from different rounds of RDAF. How did the government make its decisions around which projects would be included in round 1 of CDG?

Mr Mrdak: The government has committed \$342 million to CDG. That is 301 projects, I am advised; 231 were projects identified by the government as government commitments when they came—

Senator CONROY: So 231?

Mr Mrdak: 231 projects, which are government election commitments.

Senator CONROY: There is no process that they go through?

Mr Mrdak: They were government commitments when they came to office.

Senator CONROY: Irrespective of whether they met any criteria?

Mr Mrdak: All of the projects are assessed by the department to ensure viability—

Senator CONROY: And yet miraculously all of them meet your criteria?

Mr Mrdak: No, we go through an assessment process. As you know, we have obligations under the Financial Management Act in relation to the expenditure of Commonwealth funds. They have to meet those criteria. That assessment takes place. We provide—

Senator CONROY: Which of the 231 commitments did not meet the criteria at first? Let us just put it that way.

Mr Mrdak: I do not have that information with me. I would need to take that on notice. Unfortunately, this is handled in our infrastructure area, which we dealt with yesterday.

Senator CONROY: Okay.

Mr Mrdak: I only have some top level detail, which I can give you. I am happy to take on notice further questions. I am advised that, of the 301 projects, 231 are commitments by the government when they came to office. Fifty-seven were formally uncontracted but committed Regional Development Australia RDAF projects. They were uncontracted at the time of the caretaker period but commitments have been made which the government has proceeded with. Also, that CDG incorporates 13 previously uncontracted community infrastructure grant projects which, again, were commitments which were uncontracted. The program is now up and running. I can get you some details. Details of all of the projects are on our website. I can get you some details in relation to the assessment process of each of those.

Senator CONROY: In terms of the government making its decisions, you do an assessment but you then pass it up the line for a decision to be made; is that right?

Mr Mrdak: We provide advice to the responsible minister. Assistant Minister Briggs is responsible for the program. We provide our viability assessment and our project assessment in accordance with the guidelines and the requirements of the FMA.

Senator CONROY: Have any grants been given that were against departmental advice?

Mr Mrdak: No, Senator.

Senator CONROY: So all of the 231 have passed. I am not pretending that they were all instantaneously perfect, because that would be suspicious, but after iterations and discussions they all met the criteria?

Mr Mrdak: Some of them are still under assessment. Given that we are now some eight months or so since the federal election, some of them remain where we have sought more information to complete our assessment.

Senator CONROY: Are they included in the 231?

Mr Mrdak: Yes. The 231 is the—

Senator CONROY: So they notionally have been funded even though they have not met your criteria?

Mr Mrdak: The 231 is the number of commitments that the government has made. I will come back to you with details against those as to which ones have been contracted at this stage.

Senator CONROY: So the government have committed funds to ones that have not passed your criteria at this stage?

Mr Mrdak: The government has made—

Senator CONROY: They have not given the money?

Mr Mrdak: They have not given the money. The government have made commitments. We then do an assessment to get project information, provide advice to the government for a final decision to be made on entering into a grant agreement.

Senator CONROY: A hundred per cent success rate is still a fairly extraordinary success rate.

Mr Mrdak: At this stage we—

Senator CONROY: Is that criterion being vigorously applied?

Mr Mrdak: They are. As I said, the 231 other commitments are not at this stage all contracted—

Senator CONROY: But funding has been provided for them in the budget?

Mr Mrdak: There is funding in the budget, subject to those projects meeting the assessment criteria and the final decisions on funding, which is the normal process applied by successive governments.

Senator CONROY: But if all 231 finally meet the pass mark, that would be an extraordinary coincidence, would it not?

Mr Mrdak: If they all meet the criteria, then they will all be funded.

Senator BACK: Can I ask as an extension, Senator Conroy: if a number of them do not finally meet the criteria, those funds would then revert to consolidated revenue or whatever, would they not?

Mr Mrdak: It would be open to the minister to return the funds to budget or to seek a further decision from the government to reapply those funds to other programs.

Senator BACK: Thank you.

Senator CONROY: Or the government can ignore your advice and give them funds anyway, saying they were election commitments?

Mr Mrdak: I do not think that that is likely, given the amount of—

Senator CONROY: You are a brave man. You are winning the optimism award today.

Mr Mrdak: The viability assessment—

Senator CONROY: You have met the National Party, have you not?

Senator BACK: He has got very strong directives. That is the difference. He understands them.

Senator O'SULLIVAN: Do not send me in to defend at the moment—

Mr Mrdak: We apply a rigorous viability assessment and provide advice to the government.

Senator O'SULLIVAN: Absolutely.

Senator STERLE: You can only lead a horse to water—

Senator O'SULLIVAN: Fearless, Senator Conroy.

Senator STERLE: It is just that they don't want to drink out of it.

Senator O'SULLIVAN: I think he is doing a fine job.

Senator CONROY: So it is Minister Briggs that is making the final decisions?

Mr Mrdak: Minister Briggs has responsibility for the program.

Senator CONROY: How does the government substantiate that many projects announced under round 1 of the CDG only in electorates of National-Liberal Party members?

Mr Mrdak: Sorry, I did not hear that.

Senator CONROY: I appreciate that there are two other conversations taking place. Chair?

CHAIR: Order!

Senator CONROY: The officer cannot hear my questions.

CHAIR: Order! Can you be quiet!

Senator STERLE: He won't shut up? He keeps picking on me.

CHAIR: Will you be quiet. It is back to you, Senator Conroy.

Senator CONROY: Thank you. Could you give us an indication, under round 1, how many of the electorates are held by National-Liberal Party members?

Mr Mrdak: I do not have that. I would have to take that on notice in terms of the allocation across electorates. There is not a round per se. The 231 are commitments of the government on coming to office. The program is not subject to funding rounds.

Senator CONROY: So there is not an ongoing round?

Mr Mrdak: No.

Senator CONROY: For the CDG, it is just a one-off?

Mr Mrdak: That is right. The Stronger Regions program will commence in 2015-16.

Senator CONROY: But you will take on notice which electorates the grants are in?

Mr Mrdak: Yes. We will see whether we can provide that information.

Senator CONROY: Particularly the 231, but I am happy to have all 301—you said?

Mr Mrdak: There are 301 projects currently within the program, which includes a mix of what were formally RDAF, formerly CIG and now commitments under CDG.

CHAIR: Do you want a spell, Senator Conroy?

Senator CONROY: No. I am just checking. I think I may have asked all my questions. That is, I think, all of my questions for the moment.

CHAIR: Can I go to Senator O'Sullivan and then back to you.

Senator CONROY: Thanks.

Senator O'SULLIVAN: Secretary and support staff, some of these questions may have been asked from some other iteration angle but I will just go through them again, if I might. If you feel that you have comprehensively answered them for the Hansard, I am happy to move on to the next question.

Mr Mrdak: Certainly.

Senator O'SULLIVAN: Secretary, what programs will alleviate the impact of the three-year freeze on indexation of financial assistance grants for councils and shires?

Mr Mrdak: There are two major initiatives, as you would be aware. In the budget the government has announced a \$6.6 billion growth package of infrastructure. Two initiatives in that will particularly assist access to infrastructure for local government. They are the \$350 million payment in 2015-16 for Roads to Recovery, an additional year's payment, effectively a doubling of the Roads to Recovery in that year; and also \$200 million for the Black Spot program—\$100 million in 2015-16 and one in 2016-17 for black spots.

Senator O'SULLIVAN: Thank you for that. Regional Queensland communities have welcomed the \$300 million Bridges Renewal program announced in the election and confirmed in the budget. Are there any details available on the guidelines, eligibility criteria and prioritisation process for this program?

Mr Mrdak: The minister is currently finalising the guidelines for the program. You are absolutely right, it is a \$300 million commitment, which is funded at \$60 million per year for the bridges program. The minister, I anticipate, will release guidelines in the next few weeks to enable that program to be operational from 2014-15 onwards. The bridges program will include a requirement for matching funding from other jurisdictions, states and territories, and, where necessary, from local government to allow funding under that program for bridges, for both productivity and access to communities.

Senator O'SULLIVAN: With respect to the cooperative funding, is that done on a particular formula or is it case by case?

Mr Mrdak: We seek partner funding, generally at fifty-fifty, 50 with states, territories and local government for bridge projects.

Senator O'SULLIVAN: Their contribution could well be a combination of funding from a local government and a state cooperative?

Mr Mrdak: That is correct.

Senator O'SULLIVAN: How have the possible proponents been notified of this?

Mr Mrdak: We have been making local government and states certainly aware in all of the discussions with the states on the program, and in the advice to the states on the budget we provide advice on the program. We have kept them advised of what the intention is. As I say, once the guidelines are finalised by the minister, then we will write to every local government and state government advising them of the program and starting to talk with them about how they would start to put applications together for the program.

Senator O'SULLIVAN: Thank you for that. Regional Queensland communities and, I am assuming, communities elsewhere have welcomed the confirmation in the budget of funding for the national stronger regions fund. Are there any details available on the guidelines and operating model for the national stronger regions fund?

Mr Mrdak: At this stage the guidance is largely the government's commitments which are around targeting of areas of economic disadvantage. The budget contains the funding, over five years for the program, at \$200 million per year. We anticipate the ministers will settle guidelines for the program in the next few months. The program starts in 2015-16. We envisage having the guidelines available by early in the next financial year to enable proponents to start putting applications in for the first rounds.

Senator O'SULLIVAN: What would be an example of economic disadvantage that might trigger consideration for—

Mr Mrdak: We particularly look at, for instance, an area which is suffering significantly higher levels of unemployment and areas which are suffering from structural change, the loss of industries, the need to boost new skills and development in industry—those types of things we look at. We look at the socioeconomic status of certain areas to make sure we are targeting the program at the areas where we believe we can get the best outcomes for communities that might otherwise be facing much more economic dislocation. We also look at areas where, through some targeted investment, you can actually get quite an accelerated growth taking place.

Senator O'SULLIVAN: Have we seen a funding model like this before in recent political history?

Mr Mrdak: There were programs previously pre 2007. There were programs which were targeting areas of economic disadvantage, yes.

Senator O'SULLIVAN: You might have mentioned but is this program still scheduled to take effect on 1 July 2015?

Mr Mrdak: Yes. Budget funding has been provided in this budget for the program.

Senator O'SULLIVAN: Queensland communities have also welcomed confirmation in the budget of ongoing funding for RDA committees. Are there any details available on the guidelines and operating model for the ongoing role of RDA committees into the future?

Mr Mrdak: We are currently working with the RDAs and the states to effectively try to target their activities into an economic development focus. I will ask Ms Fleming to give you an update on where that is at, if I may.

Ms Fleming: We are looking at a review of RDAs with a view to streamlining those arrangements, perhaps reducing some of the red tape and administrative burdens of RDAs and, as the secretary said, narrowing their focus around economic development opportunities whilst maintaining their broader regional planning functions.

Senator O'SULLIVAN: An example of that would be a project that would promote economic development in that region, obviously?

Ms Fleming: Each of the RDAs develop a plan and then identify priority projects or priority activities where they might want to attract things. In Newcastle, the RDA in the Hunter have been looking at five priority road projects that they believe would actually increase productivity of the value supply chain. They are looking at fostering those with state governments, local governments, private players.

Senator O'SULLIVAN: Thank you, Ms Fleming. Shifting to the inland rail, secretary, what recent developments have been made in the \$300 million Melbourne to Brisbane inland rail project? Has there been progress since we last met here?

Mr Mrdak: Yes, there has. As you would be aware, the Deputy Prime Minister has put in place an implementation committee chaired by the honourable John Anderson, former Deputy Prime Minister. Mr Anderson is chairing a committee which comprises myself and senior officials from New South Wales, Queensland and Victoria and also includes representatives from the Australian Rail Track Corporation which is the government entity which has been given the task of implementing the early stages of the work.

The implementation group has met a couple of times. It has also undertaken quite a lot of work. They held a major industry meeting about 10 days ago which was attended by most of Australia's transport operators and logistics companies, looking at the opportunities for inland rail. In the next two weeks they will be undertaking a consultative process through regional Queensland, New South Wales and Victoria, with a number of meetings in key centres to discuss with local business and transport operators the inland rail proposal and getting the feedback from them. As you know, this is a very well-supported project in local government in particular but by business groups throughout inland New South Wales, Queensland and Victoria. Also where the program is settling, the implementation group has agreed essentially on the alignment of the inland rail following the 2010 Australian Rail Track Corporation business case model.

We have started work on three key sections. The Australian Rail Track Corporation is currently about to start the planning work for the whole corridor and for the program. But the implementation group has agreed that the priority sections will be the upgrading of some existing track between Narrabri and Moree, the track between

Narromine and Parkes, basically in both of those cases strengthening work and bridging work to bring it up to a higher speed and capacity, and also at the same time starting the work on identifying the corridor on essentially the link in south-east Queensland, which is from Rosewood to Kagaru, which is an identified corridor which will create a new freight corridor between Acacia Ridge and Toowoomba, which will alleviate pressure on the existing Brisbane metropolitan lines and create a new freight corridor into Brisbane. That is the major piece of land acquisition which is currently being progressed with the Queensland government.

Senator O'SULLIVAN: Thank you for that. That is quite a comprehensive answer. On the same subject, is there any further work the department is doing into public transport, including requests for high-speed rail?

Mr Mrdak: We are continuing discussions with states and territories in relation to high-speed rail. Essentially the government has asked us to continue to work quite closely with the states, particularly on corridor protection, identifying what would need to be done to protect and preserve a corridor for the future of high-speed rail down the east coast. The Deputy Prime Minister wrote to all the jurisdictions towards the end of last year, and we have now got relatively positive responses from most jurisdictions about continuing work on corridor planning. I will ask Ms O'Connell to give you an update, if you do not mind.

Ms O'Connell: Yes, certainly. Each of the jurisdictions nominated a representative to continue to work with the federal government in principally looking at what needs to happen to reserve the corridor and how we would go about reserving the corridor and some timing associated about when it is most effective to do that. Those discussions continue at officer-to-officer level across the governments of Queensland, New South Wales, Victoria and the ACT, so that we can look at what is required for the reservation of corridor but also in terms of exactly the points and stations and the integration with urban public transport routes and connections within the state capital cities so that we can hone in on exactly where, in terms of planning, those stations and connections will form, with a view to making sure that the corridors can be reserved under the various state, if you like, legislative and planning arrangements for protection of that corridor.

Senator O'SULLIVAN: Thank you, Ms O'Connell.

Mr Mrdak: Just on the high-speed rail, if I may, just to correct an answer I gave to Senator Sterle yesterday, he asked about a former commitment to high-speed rail.

Senator STERLE: It was \$54 million, I believe.

Mr Mrdak: Yes.

Ms O'Connell: It was \$52 million.

Mr Mrdak: I think I gave the answer that I thought it was an election commitment by the former government.

Senator STERLE: You did.

Mr Mrdak: I am advised that it was announced prior to the caretaker period as a commitment by the former government.

Ms O'Connell: That is correct, yes.

Senator STERLE: Good. I thought I was losing the plot.

Mr Mrdak: My apologies; it was a misunderstanding on my part.

Ms O'Connell: There was a commitment in August last year and it was \$52 million from the Infrastructure Investment Program.

Senator STERLE: To put aside some funding for keeping the corridors open.

Ms O'Connell: Also to implement the report under the previous government, the On Track report, which had the creation of a high-speed rail authority, the reservation of the corridor and a number of other actions.

Senator STERLE: Thank you for clearing that up.

Mr Mrdak: I just wanted to correct that rather than do it in writing.

Senator STERLE: Mr Mrdak, I picked up something, in questioning from Senator O'Sullivan, about bridges.

Mr Mrdak: Yes.

Senator STERLE: I only heard a bit of it; I am sorry. Could I assume that you said that local governments could go into a fifty-fifty arrangement to construct bridges?

Mr Mrdak: The program guidelines are about to be launched, but they will provide that the Commonwealth will seek matching funding from other levels of government for bridge proposals.

Senator STERLE: But FAGs could have been used for that and now FAGs have gone, so now there is the handout, hoping that there may be an opportunity for local governments to come to some arrangement with the Commonwealth.

Mr Mrdak: It would depend.

Senator STERLE: There is no set guarantee that there will be a funding stream.

Mr Mrdak: It will depend on the circumstances of individual councils and also the willingness of state governments to invest in those projects.

Senator STERLE: And they would always be worried about trying to get the state governments to spend a dollar. Can I clarify something? I want to make sure that I got this right; I was taking notes as we were talking. This is just so that I do not get my newsletter wrong for all the good constituents in regional Western Australia when I let them know what is really going on. You talk about the stronger regions program. But, with the greatest respect, as Senator O'Sullivan found out in questioning of you, it does not start for over 12 months.

Mr Mrdak: It commences on 1 July 2015; that is correct.

Senator STERLE: Yes, that is right, by the time you do paperwork and go through all of that stuff. So there is a massive gap in between. All local councils and mayors need to be well aware that there was a massive hole in funding for your local communities. It is not as though this grand plan, this fantastic new word that the government comes out with—stronger regions—is going to solve all of your problems, let alone a third of it that previously used to go to road funding. So beware. I have clarified that; I am happy now. I do not expect an answer. I just had to clarify that because some people might think that this is wonderful and it is not wonderful.

Senator GALLACHER: Mr Mrdak, I appreciate the very varied department that you run, and this gets back to local roads in regional Australia. You have a very good website where you set out that the economic cost of road crashes is \$27 billion; since 1925 there have been 180,000 people die; and then, importantly, from the 1970s onwards, we have had a very healthy decrease in those road safety stats. But what I am really concerned about is: where does road safety fit in your department? Do you have a director of road safety?

Mr Mrdak: We do. It sits within our surface transport division, which is due to appear early this evening at this stage, depending on when we get to it. Our surface transport policy division includes our road safety area and that has dedicated staff who deal with road safety issues, particularly the national road safety strategy. Also, there is the work that we do, with Ms O'Connell sitting on the NCAP board and the like. So we have quite a lot of engagement with the road safety community.

Senator GALLACHER: Given that the South Australian experience—and I presume it is similar around the country—is that almost 50 per cent or more of the fatalities do occur in regional areas and that the federal government does have a responsibility for funding infrastructure, I am very concerned that the people who do the evidentiary work and who calculate the statistics—where they are, what they are caused by, what can fix them—do not have a loud enough voice in your department to maintain proactive funding. I really think Black Spot funding is not the answer. We do not need to kill people to work out that we have a problem; we should be fixing it before we get it. So could you give me some assurance that there is a department or a section of one of your departments that is articulating the problem and elevating it and that the minister is aware of it. I do not want the minister to say, 'Oh, look, no-one told me this,' if I go to see him.

Mr Mrdak: Certainly, through our team that works on dedicated road safety issues and also our bureau of infrastructure and transport economics, which does a lot of analytical pieces, such as the one you have just been citing on our website, we have a very good analytical capability around what is happening in trends and directions. That does feed into our advice to government on the design of our infrastructure investment programs. If you have a look at the budget, it is not just the programs we have talked about regarding Roads to Recovery and Black Spot; you have a significant investment program. Under the growth package, there is some money for the national highways for safety and maintenance work. Yesterday we exhaustively worked our way through a range of corridors where the government has lifted investment. All of that program design where we provide advice is actually predicated on a mix of both productivity and safety improvement. So we do provide that analytical basis for the government in terms of its investment decisions.

Ms O'Connell: Could I also say that, in terms of the profile of road safety, it goes beyond the infrastructure area. In fact, the group that the secretary referred to has a role in providing advice to the ministerial council. It was the council of all transport ministers that signed off on the national road safety strategy a few years ago and that receive regular reports and updates on the progress of that national road safety strategy. What is pleasing is that a significant advance has been made in terms of reductions in deaths, which is very heartening to see, and the profile of the impact of road safety and deaths has changed. There has been a lot of work done on reducing the

youth road toll, and that is particularly pleasing to see. On the increasing side, unfortunately the profile of older drivers has increased in terms of road safety, both deaths and serious injuries. These are being monitored. The overall road toll has shown a terrific decline over the last couple of years and the current target set for a percentage year-on-year reduction under the national road safety strategy is being met at the moment nationally. So it has a focus not just within the department but also through the ministerial council across all layers of government, because it involves not just federal but states, who have responsibility for graduated drivers licensing arrangements.

Senator GALLACHER: I accept all of that. I have to declare an interest, as co-convenor of Parliamentary Friends of Road Safety, along with Darren Chester. What I am really concerned about is that in our jurisdiction there is an over-representation of regional Australians in the statistics of serious injury and death. We are told by engineers from state departments that shoulder sealing and simple things like that are extremely valuable in avoiding the 18 single-vehicle rollovers where they left the road and hit a tree. So it is the area of proactive funding that I am really trying to drill down into. Other jurisdictions, state jurisdictions, quite often have a minister for road safety—it is a designated part of their other ministerial duties; road safety is a portfolio. I do not see anything like that federally.

Mr Mrdak: We do. The assistant minister, Minister Briggs, has responsibility for road safety matters and is quite heavily engaged in these issues through the ministerial council and also through his dealings with the jurisdictions. He has taken a very strong lead in this area.

Senator GALLACHER: By cutting \$18 million out of South Australian regional funding, on 6 May, prior to the budget? I just wonder whether he is getting the advice from your department that there were 76 killed in 2010, 61 in 2013 and 200-plus serious injuries.

Mr Mrdak: I think we discussed this morning the relationship between that supplementary roads funding and where it is spent. But all I can say to you is that the advice has been provided and the government is dealing very seriously with the issues that you have raised.

ACTING CHAIR: The high-speed rail in connection with which Ms O'Connell confirmed the \$52 million for the corridor: where is the money now? If it was already announced prior to the election—it was not an election commitment; it was put in in August—do you know where the money is?

Ms O'Connell: It was a commitment of the previous government.

ACTING CHAIR: I understand that.

Ms O'Connell: So it was in the investment program as part of the previous government's commitment and it is not a commitment of this government in terms of that specific \$52 million to fund the high-speed rail authority. There is no commitment to—

ACTING CHAIR: But where is the money? Obviously there was a \$52 million figure. While Zorro and crew are out there swashbuckling through the figures, what has happened to the \$52 million? It was from your department.

Mr Mrdak: It did not form part of the government's budget in MYEFO and has been returned to budget.

ACTING CHAIR: So it is sitting in the bickie tin.

Mr Mrdak: It has been dealt with as part of the budget.

Ms O'Connell: It has been reallocated to the commitments of the current government.

ACTING CHAIR: Just put back into the bucket?

Ms O'Connell: It forms part of the investment program.

Mr Mrdak: It has gone to other priorities of the government.

ACTING CHAIR: Can you tell us in particular where?

Mr Mrdak: As we have seen, the budget contains quite a large investment program; as well, the government is funding a range of other initiatives across government. I cannot identify a specific project which is being funded.

ACTING CHAIR: Mr Mrdak, you have answered. I think we are wrapping up here. I do not think there are any further questions. Can I just clarify something while you are at the table, in terms of road funding. It follows on from a newspaper article today, Mr Mrdak. I want to clarify something regarding the East West Link project. We are very well aware that the Victorian government's budget papers, strategy and outlook, at page 48 states that these surpluses incorporate Commonwealth grants of \$1.5 billion for the East West Link, eastern section, and a further \$1.5 billion for the East West Link, western section. In today's Age it is reported that Infrastructure

Australia officials have told us that \$1 billion will be allocated for the western section by the end of the financial year—of which I am very well aware; that was what came out yesterday—with the remaining \$500 million to be held back until 2018-19. I am just trying to find out if the newspaper got it right, if we are reporting it all right and whether any clarification needs to be put forward, in that I believe the funding cannot be in two places at once. Can you clarify exactly where this funding is located, Mr Mrdak?

Mr Mrdak: I and my officers do not have the spreadsheets with us. I will take that on notice. But I think the essence of the evidence that you got yesterday was that there is a payment this financial year, which is the \$1 billion.

ACTING CHAIR: So 2014-15; that is the \$1 billion?

Mr Mrdak: 2013-14.

Ms O'Connell: 2013-14 is the \$1 billion.

ACTING CHAIR: 2013-14, I am sorry, yes; this year.

Mr Mrdak: I think you have accurately reported the year in which the rest of the balance of east west 2 is available, but I will confirm that for you, if I could.

ACTING CHAIR: If you could confirm that, and I just want to know whether the half a billion for stage 2 of the East West Link has been transferred to the Victorian government or whether it is still sitting here in Canberra.

Mr Mrdak: I will take that on notice.

ACTING CHAIR: Thank you, Mr Mrdak. If I could get that answer some time today, I would appreciate it.

Senator BACK: I would just ask a question with regard to the National Stronger Regions Fund and the review that is going on. In terms of Western Australia, can you tell me: are statistics like the growth patterns in different regions being taken into account? The basis of my question is this: in WA now, Perth's population is growing at 3.5 per cent per annum; the Peel region, based around Mandurah, Pinjarra, is growing at 4.9 per cent and the Kimberley region is growing at 4.6—about 1.1 per cent faster than Perth. In fact, all of WA's regions, strangely enough, given the fact that we go through them and sometimes wonder where the people are, are actually on a growth curve. Can you tell me whether or not the current review into the Stronger Regions Fund will take into account the growth or decline of regions, please?

Mr Mrdak: Yes, it will. Essentially, the government, in announcing the program, has indicated that the program will focus on economic infrastructure, particularly for areas that have poor socioeconomic outcomes and higher than average unemployment levels. As I said to Senator O'Sullivan earlier, the intention is to target those areas that are effectively performing less well. But, at the same time, we will be looking very closely at those areas that have strong growth pressures and how they can be addressed, because often those growth pressures do lead over time to poorer socioeconomic outcomes because of the issues, which you know better than all of us, about what happens when you have large growth taking place and communities which often cannot access new funding for infrastructure to support that growth. All of those factors are being taken into account. The overall aim is to try to create economic development opportunities for communities.

Senator BACK: And again, just to remind us, when will that review be completed and the information available?

Mr Mrdak: I am anticipating that the government will issue the guidelines for the program early in the next financial year, so over the next few months—the guidelines—to enable the proponents to start developing project proposals for the start of the program in July 2015.

Senator BACK: Good. So it will take that length of time. As you are aware, the committee with responsibility for external territories visited Norfolk Island just recently. I wonder whether the department can tell us the current state, as a snapshot, of the financial position on Norfolk Island and what level of support the federal government is currently giving to Norfolk Island while final decisions are made about the future direction for the island.

Ms Fleming: Certainly. As you are probably aware, the Australian National Audit Office undertakes a review of the financial statements of the Norfolk Island government and they have projected ongoing deficits. There was a deficit for 2013-14 projected at around \$4 million and, for 2014-15, it is about \$7½ million. The government has provided assistance to the Norfolk Island government to meet that funding shortfall. Our funding negotiations will continue to be tied to milestone payments that relate to the roadmap for Norfolk Island so that we can work with Norfolk Island government to create structural reforms that are required to create a more sustainable budget outlook for Norfolk Island.

Some of the things that we have been working with Norfolk Island on are enhancing the efficiency and effectiveness of their government business enterprises. Other elements are the introduction of some new revenue-raising elements within the government, such as land rates. We have also been working with them to address some of the recommendations of the ANAO around revenue collection, together with a range of other initiatives that strengthen their administration.

Senator BACK: One of the things that became apparent to me when we were on the island—and I guess MH370 probably has focused our attention on these matters—is the number of flights that go north-south and east-west that pretty well transect Norfolk Island. It is interesting when you have a look at it. Has any attempt been made to make some form of a calculation as to what the cost might be to the Australian government of the services offered or available on Norfolk Island, including those offered by volunteers? I think of the instance of the aircraft that did ditch, and I recall that the sea search and rescue group, all of whom were volunteers, mobilised very quickly and saved the lives of those people et cetera. Has any attempt been made to model the benefit to Australia of Norfolk Island being there, offering or having available the sorts of services that might otherwise have to be provided? Is my question clear or not?

Mr Mrdak: No, I understand. I think the essence is that Norfolk Island is an integral part of Australia, it operates with some unique governance arrangements, shall we say, because of the way self-government was established for the territory, but it is an integral part of Australia. While I do not think we have costed, in the way you have outlined, the availability of those services, it is an integral part of Australia and it forms a critical part of our economic zone and our territorial waters, essentially. I do not think we have costed in the way you have asked. Essentially, the fact that the Australian government has continued to make support payments, and continues to do so in this budget, I think, recognises the importance of ensuring—as we would for all Australians—that the community remains vibrant and has an economic future.

Senator BACK: I guess that it is a concept almost of a service obligation. I will give you my view—not that we have discussed this at great length in the committee but, having had some experience running another island which I turned around economically, I would venture the opinion that Norfolk Island's capacity to ever pay its own way from within its own resources is about yours, mine and Buckley's. Therefore, a circumstance, I think, will have to occur into the future in which the Australian government does have an ongoing financial commitment. Others may disagree. I would be very, very interested in whether Senator Lundy has a view because she has far more knowledge of it than I have. But I do recall going through that exercise once and actually sitting down and saying, 'What are the services offered on this place which are offered voluntarily and which, of course, were eventually removed as volunteer services and government did have to end up paying for them?' I referred to it as a service obligation. I wonder whether it is actually worthwhile undertaking that exercise so that it can be factored into the overall financial mix of the island when decisions are taken in terms of how much ongoing support is needed.

Ms Fleming: You would be aware that the government is also looking at the opportunity to introduce tax and social security to Norfolk Island and, as part of that exercise, we may do some economic modelling. The Norfolk Island government itself runs a budget of around about \$40 million to meet its services. So, if you were looking at a costing, then it is around the current budget of \$40 million.

CHAIR: You are not thinking about transferring the business from the Cayman Islands there? That would bulk up their wealth.

Senator BACK: So \$40 million. As I say, I want to very actively participate in the deliberations of that committee, so I will not go further. I was just interested in knowing what your thinking was on that. Thank you.

Senator LUNDY: Could you update the committee as to where the reform process is? You have mentioned the introduction of tax and social services. What status is that reform agenda at right now?

Ms Fleming: We have established an interdepartmental committee. We are gathering information and we will be providing advice to government. As you would appreciate, it is quite complex to look at introducing tax and social security to an economy that has a minimal tax and social services infrastructure, so it is taking some time to work through.

Senator LUNDY: As Senator Back has suggested, I have an appreciation of the complexities. Does the department monitor the social concerns that are expressed on the island? I know, as a longstanding member of the joint standing committee on external territories and also as the senator representing a reasonable proportion of Norfolk Islanders, that there are ongoing concerns on a range of social policy areas. How do you keep your finger on the pulse on those matters?

Ms Fleming: As you would be aware, there is an administrator, a Commonwealth administrator, on the island. The administrator's office provides us with regular intelligence around the concerns that he may have around the conditions on the island and any pressure points. He engages regularly with the Norfolk Island government on matters of social and economic policy. The Commonwealth financial officer on the island is also part of his team, and there is a community liaison officer engaging with the community at the moment.

Senator LUNDY: I know that there is quite a focus on island at the moment regarding the prospects for economic opportunities, including the tourism industry. Are you able to report back to the committee the status of those efforts and any directions or specific initiatives that the government can point to in supporting Norfolk Island to expand those tourism opportunities?

Ms Fleming: I will make a few comments and then I will hand over to Mr McInnes to provide more detail. As part of the roadmap, we worked with the Norfolk Island government to develop a Norfolk Island tourism strategy. As you would be aware, the Commonwealth administers the Kingston and Arthur's Vale historical site and there is a commitment to developing the jetty in order to try to attract a greater number of cruise ships. That could potentially increase alternative forms of tourism to the island. Perhaps Mr McInnes can add to that.

Mr McInnes: We are working through, with the Norfolk Island government, a range of strategies that ultimately support and underpin tourism development. Part of the commitment in the roadmap was towards a waste management strategy, which was really about not just managing waste in a sustainable way but relocating some of the current facilities away from existing reserves. We are supporting the Norfolk Island government on an ongoing basis to do that. There has also been a sustainable growth strategy as part of the roadmap reforms which the Norfolk Island government is completing at the moment. Airline underwriting has been a key part of the strategy to support that to make sure that there has been a sustainable—

Senator LUNDY: It is a very important part.

Mr McInnes: Yes. There is currently a conservation management plan underway for the Kingston and Arthur's Vale historic area, which is one of the key pieces of tourism infrastructure on the island. That plan will investigate some of the cultural tourism opportunities that can be developed. Part of our thinking is that that will provide us with some further directions that we can take in terms of supporting cultural tourism development on the island.

Senator LUNDY: I know that the electricity generation on island is still fairly old both in design and its system—that is, diesel-powered generators. Has there been any policy consideration given to looking at creating sources of renewable energy using perhaps solar or wind or even wave technology on island to remove what is on one hand a significant input cost but also, on the scale of polluting energy sources, is very high?

Ms Fleming: In fact, Norfolk Island has too much renewable energy. It can often create burnout activity because they cannot store the amount of investment that they have put into renewable energy. So they have a reverse issue with renewable energy; that is my understanding.

Senator LUNDY: Do they still run the generators?

Ms Fleming: They do. My understanding is that they collect a lot of solar energy and then they cannot store it properly. So when they have to kick in the generators to do some of the other electricity generation elements, they can create these brownouts. My understanding—not being an electricity expert—is that they actually have a problem of too much renewable energy.

Senator BACK: That is correct. I visited the power station and spent some time there, and that is correct. The gain from the renewables at the moment is actually less than the loss from the diesels. I should also record that they are generating 3.72 units per litre, Secretary, which is very, very high—at the top end. So they are very efficient. There is enthusiasm for more use of solar, but it is quite right that, perversely, it is actually causing them a problem, which might not occur into the future if the switchyard and the switchboard system were upgraded. But I must say that, for the technology that is there and the age of it, the fellow is doing a tremendous job.

Ms Fleming: Deloitte are doing some work for us on government business enterprises, and we are awaiting their advice to be able to talk to the Norfolk Island government around how they might structure their efficiencies, to see whether there are greater efficiencies or some benefits we can get from remodelling the way they are managing those business units.

Senator BACK: It is the lack of integration and networking of it that is the problem.

Senator LUNDY: Okay. Thank you.

CHAIR: As I understand, that concludes that section. We will now move to the National Capital Authority.

Mr Mrdak: That concludes Local Government and Territories Division—the officers can go?

CHAIR: Yes.

Mr Mrdak: Thank you.

National Capital Authority

[12:02]

CHAIR: We have called the National Capital Authority, if they want to come. Don't be modest!

Senator LUNDY: Welcome, Mr Snow. My first question goes to the role of the National Capital Authority. Could you briefly outline for the committee what has been entrusted to the NCA as far as its purpose and role go?

Mr Snow: Our responsibility is really set out very clearly in the act, and it relates to our primary functions in terms of promoting Canberra as the national capital and its significance—informing and educating all Australians about the role of Canberra as the national capital. Our other functions relate to the important task of planning and managing land use and development within the areas of national significance to the territory, including the broader territory area associated with the broader landscape through instruments such as the National Capital Open Space Plan and then the Parliamentary Triangle and areas that cover land owned by the Commonwealth related to the Parliamentary Triangle. Finally, the third function relates primarily to our role in responsibly managing the estate of the national capital—keeping it properly maintained and keeping it suitable as a setting for all the important national institutions in particular, many of which are located on national land.

So, within those three primary functions, our responsibilities as an agency are, within our appropriation, to make sure that those functions are appropriately funded and that we continue to be innovative in our approach to the way in which we deliver those programs.

Senator LUNDY: For clarification, we are talking Commonwealth land and Commonwealth assets on that national capital land, aren't we?

Mr Snow: That is correct.

Senator LUNDY: What is your interaction with the ACT government and planning authorities? Can you describe that relationship and the significance of the liaison that occurs between the Commonwealth planning authorities—essentially, the NCA—and the ACT planning authority?

Mr Snow: Historically, the relationship has needed to be—since self-government—a very close working relationship. Certainly, in more recent times—subsequent to the recent Hawke review, for example—issues have been raised in relation to the ongoing need to further streamline and improve in particular the delivery of the shared planning responsibilities we have with the ACT government. We continue to work very closely with the ACT government to ensure that the kinds of planning reforms that are needed through our own National Capital Plan, for example, in relation to providing greater clarity, transparency, around the shared planning processes, are there. So we continue to work with the ACT government to ensure that the development sector, for example, has real clarity and understanding about the different roles and responsibilities of the NCA in looking after those national planning interests—particularly in the designated areas, as well as the lands that we own. And at the same time making sure that we are able to provide timely planning advice on referred applications, for example, from the ACT government. Mr Smith can elaborate if you would like more detail around that question.

Senator LUNDY: No, I am just seeking an overview. Did it come as a surprise to the National Capital Authority that the Commission of Audit recommended that the NCA's role be effectively handed over to the ACT government? Could I ask you specifically whether or not the National Capital Authority was consulted with regard to the National Commission of Audit's recommendation?

Mr Smith: I might answer the second question. We were not given advance notice, to my knowledge, from the Commission of Audit that that would be a recommendation in their report. We were asked for some details about our operational costs during the audit process—but no particular details, and nothing that was not already available publicly by looking at our annual reports.

Senator LUNDY: So the answer to my question 'were you consulted?' is clearly 'no'.

Mr Smith: That is right.

Mr Snow: I can confirm that the NCA was not consulted.

Senator LUNDY: Were you shocked when you read the newspaper?

Mr Snow: Not really surprised, because the reality is that since 2008 the NCA has been the subject of a number of reviews that have gone to the very question about its role and its ongoing relevance to the national capital. All of those previous reviews—which have been extremely thorough; in some cases independent and bilateral—have reaffirmed the role of the NCA. But the NCA will participate, and may be required to participate

in a review, and we will make sure that all relevant information is made available to conduct that review if it proceeds.

Senator LUNDY: Have you received any direction from your minister that a review is going to proceed?

Mr Snow: No.

Senator LUNDY: Minister, could I direct a question to you. Has the government decided to conduct a review of the NCA and its status?

Senator Johnston: I am not aware of that—I will take it on notice.

Senator LUNDY: Mr Mrdak, are you able to shed any light on behalf of your minister?

Mr Mrdak: No, I am not aware of any review or any decision having been taken to undertake a review of the NCA.

Senator LUNDY: For the record, neither am I—but I was seeking confirmation that there had not been a policy decision. You have not been able to give that confirmation today, but we are not hearing anything to the contrary.

Mr Mrdak: I am not aware of any consideration to such a review.

Senator LUNDY: Thank you very much—that is very helpful. I can tell you that I was extremely shocked to see that. The point you make, Mr Snow, is a valid one in that there have been several inquiries, reviews, analyses of the role and function of the National Capital Authority, and each one confirms its central place as custodian of the Commonwealth's interest in the national capital of Canberra.

I would now like to go to budget issues. Can you describe, in general terms, the impact of this budget on your overall financial situation—whether there is a net increase, a net decrease—and indeed, the impact of the government's announcement of the increase of the efficiency dividend.

Mr Snow: The NCA has received departmental appropriations which, in fact, for 2014-15 will be higher at \$16.8 million. For this current financial year, that was at \$16.1 million. For the administered capital budget, that, in fact, will be slightly lower at \$13.4 million. For the current year, that level of funding—administered capital—was at \$13.8 million. We believe that those levels of funding, as allocated in the new budget, will enable us to continue to plan and program the necessary works. The issue, I think, that we are confronting and will need to manage very carefully is the ongoing issue about the way in which, particularly with capital, we ensure that our estate is well managed and maintained. Many of our assets are ageing, as I think you are aware. It is very important that we strike the appropriate balance between new capital and our ongoing investment in the assets owned by the Commonwealth.

Senator LUNDY: Do believe your current budget is able to sustain those assets and, as you say, keep an eye on the future?

Mr Snow: I think in the short term the additional funding that was provided following the recommendation of Dr Hawke has, in a sense, given us the breathing space we need to address the issues around financial sustainability that were the subject of that review. In the short term, my answer would be that I think we are cutting our cloth, making sure that we are carefully managing our budgets. Where possible, we are realising cost savings, particularly in those areas where costs are escalating in relation to energy consumption and, particularly, water usage. We realise that those are significant costs for us, given the size of our estate, and that more can, and will, be done to ensure that those savings are made.

Senator LUNDY: Is there likely to be any negative impact on staffing at the National Capital Authority as a result of needing to finesse your budget and seek further efficiencies—acknowledging, of course, that your departmental expenses, as you made the point, have risen slightly this financial year?

Mr Snow: Not in a significant way. We believe that we can manage through the challenges associated with those efficiency dividends through natural attrition and through the management, in particular, of our non-ongoing employees. We have a pretty high number, or a significant number, I should say, of casual staff. That level of casual staff funding, or allocation, rises depending on the pressures, particularly in our Regatta Point and national exhibition areas.

With the support of my director of corporate services, I carefully monitor our staff situation. We always seek to try to ensure that we balance our staff allocations and resources. Where necessary, I will review workloads. And, where necessary, we may have to make some hard but necessary decisions in relation to whether programs and projects that have a priority need to be resourced to that level.

Senator LUNDY: I think I spoke to Mr Smith last time about the ratios of ongoing and non-ongoing staff. But if I could place on notice, perhaps, if you do not have the answers today, what your current staffing profile is, the level at which people are employed and whether they are ongoing or non-ongoing or casual status.

Mr Snow: I have the answer to that question. I can give it to you.

Senator LUNDY: Please, it saves you putting a question on notice.

Mr Snow: In terms of how many current non-ongoing staff that the NCA have, we have 17. Eight are engaged on fixed-term contracts and nine are engaged as regular or intermittent employees.

Senator LUNDY: Is that like casual? Is that what you call casual?

Mr Snow: Some casuals, but, primarily, they are non-ongoing staff. The contracts of those non-ongoing staff are due to finish at various dates over the next 12 months. Fourteen of those 17 contracts are, in fact, due to conclude in August of this year. In relation to—

Senator LUNDY: Given what I understand to be a ban on renewing non-ongoing contracts within the public sector, what is the future for those 14 staff?

Do you have to make the case to retain their employment, or are they going to have to finish up?

Mr Snow: The duration of those staff contracts is fixed to 12 months, and so they cease. I then have to make a case, or a case has to be put to me, to justify why those positions need to be refilled. But there is a time constraint of 12 months on the provision for those positions. At the same time, I have access to the APS list, and if I need to I can transfer staff who can be more gainfully employed within the APS and seek to try and attract those individuals across to our agency to be able to manage our workload.

Senator LUNDY: I am sorry, I did not understand that. The way I am interpreting your answer is that the 14 people who are on non-ongoing contracts will not be continuing after 14 August.

Mr Snow: That is correct.

Senator LUNDY: So you will lose 14 staff. I am really sorry to hear that, and my heart goes out to them and their families. I understand you are then referring them to the public sector redeployment process. Is that what you are saying?

Mr Snow: Yes, if those people are eligible for it.

Senator LUNDY: How will you manage that staffing reduction as far as the function of the organisation goes?

Mr Snow: As I said earlier, we will continue to manage our responsibilities very carefully. Where necessary, we will review our programs to ensure that we are adequately resourced to deal with those matters. But we are confident that we can manage through those issues.

Senator LUNDY: I will ask you again at the next round of estimates how that is going. I now turn to the issue of Lake Burley Griffin. There has been some news reporting of outbreaks of blue-green algae in Lake Burley Griffin affecting large parts of the lake. The strange warm weather that we are experiencing on the brink of winter has contributed to that I know, and these things are, of course, out of the control of all of us. What is the NCA's role in monitoring and managing these issues? I foreshadow that I will ask about the forward plan for managing the water asset.

Mr Snow: We monitor the condition of the lake very carefully on a weekly and, in some cases, daily basis when we expect these types of algal blooms to occur, which is generally during the summer months. As you mentioned a moment ago, this is extremely unusual. We are having conditions which are conducive to that changeover. Certainly, on a regular basis through observation we can check the condition of the lake. We do regular water testing, and those samples are provided to laboratories to test for the presence of any contaminants. In the longer term, the National Capital Authority is working very closely with the ACT government to address the long-term solutions we need for water quality. I am pleased that the federal government has allocated funds to address fundamental issues related to land management, particularly in the catchments and particularly in those two catchments which service the lake. I think those are steps in the right direction, but it is important that we maintain a level of water quality that is supportive of the high recreational use that the lake has.

Senator LUNDY: Are the outbreaks of blue-green algae and the associated closure of the lake to some recreational activities becoming more frequent? Have you got a graph or a map that documents that frequency?

Ms Walker-Kaye: Yes. The recreational season that has just passed had minimal closures required this year. So it was actually a good news story on this particular occasion. But we have got these late autumn blooms

because of the unusual conditions at the moment. But over the past recreational season, there was definitely minimal disruption.

Senator LUNDY: How long have you been collecting that data?

Ms Walker-Kaye: The data collection has been going on for years. We have also been working closely with the ACT government and their authorities and with ACT Health when we have to close the lake for any reason. So we have been having an exchange of information for quite a number of years as that data has been gathered.

Senator LUNDY: I would be interested in seeing what that pattern of closure looks like, not for any purpose other than genuine interest to see what it looks like. You make the point that this season was really unusual again, but for completely different reasons to last summer.

Ms Walker-Kaye: Yes. At the end of each recreational season over the past few years we have been putting together reports on exactly what has happened over that particular period of time. So, yes, we do regularly monitor that and report on it.

CHAIR: Is that different from the land of *Once Were Warriors*?

Ms Walker-Kaye: What?

Senator LUNDY: Just ignore the chair. He is having a random moment.

CHAIR: I was just picking up the accent.

Ms Walker-Kaye: I think that question was asked last time around.

Senator LUNDY: At least be original, Senator Heffernan.

CHAIR: Senator, could I just—

Senator LUNDY: I have got a few more minutes. Following up from the previous estimates, I inquired about the report titled *An estate for the future*. The committee was advised that the government was still considering the response. The answer to that question on notice was that the government was still considering that response. But I note in the portfolio budget statement there appears to be a reference to the discontinuation of their consideration of estate management. Can you explain to me if the two things are related or what the reference is in the portfolio budget statement, in note 4 on page 218, regarding:

The Australian Government's recent decision to agree the proposed new diplomatic leasing arrangements have resulted in diplomatic land rent reviews being discontinued. Future Crown leases for diplomatic purposes will no longer contain this requirement...

I do not know if the two are related, but can you just explain what is going on in that space and why that reference is in the PBS.

Ms Walker-Kaye: I can answer that question. Over the last few years there has been a review conducted into the diplomatic leasing arrangements in place. A recent government decision has been made on that, and the result of that is that no reviews of land rent will be undertaken into the future. In the past, those diplomatic missions that were on a land rent arrangement were subject to 20-year land rent reviews. That practice has now been discontinued.

Senator LUNDY: So it is just tidying up what was the custom and practice anyway.

Ms Walker-Kaye: Correct.

Senator LUNDY: Thanks for that. Has there been any progress in the status of that government response, *An estate for the future*, since I received the answer to the question on notice from last estimates?

Mr Smith: We have not received a government response to that report yet.

Mr Snow: My understanding is that it is imminent.

Senator LUNDY: Imminent! That is excellent. I like the word 'imminent'. I would also like to ask about the progress on Immigration Place. This project has a long history, as I know Mr Smith is fully aware. A constituent did inquire with me just the other week about the status of that particular project.

Mr Smith: That project, which is being run by a private consortium, has just jumped back into life, in truth. The proponents came to see me about two weeks back, and they have just been given some tax deductibility status for their gifts.

Senator LUNDY: They have received that?

Mr Smith: They literally just have.

Senator LUNDY: That is a big step.

Mr Smith: Yes, that is a big step. So they have kicked off with a bit of gusto. The discussions I have had with the group since that advice go to the structure of a design competition and how that might be run. The National Archives of Australia are going to be closely involved in that. In fact, next week I believe I will have a meeting with the proponents and representatives of the Archives to work through the process for delivering a design competition. I would say there is no official status for this, but the ambition of the group is to hold a single-stage design competition which is concluded and has the design selected by the end of this calendar year. In my early discussions we talked about options for running that and how that might unfold. They have accepted our recommendation on the approach. It is very much a project that is stepping into a bit of life, but it is very early days.

Senator LUNDY: Can you, for completeness, described the site that has been allocated for Immigration Place where this commemorative structure will be?

Mr Smith: In regard to the height, this site is approximate to the National Archives, with some significant landscape around it. We have not put a metric on it. We have not said it is going to be seven metres or eight metres or anything like that, but we may get to that. Quite clearly we will have to ensure that the scheme that comes forward is consistent with those pretty significant heritage values. I would have to say that no scheme that dominates the landscape or the National Archives building is likely to be successful.

Senator LUNDY: Can you take on notice to provide the committee, to the best that you can, with a chronology of the process going forward for Immigration Place?

Mr Smith: Certainly. We will do. At this stage I do not actually know what that is.

Senator LUNDY: I know, but I am being a little bit cheeky, because I am almost asking the question in anticipation of your meeting next week. I think there is quite a bit of interest in the project. As you know, many people subscribed to the project some years ago now, so there is a lot of community ownership of that initiative that remains.

Mr Smith: Once we have got something we will make it available.

Senator LUNDY: I would now like to turn to paid parking. Can you update the committee on the implementation of paid parking and the NCA's involvement in that process?

CHAIR: Could we move to Senator Seselja after this?

Senator LUNDY: Sure. The only other issue I wanted to ask about was Bowen Place, and then I am done. Anyway, I return to paid parking.

Mr Snow: Certainly. I will give you an update. The NCA has made the decision to delay the commencement of paid parking within the parliamentary triangle. We have made that decision on the basis that I am not satisfied—having joined the NCA in January—that we were sufficiently advanced with our planning and preparation for the scheme. As you would appreciate, it is not an aspect of our agency that we have had to deliver previously. It has been quite a challenge for us to understand exactly what was required to deal with getting what has ultimately turned out to be quite a complex system. We have had tremendous assistance from the ACT government. But, at this stage, I am not confident that by 1 July the consumer's experience of paid parking will be absolutely trouble free. The back of house, the administration aspects, the legal aspects and the credit card payment arrangements are all things that need to work seamlessly, and at this stage I am not satisfied that we can deliver by 1 July. So we have made that decision.

CHAIR: How much a day?

Mr Snow: It is not possible to give you a precise estimate because we still have not yet made a determination on the rate.

Senator LUNDY: Do you have an indicative time frame of when paid parking may be implemented?

Mr Snow: I might just reply to Senator Heffernan. I will just take advice, if I may. The proposed rate is \$11 per day. That is what it will cost if you want to park between 8.30 am and 5 pm on national land during a weekday.

CHAIR: I will test you a little further. How much would it cost to get on a bus at Belconnen and come here by bus?

Mr Snow: \$3.70.

CHAIR: It would nearly be cheaper to drive and park. That is all I wanted to know.

Mr Snow: To come back to paid parking, by 1 July there, however, will be a number of very significant things in place, including the parking machines themselves, which have been supplied through an open tender process.

We are well advanced in our stage 1 works for the upgrading of car parks. Some of the car parks on national land, in fact, were not sealed so since early this year they are rolling out a program of civil works to upgrade those car parks. Subsequent stages will look at additional lighting and other improvements to make sure that those who do use the car parks can do so confident that they work.

Senator LUNDY: Could you take on notice to provide the committee with an indicative time frame of the introduction or, in the absence of any specific dates, a description of the factors that you need to consider before you implement full paid parking?

Mr Snow: Certainly, I am happy to provide that.

Senator LUNDY: Finally, could I have an update on Bowen Place? I think I mentioned last time that there are a multitude of lake users, not least of which are the many fun run and fun walk participants around the lake, that are very, very excited about Bowen Place being opened. What is the date?

Mr Snow: We are still on track for completion and an opening for public use by March next year. We had a bit of a setback with rain delays. We had built in contingency allowances or provisions within our program for such delays. We hope to pick up that time. The contractor is working well. If you go to the site today you can see that major earthworks have occurred. We are now pouring the roof slab for the great separated passage underneath Bowen Place itself. So the progress is in good shape and we are confident that we will be able to complete the project on time and also, hopefully, below budget in March 2015.

Senator LUNDY: Thank you for that. That is all I have.

Senator SESELJA: Just briefly, the NCA will have to have a role in any final approval of light rail down Northbourne Avenue?

Mr Snow: Yes, that is correct. Northbourne Avenue is identified quite clearly within the National Capital Plan as a major approach to the national capital and therefore any works within that designated road reservation of Northbourne Avenue will require our approval.

Senator SESELJA: How does the NCA assess the attractiveness or the visual impact of light rail on that gateway to the national capital down Northbourne Avenue?

Mr Snow: I think that Northbourne Avenue's boulevard status is very important. It is without doubt one of the most significant major boulevards in any Australian city and so its status as an approach to the national capital must be respected. If light rail does proceed, it is very important that those qualities which mark it as a boulevard at the moment be respected. In other words, it is important that mature native trees, for example, or that very strong landscape character is integrated into the final design solution.

Senator SESELJA: How would you envisage that happening? The trees on the median strip would have to go, presumably, for light rail to happen. Those trees would not be able to stay. Are you suggesting that there might be a way to preserve some of those trees or are you expecting that all of those trees will go? Does the NCA have a view in terms of preservation of those trees down the median strip?

Mr Smith: I might just add that in terms of the authority's interest in Northbourne Avenue, there is also the importance of the landscape character, which is actually described the National Capital Plan. It sets aside any kind of debate about whether we should or should not. The plan itself says that it must be preserved as a major ceremonial road with its mature landscape.

We have had a number of briefings and a number of meetings with the ACT government—the Capital Metro Group who have got carriage of this project. What we understand about Northbourne Avenue is that it is most likely that the trees on the median will have to be removed to enable construction. We are aware, though, that the centre is already degraded to some degree because the tree species in there at the moment, the *Eucalyptus elata*, is subject to borer infestation and they are also very water-hungry as well. So, as part of any kind of landscape renewal a good number of those trees have already been removed.

CHAIR: Is that the snow gum-type tree?

Mr Smith: No; a much bigger tree. A much grander scale than a snow gum. The *elata* is very tall, has very dark bark and droopy leaves.

On the outside of the road, however, on the verges, there is a landscape structure which comprises *Eucalyptus mannifera* predominantly—

CHAIR: What are down Ainslie Avenue?

Mr Smith: Ainslie Avenue? *Manniferas*. There are *manniferas* in the median and there are cedar, I think, if memory serves me correctly.

CHAIR: Yes, there are. Do not mess with Ainslie Avenue or I will arm-wrestle you!

Mr Smith: In short, I will not go into too much detail about the botanical nature of the road. I think we are likely to see the loss of the trees in the median, and we will ensure that they are replaced with a species that can grow to a similar scale and stature.

Mr Snow: I might just add that trams and trees are not necessarily completely incompatible. I think of Victoria Avenue in Melbourne, where trams and trees can coexist. We would be hopeful that we can find a landscape solution that does not mean that Northbourne Avenue has to be devoid of trees in the median.

Senator SESELJA: Does the NCA have view on the aesthetics of overhead wires versus the under-rail electricity?

Mr Snow: I think that with the qualities that Mr Smith talks about in terms of those important visual characteristics, that third rail—the technological solution where you do not have to have catenaries—would obviously have some visual benefits. But that would be at a significant additional cost to the scheme.

Senator SESELJA: What about services—and that is a related question. There are a lot of services down Northbourne Avenue, underground. Does the NCA have definitive understanding of the detailed nature of those services up and down Northbourne Avenue?

Mr Snow: We are aware that the median on Northbourne Avenue is full of services, and that to do a light rail project they will all have to be relocated. But the extent of that work is not something we are across the detail of.

Senator SESELJA: You do not do any of that work? That is all done by the ACT government?

Mr Smith: That is correct. It is likely that there are Commonwealth government services in that.

Senator SESELJA: How do they deal with that? Do they do the report which then includes the Commonwealth services and municipal services—

Mr Smith: With any service investigation they will identify the presence of gas, fibre-optic or whatever it might be. Then they will identify the asset owner and they will work directly with that asset owner to develop a strategy for its relocation.

Senator SESELJA: So where it is the Commonwealth, separate from NCA approval, you would be negotiating with the ACT government as to how they are going to deal with Commonwealth services?

Mr Smith: We will ensure that the service relocation is done in a way that does not compromise the long-term character of the avenue. And if there is a government agency that has a detailed interest in that service relocation, we will work directly with them.

CHAIR: Would that include the NBN and all the rest of it? Because—

Mr Smith: There are a lot of organisations—

CHAIR: The design was one of the famous incidents that I had a bit to do with—the fan that was going to be down there in the new part of whatever it was.

Mr Smith: Fortunately, Mr Snow does not remember that!

CHAIR: You do not remember that? The women's' whatever—

Mr Smith: Yes.

CHAIR: They were going to have this bloody thing, 45 metres over the top of the building, and the royal presence from here to the War Memorial was going to be destroyed. But the thing that saved us, and why would even get it, was because it was going to cost \$2 million to remove the cables under the ground, just down here at the old parliament.

Mr Snow: I could not tell you what that was.

CHAIR: Well, best of luck on Northbourne Avenue!

Mr Smith: Service relocation costs on Northbourne Avenue are very, very significant.

Senator SESELJA: And I assume there is no estimate from the NCA on what that might be? We just know that it will be massive.

Mr Smith: We are not building it. That is—

Senator SESELJA: No, but 'massive' would be a reasonable description. Just briefly, before I do one other issue: would the NCA have any objection to light rail being constructed on Kings or Commonwealth avenue bridges down the track? Has any consideration being given to that and whether or not those bridges would be able to handle rail in the future?

Mr Snow: We have not specifically investigated the capacity of those existing bridges to carry light rail. Obviously, the loads on those bridges would be significant with light rail.

To the broader question of whether or not it would be desirable to have light rail coming into an area or precinct where there is a high labour force, the answer would of course be 'yes'. I understand that the consultants who have been engaged by Capital Metro are looking at the network options. Certainly, the area to the south of the lake is part of that investigation.

Senator SESELJA: Are the NCA being consulted along the way on the Light Rail Master Plan which is being undertaken?

Mr Snow: We are.

Senator SESELJA: You would have some familiarity with the issue of Gaby's Takeaway, which has been in Barton for about 27 years. There is a fair bit of community support for it. What is the current status of the permit conditions for Gaby's Takeaway, which is located in the Parliamentary Triangle?

Mr Snow: We have given notice to the operator, the licence holder, that due to works that we need to undertake within that part of the Parliamentary Triangle that takeaway food operation needs to be discontinued. We have already given a clear indication to the licence holder, Mr Wilk, of the time frame within which he needs to remove his business. At a recent public forum, I offered to assist Mr Wilk in potentially looking at what other options there may be for him, preferably of a permanent nature. We continue to work and liaise very closely with Mr Wilk and his advisers in relation to resolving that matter and giving him a solution.

Senator SESELJA: I think the family has referenced that commitment that you have made, but they have said in correspondence with me that they have not seen anything since then in terms of that kind of assistance. Is that correct?

Mr Snow: That is correct. However, Mr Wilk was requested to provide information to the NCA in relation to what his functional needs were for floor space and the type of operation. If I am to try and broker a solution for him, which I have offered to do and which I am not obliged to do, I need to understand exactly what he would prefer to have as a small business operator.

Senator SESELJA: Is there any consideration being given, similar to what we saw with Brodburger, to a solution where a permanent location will be found?

Mr Snow: Yes. Given that his clientele is very loyal and is local to the parliamentary area and the Barton area, one of the potential solutions would be to work with private developers who are building new developments in the Barton area to give him the opportunity to be a tenant in one of those new developments. Of course, I cannot give an undertaking that that will be the case, but I have certainly offered to assist him in finding a permanent location.

Senator SESELJA: We will watch that with interest. Thank you, Mr Snow.

CHAIR: Does the National Capital Authority have anything to do with the price of water for the services inside the building? It is the greatest lurk of all time and I note with some humour that there is a contract with DFAT or Defence. Do you know who the shareholders are of that company that got the contract? It is related to the Obeid family. That concludes the National Capital Authority. I now call Policy and Research Division—the brains trust.

Department of Infrastructure and Regional Development

[12:44]

Senator STERLE: I welcome officers from the policy and research section of the department. I want to talk about the cuts that have been announced in the budget and how they will affect certain units in your department. So whom am I asking the questions of?

Mr Mrdak: Probably start with me, Senator.

Senator STERLE: Could you give us an idea of how these cuts have affected the funding allocation in Policy and Research Division?

Mr Mrdak: We have not undertaken our business planning for 2014-15 as yet. As I outlined yesterday, the department faces a reduction in departmental resourcing to our base of just short of \$10 million per annum. This comprises the efficiency dividend and the savings as a result of the machinery-of-government changes with the merger of the two departments. I am currently undertaking the business planning process. We have given divisions an indicative budget for next year which will allocate the reductions across the department. But I have not got to a stage where I can give you an indicative figure of what staffing reductions will be. It will be by

division, at this stage, although, as I said yesterday, I am anticipating a reduction in staff of around 30 over the next year.

Senator STERLE: That is 30 over the next year, being 2014-15?

Mr Mrdak: Yes, for the department as a whole.

Senator STERLE: I understand there is a lot on your plate and the last thing you need is to be working out how you can lose people too. What are the staff reductions for 2013-14?

Mr Mrdak: At this stage, we have had a net reduction of 19 since September last year. We had a reduction of 52, but we also recruited 33 graduates in February this year.

Senator STERLE: So those 19 were through natural attrition, were they?

Mr Mrdak: Yes.

Senator STERLE: Were they through voluntary redundancies?

Mr Mrdak: I think we had one voluntary redundancy in that period.

Senator STERLE: I know you have not done the sums yet, and I understand that, but do you have any idea—actually I do not want to go there because you might frighten the living daylights out of your staff, but we do know that you have lost 19 this year and are looking at a reduction of 30 next year.

Mr Mrdak: Yes, and that will be largely through natural attrition and retirement at this stage.

Senator STERLE: They are full-time employees, obviously. Were there a heap of contractors in your department?

Mr Mrdak: We have reduced our number of contractors and we continue to do so, in accordance with the government's desire that we reduce overall numbers.

Senator STERLE: May I ask how many contractor positions—I know that is terminology that makes some people uncomfortable. How many contractors have disappeared?

Mr Mrdak: I currently have nine contractors. I do not have the numbers of how many have been reduced. As at the start of April this year, I have nine contractors in my department staff headcount.

Senator STERLE: Is that nine individuals or nine companies?

Mr Mrdak: That is nine individuals.

Senator STERLE: Will the contractors stay on while the full-time employees reduce?

Mr Mrdak: The intention is to reduce the contractors and non-ongoing staff as their appointments become due, although we do have a look at the business needs. In the event that we need to retain some of those contractors and non-ongoing staff, I will make the business case to retain them wherever I can.

Senator STERLE: Are you confident you will be able to meet whatever the demands are—and I know you have not got the figure yet—through natural attrition?

Mr Mrdak: At this stage, I believe we will. I believe that, through a combination of other savings we will make, as we have been doing over some years, we will be able to live within the budget that has been given to us, albeit we will have to, like every other portfolio department, make some reductions in some of the work areas we do. As I have said, we will have a look at some of our structures and we will not fill some positions as people depart the organisation.

Senator STERLE: We will watch with bated breath. What annoys me is that it is not a happy topic. I understand the complexities that you are faced with in your senior leadership team when we start talking about reductions. That is more of a statement than a question. If there is a swap for swap for people who want to take redundancy, that is fine—but, anyway, we will find out. We will know as the months go past. With the reductions that you have made so far and that you are expected to make, how has this impacted on your research agenda?

Mr Mrdak: To this point, we have not seen a reduction in our research agenda. I will ask Dr Dolman to give you an outline of that. It is something that my senior executive and I regard as extremely important. The work of the bureau and the other research the department does is a very important national research agenda. Dr Dolman will give you a sense of that. But, at this stage, the reductions are not affecting our bureau.

Dr Dolman: The bureau's budget for 2013-14 is \$5.4 million. Our staffing is 34, which is essentially the same staff and roughly the same budget that we have had for the last three or four years. So there has not been any change.

Senator STERLE: So you have had no increases, obviously?

Dr Dolman: We had a slight increase last year in our budget, but our staffing has been stable.

Senator STERLE: Are you expecting any reduction in your staffing areas?

Dr Dolman: Not that I am aware of.

Senator STERLE: While I am at it, can you tell us how the expected cuts in your department will affect your work plans?

Mr Mrdak: Specifically in relation to research?

Senator STERLE: Policy and research. Let's go across the whole unit. You can split them up for me or whatever you want to do.

Ms Power: We are not expecting any changes to the research and analytical work done by the division as a result of any cuts. If anything, we have expanded our research agenda as a result of the regional Australia department staff and functions moving into the department. We have expanded our remit to start picking up some research and analysis on regional issues.

Senator STERLE: Good. Which regional issues in particular?

Ms Power: We have begun work this year to produce a suite of publications: one will track trends and indicators across regional Australia and another will focus on the same indicators but how they operate in urban areas. We are also picking up work on northern Australia.

Senator STERLE: When you say 'trends and indicators', what do you actually mean?

Ms Power: We are drawing on indicators used by the Bureau of Statistics that map progress. They are measures of progress and look at things like employment. Gary is probably better at explaining it than I am.

Dr Dolman: The Australian Bureau of Statistics has a series on measuring Australia's progress which tries to provide a balanced view on what is happening within Australia. It looks at economic development and a range of social and environmental issues. There is a framework of indicators that is set up nationally. One of the issues is that, while those are reported nationally, there has not to date been full reporting of those indicators region by region. We are looking to work with the ABS to improve the data that is provided on a regional basis. We will look, where we can, to split some of those indicators into regional datasets so that you can tell what is happening in the regions. We will have a much clearer view about which regions are making progress and which ones are potentially in decline and which ones are staying fairly stable.

Senator STERLE: So when we hear about the cuts in the local government and territories divisions, in terms of FAGs and the community funding programs, do you sit back and wait to see what damage is done or do you start modelling now as part of your research?

Dr Dolman: It is a separate issue. These indicators look at the whole of the activity that is happening in a region and not just with a focus on economic development, though that is part of it. If there is an impact of changes in government spending or changes in policy, then these indicators will show that. However, that is not the purpose of the indicators. The indicators are there to look at the broader suite of impacts that occur as a result of a range of decisions, not just by the Commonwealth government but by state governments, local governments and industry investment decisions. A whole range of things will influence the outcomes of these indicators.

Senator STERLE: I am very well aware of that, Dr Dolman. I do get that. It is forwarded in the budget; it is there for everyone to see; it has been talked about today. You say it is not all about economic development, but one of the major indices of how the regions are going has to be tied around economic development—it has to. All I am trying to get at is: do you sit back and wait, gather all the information and then, in 12 months or two years time, come up with work and say to the department, 'We've got a problem here' or are you on the front foot—are you out there and starting that work now? I travel. I do not know Queensland, I do not know New South Wales, but I can tell you about the regions in WA. Certain parts are booming and others are going backwards at a hundred million miles an hour.

Dr Dolman: We are on the front foot in terms of at least having a process for collecting that information. We are also completing research that has looked at the longer term history of Australia's towns. We have just published, this month, a report on the evolution of Australian towns that looks at the major economic and social factors that have been influencing population distribution in Australia and in particular the fortunes of small towns in Australia.

Senator STERLE: It is great that you do that, but if you go through certain towns in the wheat belt region of Western Australia shops are boarded up and all of that, and they have been for a number of years. They are not the thriving regional centres that they were. As part of your work, what do you do? Do you send it off to the senior executives and say, 'We've got a real problem here. For years and years this part of Australia has been

going backwards at a hundred million miles an hour. Jobs aren't there, kids aren't staying in the region, health services may be compromised and education services may be compromised,' and then it goes off to the minister? What actually happens?

Dr Dolman: To some extent, that is the reason we have studied the towns in Australia, to understand what is happening and to understand the things that governments can influence and also the things that governments will not be able to influence. In the wheat belt, for instance, we have some case studies looking at specific examples. A large part of that is driven, in that case, by increases in efficiency in agricultural production, which means there are fewer people required to farm wheat than there was particularly 100 years ago, but even 50 years ago. There have also been changes. The drivers include consumer behaviour. No longer does every town have a bakery, a dairy et cetera. There is access to longer commuting to go shopping in regional communities. There is much more centralisation of services. A lot of the small towns have, as you say, boarded up shops. It is largely driven by consumer behaviour, where people go shopping in the larger centres which offer greater choice and lower prices. The report deals with this directly. It shows that some of the smaller towns have not been able to compete because, as they lose customers, their only choice is to increase prices, which loses more customers. At the other end, the regional centres have had greater turnover and that allows them to lower prices, which in turn attracts more customers.

Senator STERLE: I know the chair is dying to ask a question, and I am happy to work with the chair. We have plenty to work on. The new name is Infrastructure and Regional Development—'regional development' has come in since the change of government—but regional development is not new to you guys.

Dr Dolman: The bureau has had regional economics in its name for a while. It did not change with the last change of government. Essentially, we were providing the economic research to the other department, simply because there were only a small number of people and it did not make sense to separate off.

Senator STERLE: I agree. What is your top priority project at the moment? I suppose this will come from Mr Mrdak. You will direct me to whom I should be asking the questions.

Mr Mrdak: Dr Dolman can give you—

Dr Dolman: In the regional space?

Senator STERLE: On policy and research.

Mr Mrdak: Dr Dolman has a research program. The recently released report on towns in Australia is a terrific piece of research, but he has lots of others underway.

Senator STERLE: I am giving you the opportunity to brag, Mr Dolman. Go for it.

Dr Dolman: I can do this in a number of ways. I could tell you about the broad areas that we do research in or I could tell you about—

Senator STERLE: After sitting through Senate estimates for the last 20-odd hours, tell us some good news.

Dr Dolman: Perhaps we could just look at the most recent releases. I think that gives you the flavour of the sort of work that we are doing. I have just spoken about *The evolution of Australian towns*. Another one we have just completed is looking at improving regional rail passenger services.

Senator STERLE: Good.

Dr Dolman: That has looked at both local and international case studies to try and understand what it is that makes regional rail improve and how it can improve patronage. There are a number of case studies where that has been shown to happen, including in Australia. The Victorian case studies have shown very significant patronage improvements as they have improved the services. The other thing that the report highlights is that it is not all about speed; it is around a range of things. The service upgrades have included measures that improve the speed of the services, but, more importantly, in a number of cases it has looked at improved comfort in the services, accessibility, dependability, lowering the waiting times—that is, more services and more regular services are the things that make a difference in a lot of those cases.

Senator STERLE: Are you talking about passenger rail or are you talking about—

Dr Dolman: Yes, regional passenger rail.

Senator STERLE: That is good.

CHAIR: We will come back after lunch.

Proceedings suspended from 13:00 to 13:59

CHAIR: I have a question on northern Australia. There is a proposal by John Grabbe, Keith De Lacy and others. Are you across the proposed downstream irrigation development outside of Georgetown?

Mr Collett: I am across it broadly. I do not know about it in great specifics.

CHAIR: So, you cannot talk to me about the mean annual flow of the system and the extraction that is required and the evaporation?

Mr Collett: I would defer probably to the CSIRO and the experts who carried out the Flinders and Gilbert Agricultural Resource Assessments, which we commissioned.

CHAIR: My good friend Andrew Johnson?

Mr Collett: Sorry?

CHAIR: My good friend Andrew Johnson.

Mr Collett: That is one of the CSIRO experts that we rely upon.

CHAIR: I would hope that we do not make a mistake. I do not want to comment here, but we made a serious mistake on the Culgoa, which has a mean annual flow of 1,200 gigs. This one has a mean annual flow of just over 5,000. Back in the days of Russ Hinze and others, in a fair bit of adventure—

Senator STERLE: You're talking about some crooks.

CHAIR: —they put together a proposal for Cubbie, which was a great idea built on the wrong scale. Shut up and listen. They have allowed 1,500 gigs of off-river, on-farm storage in a system that has a mean annual flow of 1,200 gigs and a variability of 600 or 800 per cent and so it completely destroyed the system. They completely destroyed what was the delivery of the Culgoa water to the Darling. By the way, the entire flow of the Culgoa has occurred in four years out of 100 years. It is highly variable—30 per cent variability. I would hope that your department would get their head around what is proposed up there, because there is a competing water proposition downstream at Strathmore with the Harris family. If they both do what they want to do the system in the proportion that they want to do it the system will not stand it, but if it was scaled to sustainability it would be a great idea. But you are not across it?

Mr Collett: I am not across it in great detail. I think it is fair to say, though, that there has been a lack of information available to people in those catchments prior to the completion of the Flinders and Gilbert Agricultural Resource Assessments, which the Office of Northern Australia commissioned. I think having those studies from the CSIRO available to a range of proponents, and to the communities in particular, is a really valuable addition to the debate.

CHAIR: I have a lot of confidence in Andrew Johnson. Are you familiar with what is proposed in dry land farming over at Gogo and out from the Fitzroy Crossing?

Mr Collett: Again, only in the general, not in terms of specifics.

CHAIR: It took them three and a half years to get a permit to the dry land farm on Gogo 300 hectares, 750 acres. There is about 30,000 acres available. Who is having a go?

Senator STERLE: I am happy to pass. I was in continuation, but when I was the chair I knew who was in continuation when we came back from breaks. I was not a rude old man at times. I am happy to secede to the good senator from Queensland, and then I will come back after that.

CHAIR: God bless you.

Senator STERLE: You can't teach an old dog new tricks.

CHAIR: Senator nameless from Queensland.

Senator McLUCAS: I have got a name.

CHAIR: There it is.

Senator McLUCAS: Northern Australia questions, please. If I can just go to staffing questions around the office generally and then I want to talk about Townsville. What is the current staffing of the Office of Northern Australia on a national basis?

Ms Power: The current staffing of the Office of Northern Australia is 8.6 FTE.

Senator McLUCAS: Where are they located?

Ms Power: I do not have the breakup of how many are based in Canberra and how many are—

Mr Collett: We have two positions in Perth, one in Darwin, and one in Townsville, with the balance of staff in Canberra.

Senator McLUCAS: Two in Perth, one in Darwin.

Mr Collett: One in Townsville, and the balance in Canberra.

Senator McLUCAS: Does the office still exist in Townsville?

Mr Collett: Yes, we have one staff member in Townsville who is co-located with some other members of staff from our department. Those members of staff carry out a number of different functions. Some are in our local government and territories division and they obviously support each other's roles in that, so a number of different staff are potentially involved in the Office of Northern Australia's activities in support of our one staff member who is based there.

Senator McLUCAS: How many did we used to have in Townsville?

Mr Collett: I am not sure. I would have to check that on notice. The function came across from the previous Department of Regional Australia.

Senator McLUCAS: That is right.

Mr Collett: I do not have that corporate history, but I am happy to take that on notice and come back to you.

Mr Mrdak: As Mr Collett said, we only picked this up in September, and I think at that stage there was one staff member. Previous to that I am not sure.

Senator McLUCAS: What are the plans for staffing in the future for the office?

Mr Collett: To some degree we are waiting to see some of the outcomes of the Northern Australia White Paper process. The demands on the office in terms of implementation either of policy within our portfolio or more broadly will become a lot clearer out of that process. Until then our intention is to maintain our current staffing levels unless there are specific needs that would require us to change it. I think the white paper process will then inform some future decisions about our staffing profile in Northern Australia more broadly.

Senator McLUCAS: What are the current activities of the Office of Northern Australia in Townsville?

Mr Collett: They provide liaison in terms of the northern RDAs, the north Queensland RDA committees. The staff member there has been very actively involved in our engagement with communities in terms of providing information and making it accessible. The CSIRO experts have carried out the Flinders and Gilbert Agricultural Resource Assessment. There was a grab-bag of other activities under the previous Northern Australia Ministerial Forum which we are concluding, and they are involved in making sure stakeholders in North Queensland are consulted in relation to those activities more broadly.

Senator McLUCAS: Thank you. I think I know the answer to this, but I will ask it, anyway. Is there any consideration of opening other Northern Australia offices in northern Australia?

Mr Mrdak: Not unless there are specific actions taken out of the Northern Australia White Paper.

Senator McLUCAS: The budget shows a Northern Australia Sustainable Futures allocation of \$599,000 in 2013-14. My notes also are that there were regional development projects in northern Australia as follows: 2013-14, \$500,000; 2014-15, \$4,300,000. I just hope I have the right—

Mr Collett: I think those figures are correct.

Senator McLUCAS: What are those projects?

Mr Collett: In relation to the Northern Australia Sustainable Futures program, that is a number of different projects, some of which have recently concluded, which include the beef and livestock logistics work that the CSIRO carried out to look at cattle movements across all of northern Australia. It includes work such as work that ABARES are doing for us and the CSIRO in terms of food and fibre supply chains, and we are expecting to get a report back in June. There will be follow-up from that into the next financial year.

Similarly, there is work to complete our community consultations on the Flinders and Gilbert work that I mentioned earlier. So, it is closing off a variety of that activity and working towards supporting a number of potential initiatives under the white paper process and supporting the white paper consultations and process more broadly.

Senator McLUCAS: So, that is the sustainable futures money?

Mr Collett: That is, yes.

Senator McLUCAS: My officers provided me a note that in 2014-15 there is \$4,300,000, but I just cannot work out where that might be in the budget papers that I have in front of me. Does that figure mean something to you?

Ms Power: Yes, it does. That relates to moneys that were allocated to regional development projects in northern Queensland. There were 16 projects of the former government.

Senator McLUCAS: So, that is the north Queensland plan, is it?

Ms Power: It was in our budget documents as regional development projects in northern Queensland.

CHAIR: Have they included any work on the spiny acacia?

Ms Power: Not that I am aware of.

CHAIR: Do you know what I am talking about?

Mr Collett: I am not aware of any.

CHAIR: You northern blokes have got a bloody lot of work to do. There is about 2.5 million acres there that is actually fantastic soil type in the lower gulf that has spiny acacia. Anyhow, I can see that you are not across it. I will have to take an active interest.

Senator McLUCAS: Just for the record, would it be possible on notice for you to give me a list for that \$4,300,000 allocation?

Ms Power: The original funding under that heading related to 16 projects, which were commitments made by the former government but which had no funding contracts. Fifteen of those projects were taken as savings by the government. There is only one project that is still in negotiation. It was monies originally for Cairns City Council to undertake revitalisation of the city centre in the lead-up to G20. The council has completed those works.

Senator McLUCAS: No, they have not.

Ms Power: Discussions are ongoing about what is next.

Senator McLUCAS: So, has that money not been provided to the Cairns Regional Council?

Ms Power: Not for the activity that it was originally budgeted for, no. It still remains uncommitted at this stage.

Senator McLUCAS: How much was that—\$17 million?

Ms Power: No, that is the \$4,500,000 this financial year and \$4.3 million for next financial year. That is the money that was originally intended. The activity that it was intended for has been completed.

Senator McLUCAS: So, those two figures are all Cairns Regional Council—

Ms Power: Yes.

Senator McLUCAS: —main street upgrade?

Ms Power: That is what they were originally committed for.

Senator McLUCAS: Why have those monies not been provided?

Ms Power: Because the Council completed the works while budget decisions were still being worked through. The Cairns City Council has completed the activity.

Senator McLUCAS: They have not quite. You could still give them the money.

Mr Mrdak: There will be further decisions yet to be taken on funding.

Senator McLUCAS: What is the obstacle for that money not to be transferred?

Ms Power: The money will not be transferred for a completed project. There are discussions underway with the Cairns City Council about what those monies could be used for separately from the activity that is already complete.

Senator McLUCAS: Just in a bureaucratic sense, the commitment was given by the former government to the upgrade. Was there a discussion between the council and the department post-election about whether this money would be forthcoming?

Ms Power: There was advice provided to the government on the status of the full suite of activities, but there had been no funding agreement reached with the council and no detailed discussions about a commitment to those funds.

Senator McLUCAS: Did council request consideration of this money?

Ms Power: Post-election there was no discussion with the department.

Senator McLUCAS: Council did not even ring you up?

Mr Collett: I am not aware of any discussions between the department and council in regard to this funding. A number of project proponents associated with the 16 projects that Ms Power has outlined received advice that the government was considering the projects in the broad. I know that message was communicated between stakeholders in North Queensland. I suspect the council probably heard from other project proponents that the

government was considering the full suite of projects and that may be why we did not receive any direct representations. I am not aware of any direct representations from council in regard to that.

Senator McLUCAS: That is very interesting. Could I though, Ms Power, have a list of those 16 proposed projects that were a part of the North Queensland plan, just for completeness?

Ms Power: Yes, we will take that on notice.

Senator McLUCAS: Moving now to the Northern Australia Strategic Partnership, I have a newspaper report from February this year talking about the establishment of the partnership. How often has it met or will it meet and who is on in the partnership? I think I know the answer to the final bit.

Mr Collett: The strategic partnership is made up of the Prime Minister, the Deputy Prime Minister, the Chief Minister of the Northern Territory, and the Premiers of Queensland and Western Australia. My understanding is that the support to the partnership has been provided out of the Prime Minister's department. I understand that the partnership has met once. I am not in a position to provide you with detail today in terms of intended future meetings, but I am happy to discuss that with the Prime Minister's department and come back to you on notice.

Senator McLUCAS: Thank you. Do you recall—I know I am now asking the wrong department so just bear with me—whether a communique was released following that first partnership meeting?

Mr Collett: I do not recall. I would have to check with the Prime Minister's department. I am not aware of one, but I would have to check with the Prime Minister's department.

Mr Mrdak: I do not believe any statement has been issued.

Senator McLUCAS: No communique following the meeting?

Mr Mrdak: No.

Senator McLUCAS: It states in the press report that the partnership will be supported by an advisory group of business, community and Indigenous leaders. Should I go to PM&C to ask who is on that group? Are you aware of—

Mr Mrdak: My understanding is that arrangements have been put in place for that group. Prime Minister and Cabinet would be the best place to ask about progress on that.

CHAIR: Which group is that?

Mr Mrdak: It is an advisory group on northern Australia.

CHAIR: Not the parliamentary committee?

Mr Mrdak: No, this is to assist the—

CHAIR: Would this be Andrew Johnson and those people—bunch of wankers.

Mr Mrdak: The composition of the group, I understand, is still being settled.

Senator McLUCAS: It is still being settled.

CHAIR: By the way, have they had that three-week tour looking at things and not knowing why they were looking? Have they done that? Have you been on that?

Senator McLUCAS: Yes.

CHAIR: It was a waste of bloody time.

Senator McLUCAS: Well, put that on the record, too.

CHAIR: I do.

Senator McLUCAS: Good.

CHAIR: They did not even know why they were going to various places. It was, 'We'll find out when we get there.' There is not one person on the task force that knows anything about farming. It is just a joke.

Senator McLUCAS: It is not a task force.

CHAIR: Don't—

Senator McLUCAS: It is not a task force, Chair.

CHAIR: A waste of bloody time. That's what it is.

Senator McLUCAS: So, something I can ask of your department—

CHAIR: It's what you do when you want to be seen to be doing something and you're doing nothing.

Senator McLUCAS: Were you consulted in terms of the membership of this advisory group?

Mr Collett: We were asked if there were particular parties that we would think would be worthy of nomination. As I understand it, nominations were also sought from the three northern jurisdictions, and I think that further detail on that is probably something the Prime Minister and Cabinet department could give you. I am conscious that we were consulted in terms of some suggestions, but not necessarily more detail in terms of giving advice on specific people beyond that.

Senator McLUCAS: Do you recall when that was?

Mr Collett: I would have to go back and check on the specific dates for you.

Senator McLUCAS: I do not need specific dates. Was it three months ago or six months ago?

Mr Collett: I think it is probably around three months ago, but I would need to go back and check on that for you.

Senator McLUCAS: If it is not three months you can come back to me on that.

Mr Collett: Certainly.

CHAIR: Was the advisory council appointed with a list of skills? Or is it just some sort of bureaucratic nonsense?

Mr Collett: Certainly, when we were asked by the Prime Minister's department to provide some suggestions on who might be on the expert group, there was a clear indication that some expertise in a variety of northern industries and/or experience in northern Australia was something that—

CHAIR: Could you provide us with the list of expertise you suggested?

Mr Collett: Sorry, the names that we put forward?

CHAIR: Not necessarily the names, but the skillsets?

Mr Collett: Certainly. I am happy on notice to come back to you with advice on the skillsets of some of the people that we suggested.

CHAIR: I presume the names are not published yet, are they?

Mr Collett: Not that I am aware of. Again, the Prime Minister's department will be able to confirm that one way or another for you.

Senator McLUCAS: I have a final set of questions, and this is to get an understanding of what the Office of Northern Australia's involvement in the development of the white paper is. Can you give me an overview of that relationship? I know that PM&C are driving it, but you are the Office of Northern Australia.

Mr Collett: I am not sure whether Mr Mrdak or Ms Power would like to speak to the secondment of some officers, but certainly the department has provided a number of officers to that task force, including some officers who have come from the Office of Northern Australia and have past experience in dealing with northern Australian policy issues. I would reflect that it has somewhat reduced our expertise, in loaning people to that task force. So, the skilled and experienced people that I have to draw on within the department has reduced somewhat as a result. We are providing a couple of important connection points for them. We are providing introductions and facilitating relationships with a number of northern Australia stakeholders where we may have a stronger existing relationship. We are working with them in terms of starting to think through some of the policy options. We have certainly been involved and consulted in terms of the development of a draft version of the green paper, which the Prime Minister's department is working through for the government to consider and consider its release. We have been involved in those things. We are making sure that a variety of activity that the Office of Northern Australia has commissioned in the past, a number of our important research pieces, et cetera, are feeding into that consideration, and we are also providing an important liaison point with Infrastructure Australia, which is carrying out an audit on northern Australia infrastructure that will inform the white paper. Those are the main key roles that we are playing in relation to the white paper.

CHAIR: Could I just take you back. You said you would provide the committee with the skillsets of the people to be appointed or the skillsets of the advice that you gave. I want to know what skillsets advice you gave to the government as much as what are the skills of the people that have been appointed.

Mr Collett: I am happy to take both of those things on notice and provide you detail on both.

CHAIR: Good on you.

Senator McLUCAS: One area that has been put in front of the joint select committee for northern Australia has been a desire that issues of social policy be included in consideration of finding some sustainable solution for northern Australia. In terms of the advices that you have been able to provide, what areas of social policy have you been feeding into the discussions that the people from PM&C are considering?

Mr Collett: That is a fairly broad question.

Senator McLUCAS: It is very broad. What people have said to us is that it is all very well to talk about economic infrastructure, but if you are dealing with the group of people in Australia who have the worst health outcomes in Australia and the lowest education attainment in Australia, something has to happen about that before we become—and I put in very big inverted commas, because I do not believe it—the 'food bowl of Australia'. It cannot happen. But if that is the goal, we have to get the social infrastructure in place so that people can actually achieve realistic and fair outcomes in terms of health and education in particular, though there are many other areas as well.

CHAIR: About 5,000 kids do not have a high school to go to. You could start there.

Mr Collett: I think it is fair to say in our engagement with the white paper task force we have been involved in a number of cross-department consultations in terms of the kinds of issues and the kinds of policy issues, in particular, that are issues that will need consideration in the white paper. I would not want to speak on behalf of the task force and the Prime Minister's department, but I think it is fair to say that they certainly, from what I have seen, have included in those consultations a number of the portfolio agencies responsible for the kinds of areas that you are highlighting. So, those people have a seat at the table in terms of the discussion about green paper content policy areas which require exploration in the white paper, and obviously will have an engagement going forward in terms of the policy development for the white paper. I am conscious, obviously, that submissions received in relation to the green paper and feedback on the green paper, as well as the committee report from the Joint Standing Committee on Northern Australia will obviously heavily inform the government's thinking on this and influence the drafting of the white paper. So, to the extent that the issues that you have raised are picked up in that committee's report, I am sure they will be taken account of by the Prime Minister's department in their considerations.

Senator McLUCAS: I think you have answered my question. I appreciate that. But the capacity within your office is more around hard infrastructure, data analysis, as Dr Dolman has indicated earlier, rather than the policy advice that might come out of the Department of Health, for example.

Mr Collett: I think in the broad that is right. I would flag though that, traditionally, one of the Office of Northern Australia's roles has been to be a contact point for some of those northern communities back into other parts of government. We continue to try and make sure that is the case. We have engaged with the agriculture department on some of the issues and some of the research that we are doing, the environment department on water infrastructure issues, and a range of others. So, while hard infrastructure is a focus for our portfolio, we do have some engagement with other departments in terms of their policy responsibilities as well.

Senator McLUCAS: Finally, when you said that some of the staff from your office have been seconded across, does that mean that the 8.6 FTE that you told me includes those secondees?

Mr Collett: No, it does not.

Senator McLUCAS: How many secondees have moved across?

Mr Collett: I would probably have to take that on notice. I would not want to give you the wrong number, but it is in the range of sort of four or five staff.

Ms Power: There are six staff.

Senator McLUCAS: Six?

Mr Collett: There are six from the department. I am not sure that all of them are from the Office of Northern Australia. If your request is in terms of the exact number from the Office of Northern Australia—

Ms Power: Then, yes, it is slightly smaller.

Mr Collett: —I will need to come back to you on notice for the exact figure.

Senator McLUCAS: That is fine; I do not need to know that detail. Were they backfilled when they were seconded across?

Mr Collett: Some have been and some have not. We have not fully replaced the cohort, and obviously some of the experience is not easily directly replaceable from within our current staff.

Senator McLUCAS: Special people in northern Australia.

Mr Collett: I think the subject matter, knowledge and expertise—it is just one of those things.

CHAIR: I went to a house in Wadeye, or Port Keats—three bedrooms, 17 people living in it. I better not mention another place I went to where half the adult population sleep all day and drink all night and they wonder

why their kids do not go to school. There are no jobs. There are still between 5,000 and 7,000 kids in the Northern Territory who have not got a high school. Are you blokes thinking about that?

Mr Collett: As I flagged in response to the question by Senator McLucas, I know that a range of relevant portfolios with those policy response abilities are engaged in the conversation around development of policy.

CHAIR: When do we get to see some of their thinking? You can go around in bureaucratic circles and end up with just a pile of bureaucratic vomit after five years, which is what has happened in the past. When will we get to see some of the working so we know it is not going to end up as a pile of vomit instead of something constructive? When do we get to see some of the working papers?

Mr Collett: The green paper, as I understand it, will be released in the near future. The white paper policy development will follow that. There is a clear expectation that the relevant states and territories will be consulted and will have their chance to input in terms of the policy.

CHAIR: You are the general manager. Are you aware of the requirements and the needs to change for the pastoral leases, et cetera, to make things happen that science has allowed to happen? Like Walgett 30 years ago was a sheep place, one sheep to 3½ acres. It is now farming country. Are you planning to change the pastoral lease act and all that? Is that part of your job, or are you—

Mr Collett: Certainly we are conscious that tenure reform is one of the key issues for a number of other levels of government. We are conscious that for a number of stakeholders it is a key issue, and I am sure it is one of those that a variety of portfolios, including the agriculture portfolio, will bring to the table in terms of those policy discussions.

CHAIR: I could go on, but I get too frustrated.

Senator McLUCAS: Can I follow up on two questions that Senator Sterle was asking earlier. You indicated that you were doing some regional analysis of ABS data. My specific question is: what defines a region and how do you draw lines on maps? It is a very hard thing to do, but it has to be done. That was the first question. What are the indicators that you are trying to get some more in-depth analysis of?

Dr Dolman: In terms of defining a region, because the ABS collects data in a standard way, we are somewhat constrained in terms of how we collect the data, but we will be using ABS standard definitions. There is something they call statistical area 4, which is a regional sized parcel of land, which will be one of the primary data collection units.

Senator McLUCAS: So it will be—

Dr Dolman: SA4s are reasonably large.

Senator McLUCAS: Are they? Okay.

Dr Dolman: Then we will also be looking at the data in terms of remoteness class, which is largely distance from cities. So, there are metropolitan areas, there is very remote at the other end of the scale and there are two regional classifications in the middle. Then for some of the analysis we will need to look at some of these issues in more detail. We will be looking at quite specific classifications of region depending on the issue that we are looking at.

Senator McLUCAS: It will be interesting work. Thank you.

CHAIR: Senator Sterle.

Senator STERLE: Just in continuation, I was hearing about your work plans, Mr Dolman. You were talking about your priority projects, Australian towns and passenger rail in the regions. Are there any other key areas of work beyond that?

Dr Dolman: There was one I was going to mention next—which again we have just released this month—which is a new series called freight line.

Senator STERLE: Sounds great.

Dr Dolman: It is pretty much as it sounds. It is a series of data that for the first time tries to pull together freight information by commodity. The first issue was a general summary of how freight moves around Australia. So, looking at what moves by road, rail, sea, pipeline, and the volumes involved moving from various places, and then the majority of the series will be commodity by commodity looking at supply chains.

The majority of the series will be that commodity by commodity looks at supply chains. The first one of those that we have released looks at iron ore supply chains. It looks at the movement of iron ore from mines to ports and then what is processed in Australia and what is exported. That is a relatively simple and straightforward one, which is probably why we did it first. But then we will be looking at about 12 other different commodities as we

go over a cycle. Ones we have almost complete are a look at the coal supply chain. One of the more complex ones is grains—looking at wheat and other grains. We have rice. There will be a series of about 12 different commodities, one of which will be containerised trade.

Senator STERLE: 'Containerised' has just killed my question, I suppose, because when you are talking about coal, grain and iron ore obviously you have started in the regions to see how we can get our commodities to port quickly enough, but I was going to lead on with what is going on in the cities in terms of freight line. But you are not there yet, you are heading towards there with container movements; is that right?

Dr Dolman: That is right. Quite a large number of supply chains include movements through city ports, in particular where you have an export element to it. Coal and iron ore are probably the exceptions there. Things like wheat often go through major city ports, Brisbane, Sydney, Melbourne and Perth.

Senator STERLE: What is the only thing not delivered by a truck? Can you tell me the only thing not delivered on a truck or by truck?

Dr Dolman: At some point?

Senator STERLE: A baby. You failed; you didn't get there. I am not hanging you there for that. I just thought I would throw that in.

Senator GALLACHER: Can I just ask a question on that. On this project that you are talking about I suppose the biggest example of where efficiency can be achieved in the city at the moment would be the Moorebank proposal. Have you had a look at how that would work? That is \$1.2 million TEUs per annum plus another half a million going on rail. Does that project look at that type of proposal?

Dr Dolman: We have a separate part of the department that is looking at that in much more detail. We have looked at that issue only in terms of providing internal advice to the other part of the department.

Ms O'Connell: Dr Dolman's work looks at demand and current carriage of freight.

Senator GALLACHER: So that is existing?

Ms O'Connell: Moorebank is more the infrastructure solution that will hopefully change and put more freight on rail out of Port Botany rather than necessarily via road. It would be based on the data in terms of the projections to verify the capacity.

Dr Dolman: That is right. We would be looking, for instance, where containers current move from and to, so the major distribution points within cities. Most containers are obviously imports coming to the port and then are usually shipped to a distribution centre somewhere in the city, where they are either unpacked or further—

Senator GALLACHER: Why I ask is because you mentioned iron ore, and one of the issues with iron ore is access to rail by all of the miners. That is an issue that myself and Senator Sterle are well aware of. There is plenty of discussion about how we get one of these rail lines. In a city obviously there is plenty of discussion about how you get access to a terminal which is going to solve Port Botany's growth issues. Are you saying that it is not in your particular precinct?

Dr Dolman: Separate from what I have been talking about, we publish the Waterline series, which has a particular focus on port. One of the indicators there is looking at the proportion of containers that move by rail. We are looking to substantially improve the quality of the data that we get there. Up until now we have only been looking at rail movements where the rail terminal is in the port. In a number of ports there are terminals that are adjacent, so we are making arrangements from our next issue of Waterline to start to look at that information. Currently that material is probably counted as being moved by truck, because it goes by truck from the port just a very short distance to a rail terminal that is adjacent to the port. We are looking to count that as a separate entity so we know whether or not it is going on rail ultimately. We are also aware of some other work that people like NICTA have been doing working with Sydney ports to optimise the freight movement out of Port Botany.

Senator GALLACHER: I am just not give a clear idea whether you are in front of the curve or you are following the curve? Are you following work that is going on or are you trying to predict the best solution?

Mr Mrdak: It is fair to say that the projections that the bureau has done is an important part of the business case for Moorebank. It is really off the back of their analysis that the business case has been built for why you need that sort of intermodal facility with both a port shuttle, but also importantly, as we discussed yesterday, for the east coast rail network, having a facility that can break down and build up long trains makes a huge difference down the east coast freight network.

Senator GALLACHER: Is it possible to get a look at that policy document, the solutions for Moorebank?

Mr Mrdak: The Moorebank business case was published and we can get you a copy of that.

Senator STERLE: A lot of us have been involved in this space for years and we have been told since the late 90s that our transport task was going to double in 20 years. It just appears from this side of the table that it is catch-up, but that is not having a crack at you, because that can go for road building, bridges and everything. I just thought I would have a whack at everyone there—not you guys. I know that you have two types of work that you identify, ongoing and discretionary—is that right—as part of your work plans? Data collection is ongoing.

Dr Dolman: You can break it down in a number of different ways. The three broad classes of work that we do is our statistical collections, which are ongoing across infrastructure, aviation, maritime and road safety in particular. We also publish research, which is fairly discrete and usually of a one-off nature.

Senator STERLE: Do you have a percentage split between those three categories?

Dr Dolman: The third category is our direct input into policy advice or regulatory decision making within the department.

Senator STERLE: I am sorry, I had the chair in my ear as you were answering me.

Dr Dolman: I do not have it in front of me, but I did do a breakdown of our split. I think the highest proportion was the statistics followed by roughly equal proportions of the others.

Senator STERLE: So 60 or 50, 25, 25—something like that?

Dr Dolman: It is probably close enough to 33, 33, 33.

Senator STERLE: Who signs off on your research priorities?

Dr Dolman: The secretary.

Senator STERLE: That one?

Dr Dolman: Yes.

Senator STERLE: Okay. Have you taken on any new projects since September?

Dr Dolman: Yes.

Senator STERLE: Would you like to tell us what they are? I am mindful of the time, because Senator Back has some questions, too. I am not rushing you.

Dr Dolman: I think the major one that we have taken on is the government made an election commitment for the bureau to undertake a review of road trauma. We have now commenced that work. The request was really for us, from an economic perspective, to have a look at the things that could be done to improve road safety outcomes, both in terms of reducing fatalities and reducing serious injury. The approach we are taking is looking at what could be done that will have the biggest difference potentially for the least amount of dollars as well. That is a factor that we are considering. So far with that work we have commissioned a survey to be undertaken of road safety experts. They have identified a list of 400 things that we could do. Last week we held a workshop that looked to narrow that list of things down to about 25 or 30 things which we will then do the detailed economic analysis of.

Senator STERLE: Firstly, who was at the workshop?

Dr Dolman: I can give you a list. It was essentially a list of road safety experts. We tried to go very broad in terms of coverage. There were representatives of motorcycle groups, pedal cycle groups, police as well as academic road safety experts and some state government departments. It was a very broad range. I think there were about 30-odd people.

ACTING CHAIR (Senator Sterle): Before we go to Senator Gallacher, we have over 300 deaths a year that involve heavy vehicle transport operations or operators or other road users. Could you tell me, please, that the heavy vehicle industry is represented as part of your workshop/collection of experts? If you have got bicyclists or cyclists there, I would really hope that the heavy vehicles would also be there.

Dr Dolman: There was a representative from the ATA there.

ACTING CHAIR: That does not warm me for the ATA, because it is a well-known fact that we have a real difference of opinion. They are experts on the pencil; I actually did it for a living.

Senator GALLACHER: Just on road trauma and injuries, and along the same lines as Senator Sterle, basically they fall into those discrete categories of heavy vehicle freight tasks, regional, single vehicle rollovers and then your suburban. Has your study developed to the stage where you are looking at the specifics of heavy vehicle accidents and injuries and regional accidents and injuries? Through membership of the Road Safety Advisory Council of South Australia or sitting on the Motor Accident Commission of South Australia's board,

every time we examined the statistics we had to go down those pathways. Do you as a federal department do that or are you looking at it at a macro level?

Dr Dolman: We start by looking at it at a macro level. There are a number of ways that you can look at it. We are, for instance, considering vulnerable road users, which is pedestrians, cyclists and motorcyclists. We are also looking at heavy vehicle accidents, given that heavy vehicles are overrepresented in fatalities, injury and crash statistics. We are also looking at it from the perspective of things that you can do around vehicles, making the roads safer, and changing behaviour. The cornerstones of the National Road Safety Strategy are also an important part of the way that we are looking at the problem.

ACTING CHAIR: I will wrap up. I have far more interest in knowing where we are on road safety. What I will do is go to you, Senator Gallacher, and then over to Senator Back.

Senator GALLACHER: I understand, Mr Mrdak, that you have a new minister, new government and new budget priorities. There are a number of issues I just want to raise and then you will tell me what you have done and what policy now exists or does not exist. Can you indicate the work you are specifically undertaking in the following areas? Do you have urban policy as a parameter?

Mr Mrdak: Yes, we do. Mr Collett heads up our planning analysis area, which looks after both Northern Australia but also our planning more broadly across the country. It also picks up our work on urban policy and programs.

Senator GALLACHER: So, it is still fully functioning and funded?

Mr Mrdak: It is undertaken as part of Mr Collett's activities, yes.

Senator GALLACHER: Do you have a cities policy?

Mr Mrdak: That urban planning work is continuing under Mr Collett.

Senator GALLACHER: Now we go to the bigger one. What has happened in public transport now versus the previous government? We have statements that the government will no longer fund any public transport so what happens to your department in respect of public transport? Do you close it down and shut it up?

Mr Mrdak: We continue to do analysis. Dr Dolman spoke earlier about the work they have recently done on regional rail. We continue to do work and analysis on all of our projections of transport tasks, including public transport. That policy work continues.

Senator GALLACHER: What is the end result of that policy work, given that you are not going to fund any public transport?

Mr Mrdak: It does feed into our analysis for future investment. When people talk about public transport they often forget that one of the major means of public transport in Australia is buses.

Senator GALLACHER: Absolutely. Most bus systems are driven off the fact that you have to get your kids to school in the morning and get them home at night, and that is why they are there.

Mr Mrdak: Hence the analysis of public transport does feed into the development of the roads program. It feeds into our analysis of what we are doing with rail. As you know, the government is continuing to fund a significant number of rail projects, including major freight projects. All of that analysis continues to feed into that investment program.

Senator GALLACHER: You mentioned public transport and school buses. Are you still funding \$1 million a year for the \$25,000 grants for the fit-out of seatbelts in school buses?

Mr Mrdak: Yes, that program continues.

Senator GALLACHER: Is road user charging a growing area of your department's work? Are you doing more studies on that or less?

Mr Mrdak: In terms of heavy vehicle charging?

Senator GALLACHER: It is a pretty broad statement. It could be anything these days.

Mr Mrdak: There are two pieces of work. Firstly, we understand that later this week the Productivity Commission will provide its report on infrastructure, which I expect will include, based on its draft report, quite a substantial discussion around how in the future the country may finance and fund infrastructure, including options for, in the future, looking at different recovery models and pricing models.

Secondly, we have done a substantial amount of work in heavy vehicle pricing. That was considered by state and territory and Commonwealth transport ministers last Friday at the ministerial council meeting, and the next stages of that work in terms of addressing some of the asset condition reports—areas with which you would be

familiar from your time with the National Transport Commission—starting to build the supply side information base which would enable you in the future to look at more direct pricing models.

Senator GALLACHER: I will ask you a very direct question regarding road safety issues generally. If the co-convenors of the Parliamentary Friends of Road Safety, the Hon. Darren Chester and myself, wanted to speak to someone in your department who would be the person that we would go to to get a briefing on what is going on?

Mr Mrdak: It would be in our next area, Surface Transport. Mr Marcus James, who is about to appear, is the person who leads our work on road safety. We also have Mr Hogan, who heads up our vehicle standards area.

Senator GALLACHER: Is that where the road safety remuneration tribunal would fit in as well?

Mr Mrdak: The road safety remuneration tribunal is not within this portfolio.

Ms O'Connell: Is that the Safe Roads Remuneration Tribunal?

ACTING CHAIR: Yes.

Ms O'Connell: That is not within this portfolio. It is in the employment portfolio.

ACTING CHAIR: Did it start with you?

Mr Mrdak: No. It has always been in the employment portfolio. It forms part of the Fair Work Commission.

ACTING CHAIR: I did not know whether you had input into it.

Mr Mrdak: No. It is predominantly being run through the employment portfolio.

Senator GALLACHER: There was a group called the Urban Policy Forum. Has that been abolished?

Mr Mrdak: No, but it has not met for some time.

Senator GALLACHER: How long?

Mr Mrdak: I think the last meeting of the group was around the middle of last year.

Senator GALLACHER: Is it going to be abolished?

Mr Mrdak: If there were issues emerging which we felt could be best handled through gathering a group like that together we would convene it, but at this stage I do not envisage that that group would meet.

Senator GALLACHER: Why has urban policy been abandoned in the budget portfolio statement? Why is it no longer mentioned in there?

Mr Mrdak: I will just check that. I will come back to you on the Urban Policy Forum's formal status, as to whether it has been abolished. We certainly continue to look at urban infrastructure issues, and we certainly continue to look at particularly urban planning issues in the context of the government's investment program.

Senator GALLACHER: It was in the 2013-14 directions statement. But the 2014-15 strategic directions statement clearly has changed priorities. I suppose that is the government's prerogative.

Mr Mrdak: Yes.

Senator GALLACHER: In terms of major cities and urban policies, is this a complete shift away?

Mr Mrdak: There has been a shift in focus. Clearly the government has more pressing priorities, but it remains an area in which we stay engaged.

Senator GALLACHER: Who picks it up if you do not do it?

Mr Mrdak: At the Commonwealth level?

Senator GALLACHER: Yes.

Mr Mrdak: As I said, we continue to focus on it very much from the infrastructure perspective and the planning perspective.

Senator GALLACHER: Are there any projects that are being researched that have now stopped?

Mr Mrdak: As Dr Dolman indicated, we will produce this year essentially a State of the Cities report, which will continue to be published by the department.

Senator GALLACHER: But it appears that the new government is not prioritising this area?

Mr Mrdak: It does not have as high a priority as it did under the former government.

Senator GALLACHER: But you will continue to do the work?

Mr Mrdak: We will continue to produce the State of the Cities report as part of our suite of trends and indicator documents that Dr Dolman spoke about.

Senator GALLACHER: On the public transport side of things, I think I said yesterday that I do not think anybody who knows anything about transport would disagree there is room for all models. It is just a question of which is the most efficient at the task. Given that we travel around the major cities, Brisbane, Sydney, Melbourne—

ACTING CHAIR: And?

Senator GALLACHER: Perth. Adelaide is still a big country town. On the public transport argument, I am struggling to understand that if 80-20 is going into roads and so if you have to build a road you can get 80 per cent of the funding and you put in 20, but if it is a public transport infrastructure proposal you get zero from this government?

Ms O'Connell: In terms of this government's position, this relates to funding urban public rail, so not public transport in total, which includes buses. Clearly buses are on the roads, which are being funded. There is clear infrastructure support in terms of funding for that aspect of public transport. It is rather not funding urban passenger rail.

Senator GALLACHER: I can just relate to the experience in our little city of Adelaide where the tram was horribly opposed. It was built, and the next complaint was that the air-conditioning was not working because it was too full. Last week's newspaper reports were that the trains are that full they need extra carriages. It just seems to me that urban rail being taken out of the equation is going to lead to further congestion and less investment. Is that a fair statement?

Mr Mrdak: That is one perspective on it. Certainly in the last six months we have seen substantial commitments by state governments to urban rail. The Australian government has lifted its spend across a whole range of other infrastructure. I do not think it is as simple as simply saying that the lack of federal government involvement for urban rail is going to mean a distortion of investment. I do not think that is the case.

Senator GALLACHER: Is it a quid pro quo? So, is the infrastructure spent on roads sufficient to allow state governments to redirect money that would have been spent on road into the rail and it is in equilibrium?

Mr Mrdak: I do not think it is in equilibrium, but there is certainly no disincentive to state governments to continue investing in rail. In fact, over the last few months a number of state governments have made large investments and announcements in relation to investments in heavy and light rail. The Commonwealth government is providing additional funding for a number of road projects in those jurisdictions as well.

Senator GALLACHER: I understand that a piece of infrastructure like the O-Bahn in Adelaide, which is very efficient—when you add back in the cost of infrastructure the fares that are charged probably collect about half of what they should—I understand that argument. But if we are going to have 80 per cent of Australians living in major cities and you add in the additional value created alongside rail and tram corridors with the density of the population increasing, is the case well made? Can you actually point me to a business case that says, 'We are much better building that freeway than having that rail improved or a rail built' given that they deliver great social benefits and also there is a great economic benefit alongside these rail corridors, particularly in Melbourne?

Mr Mrdak: I do not think there is a definitive analysis comparing the two. If you look at individual projects—and as we discussed at length yesterday with Infrastructure Australia—you make some assessments based on the project proposal and the alternative options. In some cases alternative options can range from investments in alternative transport modes or through to pricing mechanism or demand management options. It is not a clear-cut case of road versus rail. You certainly look at the optimal urban outcome that you want. What is the most effective way to link people and jobs? Then you look at the most effective solution to do that.

Senator GALLACHER: Your department does that, hands that up to the government and on the basis of that advice this government has said, 'Urban rail is out'?

Mr Mrdak: In the lead-up to the election the government has made certain statements and commitments that its focus is on funding road projects and not proceeding with a number of urban rail projects. That has been their position to this point.

Senator GALLACHER: I am just trying to get to the bottom of that. Is that based on some evidence or some business cases or is that just, 'I don't like urban rail'?

Mr Mrdak: I think it is based on investment decisions that they have made. In the government's view the higher priority investments at the moment are projects like WestConnex, Northern Connect, Toowoomba Bypass and those sorts of projects which, in their view, are much more important projects. Broadly, I think they are generally supported as high-quality projects.

Ms O'Connell: The view is that it is the state government's responsibility to fund urban passenger rail.

ACTING CHAIR: Do you have any costings from state government? Do you have anything that could tell us how much state governments are putting into public transport?

Ms O'Connell: More recently we have seen an increase in terms of a number of urban public transport projects funded by state governments. Just taking New South Wales, for example, their increases both on the heavy rail and their commitments to light rail have been very significant.

Mr Mrdak: Or in your home state of Western Australia, the Western Australian government has decided to proceed with the airport rail link.

ACTING CHAIR: In 2018-19 when it was an election promise in 2013, Mr Mrdak. It is all bulldust. They are just shuffling it to the side.

Senator LINES: There is nothing—no planning. Nothing.

Senator BACK: I heard just recently that the federal government has put an extra \$3.5 billion into rail and the states about \$25 billion. Are those figures correct?

ACTING CHAIR: Not passenger rail.

Senator BACK: No, rail.

ACTING CHAIR: We are talking about public transport. This is public transport. The truth of the matter is—and Ms O'Connell hit it on the head—the feds don't give a stuff about public transport.

Ms O'Connell: Yes, I have heard those figures before.

Senator GALLACHER: Mr Mrdak, you are obviously across this issue very well. Is there any overseas experience where this is successful? Most of the things we do in Australia are learnt, copied or observed in other cities. Is there any evidence internationally that this is the way to go; that you put money into toll roads and freeways and abandon your public transport network?

Ms O'Connell: This is not a discussion about abandoning public transport. It is more about which government—

Senator GALLACHER: I will rephrase that. The Commonwealth government makes a decision not to fund urban public transport. Is that what you said?

Ms O'Connell: It is a question of responsibilities, and this government's view—

Senator GALLACHER: They can do whatever they like. They are the government. But it is very clear that they have taken a position not to fund or co-fund urban public transport. Is there any other evidence internationally which supports that? I am trying to look into the future. Is this going to lead us up there or down there?

Mr Mrdak: I think there is a substantial lift in investment by both governments. As to whether they are applicable, I do not know if there are too many other applicable models. You say we often copy and follow. Sometimes we lead, and our federal system is somewhat unique.

Senator GALLACHER: I think there was a gentleman from Oregon who came over to Adelaide and convinced us that trams and light rail were a good way of getting people around. We have gone down that path, whether it has been federal money or state money. When you can get 52,000 people into the Adelaide Oval on Friday, Saturday and Sunday afternoon and then get them all home, it builds a city and it is a great way of coming in and out, then it makes sense to me. That is all.

ACTING CHAIR: Senator Back.

Senator BACK: I would like to move over to sea transport now.

Mr Mrdak: That is in our Surface Transport area. I will just check if we have finished.

Senator BACK: In Surface Transport?

Mr Mrdak: Yes.

ACTING CHAIR: In that case, if there are no further questions?

Mr Mrdak: Unless you want some statistics on sea transport from Dr Dolman, otherwise sea transport policy is with Surface Transport.

Senator BACK: When you say 'statistics', I am interested in knowing about our new international shipping register and how many vessels are on it.

Mr Mrdak: Can we do that in Surface Transport?

ACTING CHAIR: Mr Mrdak, can we just call Surface Transport and then they are at the table? If that makes it easier for Senator Back, they are all here. And if it is questions that are not to do with the policy and research they can escape. Is that easier?

Senator BACK: That sounds good to me.

Mr Mrdak: All right.

ACTING CHAIR: Just before you kick off, Senator Back, while we are waiting for the Surface Transport policy to join us as well, we have listed our next agency as AMSA. I am just checking the time. Mr Mrdak, I would probably say that we may go to the NTC before AMSA. Does that throw out anyone in the back room or are both agencies here?

Mr Mrdak: I will be handling NTC.

ACTING CHAIR: You are a commissioner.

Mr Mrdak: I am.

ACTING CHAIR: Congratulations. There are two experts in the room now. Senator Gallacher was the commissioner. Senator Back.

Senator BACK: I am wanting to get an understanding of the number of Australian registered ships operating between our coastal ports. What are the numbers now?

Ms Kennedy: We have 47 general licensed vessels.

Senator BACK: From what tonnage, 2,000 tonnes up?

Ms Kennedy: Yes. It is from less than 500 right up the larger sized bulk carriers.

Senator BACK: When you say 'bulk carriers', these are vessels that are servicing Australian domestic ports?

Ms Kennedy: Yes, that is correct.

Senator BACK: Not international freight movement but coastal shipping?

Ms Kennedy: Yes, that is correct.

Senator BACK: Can you tell me what the trend has been? Are the numbers going up or down?

Ms Kennedy: We have had an extra 19 vessels join the general register since the introduction of the new Coastal Trading Act from July 2012. We have seen a reduction in the large international trading fleet. They have come down three vessels during that time, but the numbers have generally remained static.

Senator GALLACHER: Can I seek clarification?

Senator BACK: Yes, of course.

Senator GALLACHER: On 26 February 2014 there was a decision in the Federal Court. What changes to the decision-making procedures has the minister's delegate implemented arising from the Full Federal Court judgment in CSL Australia, 26 February 2014?

Ms Kennedy: Briefly, it clarifies for the delegate the matters that the delegate must have regard to as opposed to those matters that you may have regard to and the weight that you would ascribe to those matters.

Senator GALLACHER: Has there been an increase? From what I understand, the decision was held that the delegate had fallen into error by viewing commercial matters such as freight rates.

Ms Kennedy: That is correct. The Bench of the Federal Court held that freight rates fall into the matters that you may have regard to rather than one you must have regard to.

Senator GALLACHER: I am just trying to work out whether it is going up or down.

Senator BACK: It is going up. That is exactly what I am trying to establish also, so thank you for that. We had the creation of the second register, the Australian International Shipping Register, for ship owners and operators who predominantly engage in international trade. Can you tell me how many vessels are currently registered under that international shipping register?

Ms Kennedy: None.

Senator BACK: None?

Ms Kennedy: None.

Senator BACK: What would the reason be? Was it not something brought in to attract Australian flagged vessels on an international run?

Ms Kennedy: Yes. There were measures brought in with a view to attract people to come on to that register. I am not aware, in any great detail, of the specific reason why there are no vessels on that register. There was a vessel on for a number of months in late 2013, and that vessel has since moved to an overseas register in Hong Kong.

Senator GALLACHER: Just on that issue, was there a proposal for an ambassador to go out and seek international ships to come on to that register?

Ms Zielke: There was a consideration given by the previous government to having an ambassador in that role, but that was not subsequently taken up.

Senator GALLACHER: By the incoming government?

Ms Zielke: It was a decision taken by the previous government not to complete that process.

Senator BACK: I understand, Ms Kennedy, that Minister Truss, with responsibility, announced a regulation of coastal shipping options paper in April of this year. Can you tell me what the issues being canvassed are and what the status of that options paper is?

Ms Kennedy: Yes, of course. The issues that are being consulted on with industry and stakeholder groups are whether the government should regulate access to the movement of coastal freight in Australia. There are three options in that paper. The first two options canvas regulatory settings around an open coast where the government does not regulate access by foreign flagged vessels to moving freight. The third option canvases whether there is a need to maintain a regulatory framework for access and what that might look like.

Senator BACK: So the first two options, as I understand it, would allow internationally flagged vessels to ply up and down our domestic coastal routes and then return to the international trade without any further regulations or restrictions on them; is that the sense of those options?

Ms Kennedy: That is the concept. Clearly, there is a good deal of detail about how that would interface with other domestic laws that are in place at the moment. Certainly the Customs Act comes into being and the Migration Act, but that is the concept; that there would be no management by government of access to moving coastal freight. Clearly all maritime safety standards would remain.

Senator BACK: So a vessel comes into Brisbane for whatever reason, the owner or the operator picks up cargo to take it down to Hobart, and it is free to bid in the open market for that and then carry on. Can you tell me where are we with the options paper? Have people responded? Has it closed? Do we have a view being expressed? Where are we?

Ms Kennedy: We have recently met with stakeholder groups in Sydney, Melbourne, Perth, Brisbane and Hobart. I have a further meeting in Sydney this Friday. The window for submissions closes on 31 May.

Senator BACK: Does it?

Ms Kennedy: Yes.

Senator BACK: When you say 'stakeholders' would that be mainly ship owners, operators and freight companies? Who are the stakeholders?

Ms Kennedy: Ship owners, operators, buyers of shipping services, domestic manufacturing and other transport modes. We have had some interest from them. I would say it is a broad section of industry.

Senator BACK: Would you be able to estimate, just in approximate percentage terms, what proportion of freight is moved on road-rail-land transport up and down the coast and around Australia and what proportion currently would be moved by sea?

Ms Kennedy: I would need to get the specific numbers for you. If I could take that on notice.

Senator BACK: In doing so, I would appreciate knowing what the trend has been and of course whether or not as a result—and maybe wait until after 31 May, which is only a couple of days' time—under the different options what the predictions would be. Are we likely to be seeing an increase in sea transport? We have obviously all been talking here about congestion, safety on roads and so on.

I will now move to internationally flagged vessels, particularly those that are coming into Australian waters. I am very much a devotee of the live export trade. Those vessels come into Australian waters, pick up a cargo and go. Has there been any change at all from the last government or proposed with this government or any alteration in the method or the manner in which they undertake their trade?

Ms O'Connell: Just going back to your earlier question about proportions of sea freight—Dr Dolman has just returned to us and perhaps can answer that before we move to your next question.

Senator BACK: Certainly.

Dr Dolman: Previously I mentioned the freight line series that we have just published. That includes the figure that you are after. The latest year that we have is 2011-12. Coastal shipping accounted for 16.8 per cent of domestic freight; road, 34.6 per cent; and rail, 48.5 per cent. The trends over time are also provided in that paper.

Senator BACK: Can you make that available to us?

Dr Dolman: I can table it now.

Senator BACK: Thank you very much. I think we would all be interested in that. I will move back to vessels that just come straight into Australian waters, turn around and go back out again. Are there any changes?

Ms Kennedy: Are you referring to vessel standards for livestock or are you referring to customs management?

Senator BACK: Not standards. I am referring to any regulations or conditions. Iron ore carriers and coal carriers would be the same. I am interested in standards on those vessels but not in this forum. I am interested in any restrictions or any regulations pertaining to the movement of those vessels coming into Australian waters, picking up a cargo and going straight back out again.

Ms Kennedy: No, there have been no changes.

Senator BACK: As to overseas owned vessels, I know from my own contacts in the industry that there was the 90-day rule that Australian Customs observed, and then I think they abandoned the 90-day rule, as I understand it, that was previously applied to foreign ships trading in Australian waters and they had changed the interpretation of 'importation' under Australian customs legislation. What vessels do they or did they apply to?

Ms Kennedy: I think what you are referring to might be continuous voyage permits.

Senator BACK: Yes. It could well be. Let me give you an example from what I understand. A platform supply vessel comes into Australian waters. It is operating out of Dampier or, heaven forbid, East Arm Point into the future, and it is going out servicing oil rigs. What regulations pertain to those overseas foreign owned vessels that are effectively working in Australian waters for an extended period? They might have a contract for two, three or four years. They are not engaged in coastal freight movement. They are just engaged in servicing platforms offshore.

Ms O'Connell: So, a basic supply-type vessel?

Senator BACK: Yes, as their name suggests, platform supply vessels.

Ms Kennedy: Questions on vessel movements are a matter for Customs and Border Protection Service. If you have safety regulation questions I would defer those to the Maritime Safety Authority. They are not regulated under the Coastal Trading Act.

Senator BACK: So, they are not regulated under the Coastal Trading Act?

Ms Kennedy: They are not regulated under the Coastal Trading Act.

Senator BACK: That is really what I am getting at. I am trying to understand the regulatory frameworks pertaining to these vessels.

ACTING CHAIR: In terms of the wages and conditions?

Senator BACK: Partially.

ACTING CHAIR: I just get this impression you want our maritime workers to be paid the same as these poor devils from Third World countries; is that what I am picking up?

Senator BACK: All of those matters pertain, but as much as anything else it is about whether or not there are conditions or regulations imposed on foreign owned vessels that would make Australia unattractive to them in contrast to the North Sea, the Gulf of Mexico or the South China Sea. Because we have now—and obviously the minister is well aware—and we are going to have into the future a much greater demand for these vessels. As the Shell Prelude project and other floating LNG projects get underway there is going to be a massive increase in the demand for vessels supplying the various services and products that they need. I am just wanting to know whether or not the overseas flagged vessel owners will see any circumstances that would make Australia less attractive for them to bring their vessels into these waters as opposed to our competitors overseas.

Ms Zielke: You are probably aware that the Productivity Commission undertook an inquiry into Tasmanian freight and shipping arrangements recently.

Senator BACK: Yes.

Ms Zielke: A number of the submissions to that inquiry provide details in relation to those companies' and organisations' view in relation to how they operate in Australia as opposed to other countries. I am happy to provide you with an assortment of those submissions or indicate which ones would be of particular interest. Of

course, the outcomes from that review are part of what we are considering in looking at the Coastal Trading review as well and, again, asking for submissions in that regard.

I will be honest. The answer to your question is that it depends in relation to the type of vessel and what it is that they are actually moving. For example, it is a very different situation for container ships as opposed to bulk ships in Australia in particular. I am happy to provide you with an assortment of those submissions, which might be helpful to you in that regard.

ACTING CHAIR: Just for clarification, you are talking about the competitiveness of supply vessels to the offshore platforms? Are you suggesting or asking that there could be an absolute problem if they were to pay Australian wages and conditions?

Senator BACK: No, I am not. I am concerned about the overall regulatory framework that would make offshore Australia less attractive to overseas vessel owners. There are not too many Australian vessel owners in this game. They are pretty well all overseas owned, and there is now immense competition coming into the market.

ACTING CHAIR: I am thinking of supply vessels the likes of *Mermaid Marine* and those running out of Port Hedland, which have Australian crews running and supplying these offshore platforms. So, you just have a problem with the regulation or government policies?

Senator BACK: Yes.

ACTING CHAIR: So we are not heading into a debate on whether they should attract Australian wages?

Senator BACK: No, not at all.

ACTING CHAIR: My apologies. I came in too late.

Senator BACK: That has answered my questions in this area. Thank you.

ACTING CHAIR: Senator Gallacher.

Senator GALLACHER: Just continuing with this subject, just to sum it up, we have a view that Australia exports probably 10 per cent of the world's cargo and that we should have a shipping industry, so to speak, whereas it is possible those with an opposing view think shipping is a cost to exports. In that context I just want to ask a couple of questions. Can you advise the steps the department has taken since September—and obviously that was a very important date—to ensure that international ship owners and ship investors are aware of the 2012 reforms? Have you done anything since September to make international ship owners aware of the 2012 Australian shipping reforms?

Ms Zielke: We have interactions with Austrade. We keep them informed in relation to the provisions that are available and we use Austrade, therefore, to provide that information in posts around the world.

Senator GALLACHER: Was the proposal for the Australian shipping ambassador actually completed prior to September?

Ms Zielke: The idea to proceed with that had been concluded prior to September. And the decision to proceed with it—

Senator GALLACHER: Was the proposal complete? Your statement earlier was that the previous government decided not to pursue that.

Ms Zielke: Yes, they did.

Senator GALLACHER: So, the proposal was complete?

Ms Zielke: The decision to not proceed with an ambassador was completed prior to September. The previous government took that decision.

Senator GALLACHER: There was a decision on that?

Ms Zielke: Yes.

Senator GALLACHER: You are saying that you talk to Austrade. How do you actually do that? Do you send them an email or carrier pigeon?

Ms Zielke: It is both email and also meetings, and providing them with information in relation to what is available so that they can then share that with companies that they are talking to.

Senator GALLACHER: Did the department advocate the abolition of the seafarer tax offset?

Ms Zielke: No.

Senator GALLACHER: Did the department express a view to Treasury on the abolition of the seafarer tax offset?

Ms Zielke: Not that I am aware of.

Senator GALLACHER: Did the department advocate abolition or change of any other aspects of the previous government's shipping package?

Ms Zielke: Not that I am aware of, no.

Senator GALLACHER: Can the department advise how many companies accessed the seafarers tax offset during 2012-13 and, secondly, 2013-14, and what was the total rebate made to those companies by financial year or is this is a matter for Treasury?

Ms Zielke: It is a matter for the tax office.

Senator GALLACHER: I mentioned that in the earlier court decision it would appear that the delegate for the minister had fallen into error by viewing commercial matters such as freight rates. Has that been redressed now? What has happened since that Federal Court decision?

Ms Kennedy: The decision of 26 February has provided the delegate with clear advice on where commercial freight rates must fall in terms of the overall weight of matters that need to be taken into account.

Senator BACK: What has been the effect of that decision? Obviously it changes the way decision are made.

Ms Kennedy: It reduces the provenance of freight rates, in short.

Ms O'Connell: We use those precedents in terms of the guidance to delegates making decisions. It has that impact.

ACTING CHAIR: Whose is the delegate?

Ms Kennedy: Me.

ACTING CHAIR: That was helpful, that court case.

Ms Kennedy: Yes, it was.

Senator GALLACHER: Have there been any conversations with Austrade about supporting the international register since September? Have you gone out with Austrade and got some people on the international shipping register since September or has it simply been, 'A change of government. We're walking away'?

Ms Zielke: No, not walking away from it. We have not had any particular meetings that come to mind for me since September. The information is available to them. When we get questions we respond to those and that would have been the same level of interaction I expect we were having before September as well. When the initiatives were brand new we provided information, of course because they were new, to make sure everybody was informed and advised.

Senator GALLACHER: So, there has been no directive and since September there have not been any conversations with Austrade about promoting the international shipping register?

Ms Zielke: No significant change.

Ms O'Connell: Yes. The significance is no change. When the international register was first introduced there was significant promotion initially to make people aware of it, but no change in terms of our activity in supporting and promoting since that initial stage.

Senator GALLACHER: That is all for me on seafarers.

Senator LINES: Ms Kennedy, I just came back into the room and caught the tail end of the answers to questions from Senator Back. You were referring to an upcoming industry meeting in Sydney where you were going to have the freight people.

Ms Kennedy: Yes, that is right.

Senator LINES: What is the purpose of that meeting?

Ms Kennedy: We are offering face-to-face meetings with interested stakeholders to discuss the options paper to ensure that their inferences on what government is seeking views on is correct.

Senator LINES: What does this paper spell out? What are the key themes?

Ms Kennedy: The key themes are around the question of whether government needs to regulate in this sector or whether government should regulate and some thoughts on what it may look like in a deregulated sense for an open coast or maintaining a cabotage.

Ms O'Connell: This is the review of the Coastal Trading Act that we were talking about. The paper is on our website and submissions are open until the end of the month. Ms Kennedy was just outlining the consultation arrangements around that.

Senator LINES: Are you doing those consultations across the country?

Ms Kennedy: We have been to a number of places. We have been to Sydney, Melbourne, Perth, Brisbane, Hobart and a number in Canberra.

Senator LINES: How do stakeholders become aware that there is a consultation? Do you advertise in the paper?

Ms Kennedy: We did have an ad in the paper when the paper was launched. It was in two of the national papers. We have also had the information available on our website and reached out to our client database through email.

Senator LINES: So, anyone could have come along? Is it open to anyone?

Ms Kennedy: Yes, that is correct.

Senator LINES: It is not an invite only?

Ms Kennedy: No.

Ms O'Connell: And submissions are open to all as well.

Senator LINES: Yes. That is it. Thank you.

ACTING CHAIR: Senator Gallacher.

Senator GALLACHER: I will just return to the seat belts on regional school bus programs. Is there any allocation beyond 2015-16? I think you have said that a million dollars a year has been allocated for \$25,000 grants for fit-outs of school buses in regional, but is there any allocation for 2015-16?

Ms Zielke: There is a million dollars in 2015-16.

Senator GALLACHER: So, it is just going to continue on until it is fixed. What is happening with the Keys 2 Drive? There is \$4 million allocated to assist learner drivers. Is there an allocation beyond 2015-16? I presume we are still going to have learner drivers in 2015-16.

Mr Mrdak: I will ask Mr James to give you an update on that.

Mr James: Funding currently runs until 2015-16. There is a further three years funding. There was a commitment to provide \$10 million over three years, and that is when the funding expires.

Senator GALLACHER: How long has the program been running?

Mr James: Since 2007-08.

Senator GALLACHER: Is it normally budgeted in three-year increments?

Mr James: It is dependent on commitments. It has usually been about four years, but I cannot tell you what the earlier commitments were.

Senator GALLACHER: So if I was looking at 2007?

Mr James: 2007-08 was the first year.

Senator GALLACHER: How long is it budgeted for in 2014?

Mr James: I do not know, but I think it was a four-year commitment.

Ms Zielke: It was a four-year commitment.

Senator GALLACHER: I am just trying to find out whether this program is going to get the chop in 2015-16.

Ms Zielke: At the moment the commitment is only until 2015-16.

Ms O'Connell: It is funded for 2015-16. It would be a decision of government beyond that period, but for the moment the continue continues.

Senator GALLACHER: What we do know is that we are not going to run out of kids wanting to learn to drive and it has been around since 2007.

Ms O'Connell: The current commitment finishes at the end of the financial 2015-16 year and after that it would be a decision for government.

Senator GALLACHER: Can you tell us a little bit more about that program? How many people have accessed it? Is it successful?

Mr James: As at the end of April there were 1,422 accredited instructors. They had to be accredited to provide the lessons. The number of free lessons provided to date by them has been 260,196.

ACTING CHAIR: How many?

Mr James: It is 260,196.

Senator GALLACHER: Just clarify for me this last round of funding—is that a shorter period than has been traditionally funded? Is that three years whereas it has normally been done for four?

Mr James: As I said, I would have to take on notice what periods the previous funding periods have been. It is three years currently, an extension.

Senator GALLACHER: So, with these 260,000 kids that have accessed this, how has that actually been done? Is that a school based program?

Mr James: No, it is not school based. It is run through the AAA, the Australian Automobile Association. We contract with it and it actually runs the program and provides the services. It promotes the program. Drivers register to be eligible. They have to be accredited. Then as they get students, people learning to drive, they are reimbursed by AAA.

Ms O'Connell: A number of the schools have things like road ready programs that are precursors and through that they obviously cross-promote Keys 2 Drive and the opportunity to have a free lesson through this program.

Senator GALLACHER: I am concerned that with, in the government's words, the 'budget emergency situation' that an initiative such as this, which is delivered to 260,000 young drivers, would have a shorter period of funding than what it may normally have had.

Ms O'Connell: The funding is secured until the end of 2015-16. In terms of previous funding rounds, there was a change in the way the program was being delivered part way through the previous round that might have had an impact. There might have been, in fact, shorter periods rather than longer.

Ms Zielke: It was originally funded for a three-year period. All funds were not expended during that period of time so there was an extension of a year given to it. This three-year period equates to the previous commitment.

Senator GALLACHER: So we should be aware and not alarmed?

Ms Zielke: Yes.

Senator GALLACHER: How does it rate in terms of the department's performance criteria? When you spend money you must evaluate what you have done. Is this right up the top of the benchmark of what we should be doing?

Mr James: It has been evaluated a number of times and it has come out to reasonably in terms of an intervention like this. The amount of money we are talking about is not huge, so you have to consider what the proportionate effect would be. But there has been very positive feedback from drivers and families who use the program.

Senator GALLACHER: So, it is something that the department is obviously supportive of and this is just the normal budget procedure; that you fund some things for three years and the next budget sees what happens.

ACTING CHAIR: Can anyone apply for it?

Mr James: You just have to be a learner driver.

ACTING CHAIR: Sorry.

Mr James: You have to be a learner driver, of course, and it can only be accredited to drivers have registered and passed a check through the AAA.

ACTING CHAIR: How do people find out about it?

Mr James: The AAA promotes the program through its clubs around Australia, the automobile clubs, and they have a web presence as well. So, they promote it.

Ms O'Connell: In addition, we have promotional material with each of the state licensing jurisdictions. When you go and get your learner driver's licence they promote Keys 2 Drive at that point as well, which is a valuable entry point, because the kids are turning up to get their L-plates and their L-licence and find that there is an opportunity for them to avail themselves of a free initial lesson.

ACTING CHAIR: Are they restricted to one lesson?

Ms O'Connell: The program is for one single free lesson.

ACTING CHAIR: Normally their first one or does it not matter? Is it whenever they apply?

Mr James: It does not really matter; it is whenever they apply to have a free lesson while they are a learner. So, it could be a brush-up further on towards the end.

ACTING CHAIR: I am just looking at the amount for accredited trainers. Is it an hour or is there a set price?

Mr James: It is an hour—half-hour theory and half-hour practical.

ACTING CHAIR: You said one year was not spent. So, is there money left over?

Ms Zielke: When the program first started, building up demand for the program took longer than expected. So, that impacted on the ability for funds to be expended over the three-year timeframe.

ACTING CHAIR: Have we seen a trend where each year it is bumping up through kids saying to their younger brothers or sisters, 'Have a go at this'?

Ms Zielke: Rather than bumping up, it has actually reached not quite a plateau, but it is a consistent level of lessons being requested going forward.

Ms O'Connell: I think it was just that ramp-up period in the beginning that took a while for the awareness and the promotion and all of that to happen. One of the key benefits has been around the accreditation of the driving instructors. It took a while for the driving instructors to go through the accreditation process. The first period was a little slower than what we had first anticipated.

ACTING CHAIR: Obviously there is half-hour practical and half-hour theory. What about the kids in remote areas? Can they access it, too? They just have to wait for the accredited instructor to get into town or something, do they?

Ms Zielke: Yes, they can. It is open to any learner driver, as Mr James said. That being said, of course, they are reliant on having an accredited driving instructor close to where they are and of course having a vehicle as well.

ACTING CHAIR: Yes, that helps. I have always thought that if you are driving home you have to make sure you have a car. I have worked on that theory. Tremendous.

Senator BACK: Driving instruction, et cetera, and the safety associated with learner drivers is a state issue, is it?

Ms Zielke: Yes.

Senator BACK: It is not one over which we have any influence?

Ms Zielke: No.

Senator BACK: Thank you.

Senator GALLACHER: Just returning to the dreaded ambassador—oh, no, that is not that lady. I got them mixed up. Delegate—sorry about that. I did not think you were 'dreaded'; you saw the light. Can I put it to you the ambassador proposal was on foot at the time of entering the caretaker period before the last election and was simply not pursued under the caretaker conventions. It was not a decision.

Ms Zielke: I am more than happy to take that on notice and come back to you. Maybe my memory is incorrect. I am comfortable to confirm that for you.

Senator GALLACHER: Clearly, you have said it was a decision of the former government not to pursue it. I am advised slightly different to that.

Ms Zielke: I will take that on notice.

Ms O'Connell: We will verify that.

Senator GALLACHER: Can the department advise on the current status on enforcement of the national heavy vehicle legislation? Where are we at with the national legislation?

Ms Zielke: The heavy vehicle national law commenced on 10 February with administration by the NHVR in relation to New South Wales, Victoria, South Australia, Tasmania and the ACT.

Senator GALLACHER: There is one missing there—

Ms Zielke: And Queensland, sorry, yes.

Senator GALLACHER: So, the Northern Territory and—

Ms Zielke: WA.

Senator GALLACHER: —WA are not—

Ms O'Connell: WA did not sign the intergovernmental agreement in 2011, so they are not participating. The Northern Territory did sign the initial agreement but have not as yet enacted the legislation. I think they would reflect their position as not participating at this point.

ACTING CHAIR: Let us get it out on the record. Why did WA not join up?

Senator BACK: They don't think that their standards were different and more appropriate for Western Australian conditions and they did not think the national conditions were going to adequately provide the safeguards for Western Australian heavy transport?

Ms O'Connell: They also held a view that much more of their truck movements were within the state and not across borders.

Senator BACK: Would that be a reasonable comment from your knowledge, Senator Sterle?

Senator STERLE: Spot-on.

ACTING CHAIR: You can tell us a bit more: what were the bigger issues? Was it speed limits? Was it driving hours?

Mr Mrdak: I think it was a combination of driving hours and WA has a number of measures which are unique, particularly for long-haul drivers, which WA was anxious to protect. I think the WA trucking industry has yet to be convinced of the benefits of the national regime. They were concerned about a loss of local productivity measures as they saw it, even though the national regime does protect all existing state based productivity measures, unique measures. Effectively grandfathering existing arrangements.

We are continuing discussions with WA. As the national heavy vehicle regulator gets established and effectively gets some runs on the board in terms of changes to legislation and operations, then I think we would probably in the future see if in the future the jurisdictions wish to join.

ACTING CHAIR: There are extremely different regimes in terms of fatigue management with WA. WA recognises that population and traffic is nothing like it is maybe on the eastern seaboard as such. I actually support the West Aussies, because I understand their differences.

Senator GALLACHER: How are the concerns raised by the sector about the implementation of a national system in February being addressed? Let us start with where it is accepted. Concerns are thrown up. I will just throw one out there. You can get on a plane at Bankstown Airport and you can use your iPad to file a flight plan and that is all good, but you cannot use your iPad as your logbook in a truck. You will get fined if you are using your iPad as a logbook.

Ms O'Connell: A lot of these are examples of why moving to a full national regime holds value for industry, but a lot of it is work in progress in terms of further development and things happening to get to a nationally agreed position. I will ask Ms Wieland to speak specifically about that.

Ms Wieland: Some of the challenges that we have been working through in relation to work diaries as you talked about is that we do not quite yet have standard national rules around fatigue management. The National Transport Commission has done some work around work diaries to make them easier for truck drivers to fill out, but in terms of electronic-type records that you have raised, there has been some preliminary work done by a trial in New South Wales around electronic work diaries, and that is in a manner that cannot be tampered with and satisfies regulatory requirements so that it could be used for prosecutions in court, et cetera.

It is fair to say there are some opponents to electronic work diary regimes, and the National Transport Commission has done a fair bit of work with the various industry associations about trying to address the sorts of issues that they have raised. For example, in a work diary at the moment there are tolerances of a certain number of minutes in terms of whether you get breached for fatigue hours. Under the electronic records, there is a concern from industry that they would get pinged if they were one minute over and that there were no tolerances there. The National Transport Commission is working those issues through with industry to try and get something feasible that we can implement in the future.

Ms O'Connell: In fact, there are a number of agreed positions at last week's ministerial council on some of the detail about implementing electronic work diaries. We got agreement on quite a number of points. There are still some outstanding points, though, to be pursued and further work by the National Transport Commission in consultation with the heavy vehicle regulator and with industry to get into a satisfactory position.

Senator GALLACHER: In an industry where increasingly it can be identified by computers how many times a driver changes gear, touches the brake pedal, or blinked, basically, this seems a bit obscure. You talk about prosecution and the like. If someone wants to cheat on their electronic worksheet, it is no different from cheating on their other worksheet; you just go to the computer in the truck and get the answer. I have had truck drivers that

complain a lot about it and there are other truck drivers who may struggle with the technology, but it is the future. Basically, we need to go this way rather than say, 'Electronically it will record you a minute over. There is no discretion; you get fined.'

Ms Wieland: We would not disagree with you. I have observed some of the electronic management systems that some of the industry players use, and they are quite sophisticated in that regard. The key issue is making sure that they have got the right rules bases within them, that they are not able to be manipulated in terms of managing fatigue issues.

Senator GALLACHER: I think there is a sort of culture that treats every truck driver out there as trying to break the law. There are the people who check those logbooks and the people who fill out the logbooks, and they do not always agree with each other or call each other nice names. Surely with the technology that is available in the machinery, ultimately there is an arbitrator there, anyway. For most of the trucks you can download exactly what has happened.

Ms Wieland: I am having a little difficulty hearing you with the bells; I have a bit of a hearing difficulty. Apologies.

Senator GALLACHER: So, 14 February was a brand-new day, and I just want to know are we at the status quo where the people who inspect logbooks and the people who fill them out are still poles apart?

Ms Wieland: Is that for fatigue management? Is that what you are asking?

Senator GALLACHER: From a driver's perspective it is more about how many times they are going to get fined for doing something that might be considered petty.

Ms Wieland: When the national law was implemented it moved towards standardising a whole range of elements.

ACTING CHAIR: Sorry, I do not know what is going on in that room behind us, Mr Mrdak, with your officers, but you might want to send someone out to investigate.

Ms O'Connell: We are just sorting that out.

Mr Mrdak: We are not usually that active.

Ms O'Connell: That is better.

Ms Wieland: So, the national law did achieve a level of harmonisation. I would describe it as a journey, pardon the pun. We have come some way towards improving the mass access arrangements within the laws on allowable weights and dimensions. On fatigue management we have now got the same rules for counting time across all of the states that have implemented the heavy vehicle national law. That is actually a change.

ACTING CHAIR: Counting time?

Ms Wieland: The way that time was counted from a rest break. We previously had two states that did it differently from the rest of the states and territories. As I said, it is a journey. The National Heavy Vehicle Regulator has been tasked with looking at what we call local productivity initiatives. They are those things that give greater productivity benefits than the minimum standard under the law, and they are to come back to ministers each year with recommendations about which of those can be harmonised nationally. So, trying to lift the productivity bar available to industry.

Senator GALLACHER: So, we have agreed that you can measure the time at the national level. What about the enforcement of it? I could have shown you letters years ago where the driver would have his rights to drive in New South Wales withdrawn, so he would have to get to Queensland another way. How are people enforcing these national regulations? Is the way they have always done it in the states taking over or is it coming good?

Ms Wieland: The enforcement is currently done by two groups of people. One is the heavy vehicle inspectors who work for the roads agencies, and in others in some states exclusively it is the police forces. In respect of the heavy vehicle inspectors, the National Heavy Vehicle Regulator will have service agreements with each of the states and territories and that will drive performance. They will also have national guidelines, enforcement and compliance rules that they want the states to follow, and so you will see a consistency in the way they operate. It is probably fair to say that police forces follow their own internal procedural operations, and that will be a bit more challenging, I suspect, as it has been in the past.

Senator GALLACHER: It was only February. We are now in nearly June. Are there concerns being expressed about the rigor or the processes of enforcement in different states? Has that been thrown up?

Ms Wieland: Yes. As was the case before the national law, we have certainly had representations from heavy vehicle operators about perceptions around unfair compliance and enforcement regimes. We expect that, given the

size of the vehicle fleet, which is somewhere around the 500,000 vehicle mark, we will always continue to get representations in that regard.

Senator GALLACHER: A couple of the really high-profile grounding of fleets and things like that—have they impacted on the work of the jurisdiction towards harmonisation and treating everybody the same? Once you ground a fleet of petrol tankers—

Ms Wieland: Are you asking specifically about access permit processing?

Senator GALLACHER: If it is a National Heavy Vehicle Regulator and there are agreed national heavy vehicle standards, then there is no opportunity for anybody to do their maintenance in a jurisdiction that is not covered by the same regulation, is there?

Ms O'Connell: That is the intention; to have a single set of rules that are complied with nationally. We are not quite there yet, as we said earlier. We have certainly had some degrees of harmonisation and that is good. There is a lot more yet to be done. Some states have still got some, what are called, derogations by the law. So, so some sorts of special circumstances that they have retained. Over time we want to see it all move to a nationally consistent approach. That is where we would like to get to. I think it is fair to say, as you mentioned, any time there is a major truck accident or incident, it causes each jurisdiction to reflect on whether the rules are as they should be and whether the compliance is being done effectively. It will always give rise to those sorts of reflections. We consistently say that is no reason to move outside of a national regime and the industry benefits are demonstrated there for a national regime, but more to reflect whether nationally we do have the right settings or we do not. We would expect the heavy vehicle regulator to play a role in those reflections ongoing.

Senator GALLACHER: I have a heavy vehicle licence in my pocket, as has Senator Sterle, but I can only pay it in South Australia, because that is where I live. Are there any revenue implications that are detracting from the efficiency of the heavy vehicle regulation? Is it attractive to do something in a jurisdiction that is slightly cheaper or have you standardised the charges?

Ms Wieland: Not in terms of amending regulations. Certainly, if you were getting into a discussion about charging regimes that might be the case, but it has not had a significant impact on revenue.

CHAIR: Can we just note for the record that we are all qualified. We have all got heavy driver's licences. One of the things that irritates me about the rego, which is probably not your department, but I am old and decrepit as you can see, is that you no longer get the label to put on your windscreen to remind you when to register the car. That is a real pain.

Ms O'Connell: Yes, that is an issue for states. Each state runs the registration—

CHAIR: For the sake of a lousy label.

Ms O'Connell: Labelless is becoming the way to go.

Senator STERLE: Can I just come back, Ms Wieland. I see how the intent to have a National Heavy Vehicle Regulator could be good for Australia; I do not want to burst your bubble, but it is not going to happen unless the eastern states regimes change their fatigue management laws, and that is a decision for them. I would not comment. When I was out pedalling across there I used to hate the eastern states regime, but I was a West Aussie and we had ours and that suited us. You touched on ridiculous enforcement of breaches. I was talking to a group of truckies last week in Queensland who told me—I have no proof—that one of the subbies from their company got pinged by some overenthusiastic enforcement officer in Queensland or New South Wales and he got a \$15,000 fine because he made a spelling mistake on his fatigue management entry. Does that sound right? I am not saying the truckie's got it wrong. Is that just mischievous?

Ms Wieland: I doubt that is the case, but there have been references in the media to—

Senator STERLE: Might have been \$1,500?

Ms Wieland: —some of the maximum penalties in the national law and saying that is the fine. In terms of how the law is constructed, the maximum penalties are a maximum that can be imposed by the court. The infringements, or the fines, that get issued are actually only 10 per cent of that value. I am not familiar with your constituent's case. But if he had been fined for an offence that carried a \$15,000 maximum penalty, then he would have got a \$1,500 infringement.

Senator STERLE: For a spelling mistake?

Ms Wieland: I am not sure of the circumstances of his case. I would have to take that on notice.

Ms O'Connell: I am not sure that a spelling mistake is an infringeable offence either. Anyway, we would have to look at the circumstances.

Senator GALLACHER: No. Clearly, if you spell your name wrong you are dead, you are gone.

Ms O'Connell: You are spelling your own name wrong?

Senator GALLACHER: If you make a spelling error, and that is where people may be spelling their own name wrong, then you are gone.

Ms Wieland: I will take that on notice and come back to you with some advice about what the NHVR does around work diaries in that regard.

Senator STERLE: If you could. This is part of the big problem in Western Australia. They tell me that if we have these fatigue regimes that are operative in the eastern states imposed on West Aussies the state would stop. I am the first one to stand here and say I support fatigue management. I would do anything to support our drivers being safe out on the roads, but if there was a thought that the eastern states could impose their regime on us I would be at the border throwing rocks at you as well. Well, not at you, at the eastern states.

Ms Wieland: Noted. Thank you. It is fair to say that there is a level of misunderstanding when you talk to people from different states about what the rules are in other states. I am not sure whether what you have suggested is—

Senator STERLE: No, but I know where I would rather drive. I do not know how those truckies make a living on the east coast. I have got no idea. But that is more about being screwed down with the common denominator by some of the big players in town, Coles and co.

Senator GALLACHER: Is there a regular bulletin about progress in this area on your website or something?

Ms O'Connell: Yes, there is. The National Heavy Vehicle Regulator regularly puts out newsletters and messages about changes and they have a website and a web presence. They also do industry consultations from time to time on a range of issues, but if anybody wants to go to the National Heavy Vehicle Regulator website, that is where—

Ms Wieland: That is nhvr.gov.au.

Senator GALLACHER: I will just throw a curly one at you. In the Northern Territory there are probably 600,000 a head of cattle exported every year. Basically you can cart them for 18 hours before you have to feed them and water them. So, basically, all of those road trains of cattle will drive for 18 hours, because that is the optimum efficient time before you have to feed and water the cattle.

How is the National Heavy Vehicle Regulator going to come into effect in places like the Northern Territory where they pick up cattle, they need to get them to a port and they drive for 18 hours? I do not care what anybody says; that is what they do. If they need to have two drivers in, they do, or if they need to have someone in there to keep the driver awake that is what they do. How is that ever going to be conquered?

Ms Wieland: Under the national law we have got this concept called advanced fatigue management. How it differs from the previous schemes is that we had the fatigue experts work with the National Transport Commission and states and territories to come up with what we call a risk classification system and that allows operators who are registered under this advanced fatigue management scheme to be able to submit more flexible schedules that show what trade-offs they have made to address the risks posed by that 18 hours. So, for example, if they drove 18 hours in one day and then were able to get strong, restorative sleep in the NT there may be a way to take that forward under the new regime. So, it will have more flexibility built into it than what the previous fatigue management regime had—science based.

Senator GALLACHER: I was just curious why the Northern Territory had not enacted the legislation—

Ms Wieland: Sorry?

Senator GALLACHER: You said the Northern Territory had agreed but had not enacted the legislation.

Ms Wieland: Yes. It is probably a fair judgment to say the National Heavy Vehicle Regulator has not done enough work around the implementation of that at this point in time, but it is certainly something that is captured within the law, captured within the regime and as we bed down the actual implementation of the regulator you will see more work happening in that space.

CHAIR: Thank you. We are going to skip to the National Transport Commission.

National Transport Commission

[15:55]

CHAIR: Senator Gallacher, you have the call.

Senator GALLACHER: I have some questions of the NTC. Are you answering those, Mr Mrdak?

Mr Mrdak: Yes, I am.

Senator GALLACHER: As to agency resourcing, are you aware of the government's request to make savings of \$60 million across the infrastructure and regional development portfolio?

Mr Mrdak: Yes, I am. That is a target reduction in cost to industry from our regulatory compliance activities and our regulatory oversight activities.

Senator GALLACHER: Has the department requested further savings from the agency since September?

Mr Mrdak: No, the target has been set at \$60 million across the portfolio for this calendar year. There has been no change since I last gave an update at our last hearing.

Senator GALLACHER: Have you implemented the savings that were originally requested?

Mr Mrdak: Sorry, I missed that?

Senator GALLACHER: Did you implement the original \$60 million worth of savings?

Mr Mrdak: We are in the process of it. As I outlined yesterday to the committee, we anticipate at this stage we have met around 20 per cent or so of this year's target through regulatory activities of Civil Aviation Safety Authority and Maritime Safety Authority. We are currently completing a stocktake of regulation, which we anticipate to be completed by next month, which will enable us to then identify other areas in the portfolio. I know you had a conversation last night with Mr Dolman, for instance, in terms of what he is doing to try and minimise regulatory cost to industry. All of the portfolio agencies are engaged in this. The National Transport Commission is not captured by that.

Senator GALLACHER: So, going to the PBS, page 242—staffing falling by 10 per cent, 43 down to 40 in the next year. How will you achieve this and what impact will that have on the NTC?

Mr Mrdak: That is an estimate of staffing. It will be achieved predominantly by natural attrition and by limiting recruitment. Unfortunately Mr Retter, the chief executive, could not be here this afternoon. The commission will achieve that through reprioritisation of its work tasks. We do not anticipate that will impact on the delivery of the commission's work program.

Senator GALLACHER: So, three people just pursue other options in life, do you make them redundant or what?

Mr Mrdak: It will largely be met through natural attrition and not proceeding with recruitment to fill positions.

Senator GALLACHER: So, people taking on term contracts, they are not—

Mr Mrdak: That is right. Where we have had people that are contractors and not ongoing staff, but also where ongoing staff depart we will have a look at whether we replace those staff.

Senator GALLACHER: So, in respect to states and nationally consistent laws, since September has the NTC received any representations from states or territories seeking to break away from nationally consistent regulation of heavy vehicles?

Mr Mrdak: Not beyond the discussion you have just had with our officers in relation to the states and the National Heavy Vehicle Regulator.

Senator GALLACHER: So, the NT has not enacted the legislation and Western Australia has not agreed to it. Is that right?

Mr Mrdak: That is correct.

Senator GALLACHER: That is the two things. So, would the next area be rail regulation?

Mr Mrdak: Rail regulator; there are two jurisdictions who are yet to enact the legislation.

Ms O'Connell: Queensland and Western Australia. Western Australia have agreed, as has Queensland; it is a timing issue in terms of when they are advertised—

Ms Wieland: The great outliers.

Ms O'Connell: pass their legislation and join the national rail regulator.

Senator GALLACHER: A timing issue. Have they not sold them all?

Ms O'Connell: No, they need to pass legislation in each jurisdiction to join in.

Mr Mrdak: They need to pass legislation in state parliaments.

Senator LINES: Queensland does not have an upper house. It is not very hard to do, is it?

Senator GALLACHER: Is there anything coming out of maritime regulation?

Ms O'Connell: All jurisdictions are participating in the national maritime regulator.

Senator STERLE: What do you talk about in the commission?

Mr Mrdak: There are three principal areas of the work program at the commission. The first of those is the areas of national law reform, where the ministerial councils ask the NTC to lead work. For instance, the number of productivity and safety measures under national heavy vehicle law are being progressed by the National Transport Commission. They are doing the policy and the legislative development.

Senator STERLE: Sorry, are you doing a policy on development in national road safety?

Mr Mrdak: Well both road safety and productivity measures for national heavy vehicle law. For instance, Ms Wieland spoke a little while ago about electronic work diaries. That is the sort of project that has been progressed by the National Transport Commission. Last Friday the National Transport Commission presented to Commonwealth and state ministers the policy framework and the legal framework which will be adopted for electronic work diaries to be adopted across—

Senator STERLE: So, you guys, not to use this terminology, are trying to get the warring factions, which is the states, around the table and just slap them around a bit and put some common sense into them; forget the stupid political games they may play from time to time and try and get the national interest foremost in their mind.

Mr Mrdak: Absolutely. The role, as Senator Gallacher knows from his time, is that effectively the NTC is one of those few federal bodies which all jurisdictions are parties to. It is designed to be an impartial body that can do a lot of the technical analysis and policy development and come back to jurisdictions with effectively what are harmonised or national approaches, or even in cases where jurisdictions proceed, what is the best possible policy and legal aspect to get improved regulation which drives better productivity and safety across transport.

Senator STERLE: Thank you.

Senator GALLACHER: A former Western Australian chair described it as a little like herding cats.

Senator STERLE: I can imagine.

Senator GALLACHER: What is the NTC's work program for the next year? Or has the NTC work program for next year been approved?

Mr Mrdak: Yes, it has. The ministers on Friday approved the work program and the corporate plan for the National Transport Commission. I would be happy to provide you with a copy of that. It is focused on three areas, firstly, ongoing reforms to underpin the National Heavy Vehicle Regulator, in particular, but also national rail regulation.

Secondly, maintenance of existing regulations; for instance, the NTC is now doing work on heavy vehicle maintenance and compliance at the request of New South Wales following the discussion we had at the last estimates about dangerous goods. So, dangerous goods and national heavy vehicle maintenance, those types of projects are continuing. The third area is around national pricing. The NTC has recently finished a new determination for pricing and is continuing work for jurisdictions on that.

Senator GALLACHER: So, would the NTC have a role in mandating certain types of improved safety vehicles—safer trailers?

Mr Mrdak: They continue to do some work. The performance based system, as you know, that was previously with the NTC is now with the National Heavy Vehicle Regulator and administers the productivity system which looks at non-compliant vehicles and how they are given access to the roads system.

Senator GALLACHER: I know it used to be called the National Road Transport Commission, but since it has been the National Transport Commission it has committed to mode neutrality road, rail and maritime when recommending reform. Is this still, and has it always been, the guiding principle?

Mr Mrdak: Yes, it is. It is about increasing productivity and safety through looking at all modes. As I mentioned earlier, things like performance based standards for heavy vehicles are designed to increase productivity. At the same time the NTC is looking at productivity measures in rail as well.

Senator GALLACHER: So, give us an example of that neutrality when you are advocating pricing carbon initiatives?

Mr Mrdak: If you look at some of the work the NTC has done on emissions in the past in terms of it has done quite a bit of work about looking at the emissions across the transport task and looking at improved regulations on those and, obviously, the more productive you can make the transport task, you are becoming much more efficient in reducing carbon.

Senator GALLACHER: I think that is just about done me.

Senator STERLE: Can I just clarify one thing? Part of your work in the commission is overseeing the National Heavy Vehicle Regulator, or to make it happen.

Mr Mrdak: Well, the commission undertakes the policy and the development of the legislation. The National Heavy Vehicle Regulator implements and operationalises the national heavy vehicle law.

Senator STERLE: Okay. So, if you have got someone that does not want to play, that is not your area.

Mr Mrdak: Well, it is in the sense that the National Transport Commission does a lot of work with jurisdictions around the policy and the law as it is developed, and then, essentially, the National Heavy Vehicle Regulator has the responsibility of operationalising it. They run the systems, effectively, on behalf of the jurisdictions.

Senator STERLE: So, what do you do in the case of WA not wanting to play?

Mr Mrdak: That has been largely managed by the departments.

Senator STERLE: It is not to your level yet?

Mr Mrdak: Yes, we have been discussing with WA for some years their entry into the National Heavy Vehicle Regulator.

Senator STERLE: In terms of rail, I know it is regulation, but do you also look at the big picture like building railway lines? Does that come under your new railway lines?

Mr Mrdak: Not with the National Transport Commission. It principally focuses on regulation. Issues such as investment are largely dealt with by departments and through the ministerial council.

Senator STERLE: Do you answer directly to the Minister for Transport?

Mr Mrdak: We answer to the ministerial council.

Senator STERLE: Oh, the council?

Mr Mrdak: The National Transport Commission is effectively owned by all of the jurisdictions. They are all signatories to the agreement that brings it into effect. It is done through federal legislation, but is essentially on behalf of all of the jurisdictions and the National Transport Commission reports to the ministerial council.

Senator STERLE: I know I can look it up on the website, but how many commissioners are there?

Mr Mrdak: There are five.

Senator STERLE: Not one from each state.

Mr Mrdak: No. Under the revised governance for the organisation there are two officials appointed. There is an independent chair, which is Mr David Anderson, the former head of VicRoads in Victoria; there are two officials, who are appointed in an ex officio capacity; there is myself; and also a representative which at this stage has been for Norm McIlpatrick, the former head of Tasmanian Transport Department, who has recently left that position but continues on the NTC; and two other independents: Nola Bransgrove, who is a transport operator from Victoria; and Carolyn Walsh, who is a transport safety expert.

Ms O'Connell: With rail expertise.

Mr Mrdak: With rail expertise, yes.

Senator STERLE: Okay.

Senator LINES: I asked about the gender balance but there are two women are there?

Mr Mrdak: There are.

Senator LINES: Are they fully voting board members?

Mr Mrdak: Yes.

Ms O'Connell: Yes.

Senator LINES: Two out of five. Better than the government's cabinet.

CHAIR: No, it would be about equal because the capability of a woman is more than a man.

Senator STERLE: Now I have forgotten where I was.

Senator LINES: I am just hoping you could shed some light on this budget cut, Mr Mrdak. In relation to the federal government supporting the state concessions that state governments give, particularly in relation to car registration and the utility bills, I am aware that the federal government has cut \$280 million in support of these concessions for pensioners and senior card holders. Are you aware of that?

Mr Mrdak: I am aware of the issue. That is administered out of another portfolio. It is not administered out of this portfolio. I think it is out of the Families and Social Services portfolio.

Senator LINES: Were you briefed on it at all?

Mr Mrdak: No, it was a matter handled in another portfolio.

Senator LINES: So, you were not briefed at all about a start date of next month, 1 July?

Mr Mrdak: No. It is a matter handled by the social services portfolio.

Senator LINES: So, no consultation with your department at all?

Mr Mrdak: No. It is a budget measure handled in another portfolio.

Senator LINES: Hardly a budget measure, a big budget cut. Senator Heffernan, that is me.

CHAIR: Senator Eggleston?

Senator EGGLESTON: I did have some, but it turns out that section was covered this morning. We have all moved so quickly today.

CHAIR: We can wind up and go to the next section. We will keep going and have afternoon tea and then focus on Senator Conroy—

Senator STERLE: Chair, if I may, through you, we have still got two more agencies. Why do we not go to the Office of National Rail Safety Regulator, where we have no questions—

CHAIR: Okay.

Senator STERLE: —and then we will go to smoko?

CHAIR: Have you got anything for the National Rail Safety Regulator? Refocus me, Senator Sterle, what are we doing?

Senator STERLE: We will have a 15 minute tea break and come back for AMSA

Mr Mrdak: So, that completes everyone except AMSA?

CHAIR: Yes.

Mr Mrdak: Right, we will be back afterwards.

Proceedings suspended from 16:12 to 16:28

Australian Maritime Safety Authority

[16.28]

Senator CONROY: Are you aware of the government's request to make savings of \$60 million across the Infrastructure and Regional Development portfolio?

Mr Kinley: Yes, I am.

Senator CONROY: Since September has the department requested further savings from AMSA and, if so, could you indicate the agency's response? Have you provided any?

Mr Kinley: Further savings in a deregulatory context?

Senator CONROY: Take it as both the deregulatory side as well as any that came through in the budget and efficiency dividend type thing as well.

Mr Kinley: The efficiency dividend is as per the budget statements. As to our involvement in the deregulatory agenda, we have been in discussions with the departmental deregulation unit.

Senator CONROY: Which areas are you focusing on delivering the deregulation agenda?

Mr Kinley: At this stage we are involved in the audit of the total of all the regulation that we are responsible for and then the process of costing that regulation. At the same time we are reviewing our regulation from the point of view of where we think such savings may be able to be found. As you may be aware, AMSA became the national regulator for domestic and commercial vessel safety on 1 July last year. That area is one where we are particularly interested in streamlining the regulatory scheme which is in place. That regulatory scheme was put together on the basis of a lot of compromises to actually get seven different schemes to come into something that looks like a coherent whole. That has been put in place to make it work in the first place. Now we want to make it good and we want to improve that.

Right now we have officers working around the country doing workshops with industry. They have also been consulting with our regulatory partners in the states about how we may streamline that system. As an example of the sort of thing that we are looking at, a lot of the fatalities that you see in that industry are actually about

operational things. They are things that are related to occupational health and safety and work health and safety. They are not actually related to whether the boat floats, how many life jackets it has or whatever. Those are all important things but we are actually interested in a system that is going to focus more on a safety management approach rather than hardware, and we think that is an area where we will be able to deliver more efficiencies and more savings for industry in a regulatory approach as well.

From our other part of our business where a lot of it is about international shipping, we are actually starting our thinking in that regard. The requirements for engaging in international trade, for example, such as how we implement the international conventions that the International Maritime Organisation is responsible for are not required to be looked at underneath the deregulation agenda, but how we actually implement it is something that we look carefully at. It is looking at how we can make reporting simpler for industry. It is looking at, for example, making people report on information which we might already have, making their life easier and removing that sort of duplication.

Senator CONROY: I just want to talk about the Protection of the Sea levy. I refer to the government's decision to return the Protection of the Sea levy to 11.25c per net registered tonne. Are you familiar with that?

Mr Kinley: Yes.

Senator CONROY: Can you explain the basis of this decision?

Mr Kinley: The original basis for the increase of the Protection of the Sea levy was to recover costs stemming from the response to the *Pacific Adventurer* incident. At that time the *Pacific Adventurer* pollution costs were subject to a limitation of liability claim from the ship owners and operators. Even though they put in some additional money to pay for the response to the oil that was spilled there was still a gap and the levy was increased at that time to recover that money.

Following the time that levy was put in place, or at the time the level was put in place, it was intended that it would be reduced to that original level after that was recovered. The levy was actually kept at the higher level for some extra time. That allowed us to build up a pollution response reserve of \$10 million. The interest on that reserve allows us to fund a line of credit of \$40 million so that we have immediate access to funds for pollution response, and that money was also used at that time to actually do a major refresh of our stockpiles of pollution prevention equipment. From that point of view that work was done and that levy, in our view, was able to be returned to that original level.

Senator CONROY: Who decided to increase the levy? When was that done?

Mr Kinley: Just speaking off memory, I think that was 2010 and Minister Albanese at the time.

Senator CONROY: You said that it was always envisaged to be reduced?

Ms O'Connell: That is right.

Senator CONROY: How did you arrive at the amount of \$10 million for the pollution response reserve?

Mr Kinley: We did quite a bit of research in looking at what the risks of pollution events were. At the time we were undergoing a review of the national plan to combat pollution of the sea by oil and other hazardous and noxious substances. Part of that was a risk assessment for what were the risks of oil spills around the coast and part of that was also looking at if you had an oil spill of X-number of tonnes how much it would cost to clean that up from looking at our experience with other incidents such as the *Pacific Adventurer*. At the end of all that there were actuaries involved. There was a lot of calculations and a very wide range of numbers which could have been picked but the advice that we had and our calculations worked out that \$50 million should have been well safe for the most likely events that we were likely to see in Australia. That was the basis and we went ahead with that.

Senator GALLACHER: How does that compare with the *Exxon Valdez* compensation clean up?

Mr Kinley: Compensation is a different issue to clean up and you have also got to look at where the country is and where the particular issue is.

Senator GALLACHER: If we are talking about the Barrier Reef.

Mr Kinley: If you are talking about the Barrier Reef; I am talking about actual immediate funds accessible to AMSA so \$50 million, in our view, was enough to allow us to actually mount a very credible response. If it was going to be a response that was going to take more funding than that, then if we had to seek further funding from the government we would have to do that. I am hoping that we would not be left—

Senator GALLACHER: We are reducing the levy which is designed to give an immediate response to protect the Barrier Reef.

Mr Kinley: The levy is actually there to fund the national plan to combat pollution. That money is spent in such things as stockpiles. We have our major strategic stockpile in the reef—

Senator GALLACHER: Did we not have an oil tanker run aground on the Barrier Reef?

Mr Kinley: No, we have not.

Senator GALLACHER: Was it outside the Barrier Reef?

Mr Kinley: Which ship are you talking about?

Senator GALLACHER: It was a couple of years ago.

Mr Kinley: The *Shen Neng I*?

Senator GALLACHER: Yes.

Mr Kinley: That was a bulk carrier.

Senator STERLE: Did it run aground on the reef?

Senator CONROY: Did a metal thing crash into the reef?

Mr Kinley: I am sorry, I talk ships and there is a big difference between a tanker and a bulk carrier.

Senator CONROY: You have got to take into account the inexperience of the Senate committee.

Mr Kinley: Yes, the *Shen Neng I* bulk carrier ran aground on Douglas Shoal in the Great Barrier Reef.

Senator STERLE: We sorted that out.

Senator GALLACHER: I am curious and not wanting to delay the proceedings, but is \$50 million enough to have an adequate response in a critical World Heritage area?

Mr Kinley: In our view, in the view of AMSA, that would certainly be enough for us to mount our response initially. If that response had to go wider then we may have to go and ask government for more money. There are other resources we would also call on.

Senator GALLACHER: I am a taxpayer and so are you. If someone is trundling up and down the highway and they do not maintain their course correctly, is it fair that the taxpayer funds the immediate response?

Mr Kinley: It was not fair in the case of the *Pacific Adventurer* that the taxpayer funded and that is why the levy was put up at that time to recover that money. Now, if we did have a major incident and we had to go and recover money or there was money that we could not recover from the ship owner, it may well be that the government of the day would put that levy back up again to recover that money from the ship owners.

Senator GALLACHER: But we are putting it down; is that what we are doing?

Mr Kinley: In the current instance, yes, but from our point of view for the national plan the funds—

Senator GALLACHER: In the allegations of a budget emergency are we reducing our insurance?

Mr Kinley: No. The national plan has been reviewed recently. We are satisfied that it is there and it is fit for the job. We are also doing a lot more work around managing shipping safely in the Great Barrier Reef as well because from my point of view AMSA, as a regulator and also a responder, I would much rather stop the incident happening in the first place than have to respond to the incident.

Senator CONROY: Has AMSA provided certification for the *ACV Ocean Protector* and *ACV Triton* under the Navigation Act?

Mr Kinley: They are certified under the Navigation Act. Whether AMSA has done it or a classification society has done that—

Senator CONROY: What does the certification involve?

Mr Kinley: For the *Ocean Protector* and the *Triton* they have both got certification I think as cargo vessels. I do not have copies of the certificates here.

Senator CONROY: What do vessels need to have before they can be certified?

Mr Kinley: From a commercial shipping point of view?

Senator CONROY: From the point of view of these two being certified?

Mr Kinley: There are different ways to approach that under the Navigation Act. Again, I would have to take it on notice for exactly what certificates the *Ocean Protector* has. Generally if they meet the requirements under the convention, for example SOLAS or MARPOL, the classification society who is delegated to do that work under the Navigation Act on our behalf would inspect the vessel and do plan approvals to see that the vessel is meeting those standards and eventually issue the international trading certificates to allow that and to attest to that.

Senator CONROY: In response to question on notice 162 you indicated that further inspections would take place when they were next in Darwin. Has that taken place?

Mr Kinley: They have not been in Darwin since that time.

Senator CONROY: They have not been to Darwin since February?

Mr Kinley: So I am advised, yes.

Senator CONROY: When do you expect that it will take place?

Mr Kinley: When they are in port in accordance with our normal flag state inspection regime.

Senator CONROY: What would we be looking for as part of those inspections?

Mr Kinley: From our perspective it is a flag of state inspection, so it is to see that they meet the conditions of the certificates for which the vessel has been issued.

Senator CONROY: What safety requirements are they required to have?

Mr Kinley: SOLAS is quite a large convention so basically to comply with SOLAS for a trading ship.

Senator CONROY: You are repeating the same words over and over again. That does not provide any information to the Senate estimates committee. Feel free to slash outside the off stump and give us—without detailing the large amount of requirements—the major requirements.

Mr Kinley: The Safety of Life at Sea convention has quite a few chapters. I will start off with the first one, which is about machinery and electrical installations. That will tell you the sort of issues that you have to have around emergency electrical supply. It tells you about the sort of issues that you have to have about the control of the main engine, the main engine systems. It will also tell you about the steering gear. The steering gear has quite a lot of requirements about the actual redundancy of the steering gear. With electrohydraulic steering gears you are required to have two parallel systems. They are required to be able to move the helm from 35 degrees to one side to 35 to the other within so many seconds. There are requirements there for thermal cut-outs for the steering gear motors and there are requirements for how the steering helm position is read out on the bridge of the vessel.

The emergency power supply, for example, tells you the sorts of things that are required to be hooked up to the emergency power supply, how long that emergency power supply is required to provide power for and, again, that will include such things as the emergency fire pump being required to be driven off the emergency generator as well as, for example, one of the steering motors. That will also tell you about the emergency lighting that you are required to have on board the ship throughout the accommodation and the machinery spaces. The emergency supply is also required, for example, to feed the—

CHAIR: You are doing quite well, I might say.

Senator CONROY: The good news is that we have until 11 o'clock so you can keep talking as long as you like.

Mr Kinley: If there is a specific area that you are interested in, I will do my best to answer the question.

Senator CONROY: In an emergency and the need to evacuate the ship, what are the safety requirements?

Mr Kinley: There are operational requirements under SOLAS, and that is about things like having a muster list and procedures to get people into the lifeboats if the vessel is sinking and those sorts of issues. It goes down to the detail, for example, of how many times you ring the general alarm in those instances.

Senator CONROY: What about deploying life rafts? What is required?

Mr Kinley: There are requirements for the deploying of the survival craft.

Senator CONROY: Do we call them survival craft? Is that the official term?

Mr Kinley: Yes.

Senator CONROY: I think last time we had a discussion about what sort of cranes were needed in certain circumstances.

Mr Kinley: Davits for launching lifeboats in particular.

Senator CONROY: We had a discussion about how large a davit had to be and how it has got to be put in. Could you just take me through that again?

Mr Kinley: Yes. Survival craft, lifeboats in particular and rescue boats, have requirements for the launching appliances. Usually they have davits in the case of lifeboats unless of course they are a freefall lifeboat in which case they basically sit on a big slide.

Senator CONROY: Can you assist the committee with the definition of a freefall lifeboat?

Mr Kinley: A freefall lifeboat is one—

Senator CONROY: Do you just toss it over the side?

Mr Kinley: No. It is actually mounted in a certain cradle that has rollers on it. The freefall lifeboats themselves are certified to be able to withstand being dropped off the—

Senator CONROY: So people can pick them up and toss them overboard or is there a crane that drops them overboard?

Mr Kinley: They are actually sitting in the launching appliance ready to go. That is the attractive thing about freefall lifeboats. They are very good for vessels like tankers where you might want to get away in a hurry. The freefall lifeboats sit there. As I said, they are certified to be launched from that height. They generally hit the water, go under the water and bounce back up again.

Senator CONROY: What size are these sorts of lifeboats that you are describing?

Mr Kinley: A freefall boat, it depends on how many people it is certified for.

Senator CONROY: You mentioned tankers, so help me out there. Is it as big as one of those desks that you are sitting at or is it as big as all four of those desks or is it longer than this room?

Mr Kinley: It is probably all four of these desks.

Senator CONROY: Out of interest, what colour is it?

Mr Kinley: Usually safety orange. That is a colour which is specified in SOLAS that these life rafts or lifeboats are—

Senator CONROY: Is it fair to say that they are all orange or that is just a lucky guess?

Mr Kinley: No. It is specified in SOLAS.

Senator CONROY: They are stationed on tankers?

Mr Kinley: Most cargo ships have lifeboats of some nature.

Senator CONROY: I was half way through my question there. They are stationed on tankers in a—and I am just trying to remember the exact words that you used—

Mr Kinley: Cradle or davit.

Senator CONROY: No. You said when they were ready to be deployed.

Mr Kinley: If they are a freefall boat, that is correct.

Senator CONROY: What was it that you described that they sit inside?

Mr Kinley: It is a cradle or a chute.

Senator CONROY: I think that was the word you used. So a chute as in it just points out to the ocean over the side?

Mr Kinley: It is usually over the stern of the vessel.

Senator CONROY: Then there is a mechanical process where it is pushed out or do humans push it out?

Mr Kinley: It is gravity that sends it down the chute. There is a pin.

Senator CONROY: But presumably someone has to press a button and off it goes?

Mr Kinley: Yes.

Senator CONROY: It faces gravity so by definition it faces downwards?

Mr Kinley: Yes.

Senator CONROY: I am trying in my mind to visualise a chute. Are they built into the sides?

Mr Kinley: Usually it is a steel beam structure which is built onto the back of the accommodation block on a ship. Basically you will have a couple of RSJs with rollers in them.

Senator CONROY: So not every large—and I am defining large as the four desks—survival craft requires a crane to deploy it or a davit?

Mr Kinley: No.

Senator CONROY: What system does the *Ocean Protector* or the *Triton* use?

Mr Kinley: I cannot tell you that off hand but I think I have seen pictures of the *Triton* with davit launched boats. I would have to check the *Ocean Protector*.

Senator CONROY: When did you see those photos?

Mr Kinley: I cannot recall exactly. I have seen many pictures of the *Triton* and many pictures of the *Ocean Protector* but I cannot tell you exactly when.

Senator CONROY: It is just that you offered so I was just wondering when was the last time. Now, you are familiar with them. You may not have seen the YouTube but I can easily call it up and show it to you so I will not waste everyone's time. Presumably we know the sort of vessels that I am going to be referring to in a moment. So you have seen them?

Mr Kinley: Yes.

Senator CONROY: They are being towed off the back of the *Ocean Protector* and the *Triton*. As I said, there is a freely available video on YouTube. Would you describe that as long as that or are they bigger? You have only seen it in a picture on YouTube.

Mr Kinley: In the order of—

Senator CONROY: They look like they are bigger.

Mr Kinley: They are fairly big boats.

Senator CONROY: They look like they are bigger than those four desk that you are sitting at.

Mr Kinley: They are in that order of size.

Senator CONROY: I am told they are strapped to the side of the ship and then they are just dropped off. That is what has been put to me. Would that qualify as a satisfactory means of deploying a survival craft?

Mr Kinley: I am not aware of that as a means for—

Senator CONROY: I am now asking you to comment. Would that be—to borrow your words—a satisfactory means of deployment for a survival craft?

Mr Kinley: Again, what we certify are the boats, the survival craft which are certified as part of the lifesaving appliances for—

Senator CONROY: But you also have to certify that their ability to deploy them meets the safety standards as well.

Mr Kinley: For the survival craft which are a part of the lifesaving appliances, yes, that is correct.

Senator CONROY: So you can pretend that these boats strapped to the side, because they are not part of the official inventory of survival craft, that you do not have to worry about them? Is that how you sleep at night on this one?

Mr Kinley: I do not worry about them at night. I am not sure what the actual question is.

Senator CONROY: You are quite deliberately choosing your words carefully to describe safety equipment, survival craft, that you know are on board these vessels which are different to the equipment I am describing to you and every time I ask you about the deployment of these ones you lapse back into the language as if I have asked you about the official survival craft that are actually officially part of the inventory and attached to these boats. I am just wondering, because they are not part of the official there to save the crew, that that is how you manage to split this hair?

Mr Kinley: If any cargo ship in our jurisdiction happened to be carrying a lifeboat on the deck which was not part of their life saving appliances and they chose to put it in the water somehow, that is not something I would say we have a responsibility for.

Senator CONROY: I wanted to know how you managed in your head to separate the fact that these vessels are not registered to be used on board the *Triton* and that is how you can just ignore the fact that it is happening in front of your eyes on YouTube?

Mr Kinley: It is not happening in front of my eyes on YouTube. I have seen a YouTube clip or a news clip—

Senator CONROY: No. They do not allow the cameras to film the deployment of them, so you are right. You have not seen the actual deployment but they do not have the equipment and you know they do not have the equipment to safely deploy them because they are too big for those pieces of equipment.

Mr Kinley: I think we took a question on notice last time and you observed the response that we sent to that.

Senator CONROY: You stated that you are confident the means of deployment of lifeboats is satisfactory, which again comes down to the splitting of the hair, that the actual survival craft or lifeboats that are registered to be used by the crew for evacuation purposes are different from the ones that are actually being deployed off the side. You have completely chosen to ignore the process of deploying these survival craft.

Mr Kinley: As we said when we spoke about this last time—

Senator CONROY: Have you inquired?

Mr Kinley: We inquired.

Senator CONROY: And the Navy told you it was fine or Customs told you it was fine and you do not need to look anymore?

Mr Kinley: They told us enough information so that we were satisfied to give—

Senator CONROY: What information did they tell you? How did they explain that they were deploying these large orange survival craft which you have seen being towed and you know the size of them?

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

Senator CONROY: You have been supplied information to say, 'Yes, we are deploying these safely,' and you cannot tell us what that information is?

Mr Kinley: Yes.

Senator CONROY: Have you been given an order that you cannot tell us? You actually have it. You do not need to go and look up your independent statutory authority.

Mr Kinley: We are an independent statutory authority.

Senator CONROY: I am asking you on what basis are you refusing to tell the committee the answer?

Mr Kinley: On the basis that there is an overall government policy about Operation Sovereign Border.

Senator CONROY: You are an independent statutory authority.

Mr Kinley: We are still part of the government.

Senator CONROY: You are an independent statutory authority.

Mr Kinley: Which is part of the government.

Senator CONROY: So have you been given an order?

Mr Kinley: No.

Senator CONROY: So you are choosing to invoke a government response to questions for the Department of Immigration and you are applying that to yourself now?

Mr Kinley: There was information from Customs which we discussed with EPC about the issue about the launching of the lifeboats and we were able to give you that answer.

Senator CONROY: You said it is satisfactory. You have not said that it complies. That is the fascinating part of your answer.

Mr Kinley: Complies with what?

Senator CONROY: Whatever the international safety standards that you police are. You have actually deliberately not assured us that it meets X-standard. You said, 'It is satisfactory.' You have not sighted the vessel.

Mr Kinley: As I said, these lifeboats are not part of the certified lifesaving appliances and as I have also said in the past with lifeboats have a launching appliance which is there to ensure that those boats can be launched when the vessel is sinking because they are intended to be used for a distress situation.

Senator CONROY: Do these vessels have the cranes that are required for launching large orange lifeboats of the size that you know we are talking about?

Mr Kinley: Not that I am aware of.

Senator CONROY: No, they do not. In other words, they cannot comply with the required standard for use of these large orange lifeboats, but you say they satisfactorily deploy them.

Mr Kinley: If they were to be certified as part of the lifesaving appliances—

Senator CONROY: Is freefall just to let them fall off the side of the boat? Is that your definition of freefall?

Mr Kinley: Again, that is speculation. I am not aware of anything falling off the sides of boats.

Senator CONROY: They strap them to the side of the boat and take the boat to places and then just unstrap them and they fall off the side. Does that matter to you? You are in charge of safety at sea.

Mr Kinley: I am not sure what your issue is with that?

Senator CONROY: My issue is whether or not that complies with the international safety standards that you are meant to police.

Mr Kinley: No, it does not comply with SOLAS.

Senator CONROY: It does not comply with SOLAS.

Mr Kinley: Again, these are not part of the lifesaving appliances.

Senator CONROY: I appreciate how you are splitting the hair again.

Senator Johnston: He is giving you a proper answer. If you would let him answer I think you would get the answer that you might want.

Senator CONROY: Excellent.

Mr Kinley: I am talking about SOLAS, which is all about being able to launch lifeboats with people in them, when a ship is sinking, in a safe manner.

Senator CONROY: But as your testimony a moment ago says, these vessels do not have the cranes that are required for launching these large orange lifeboats?

Mr Kinley: Not that I am aware of.

Senator CONROY: You told me that you have seen pictures of the *Triton* so are you or you are not aware? So the answer is they do not have them?

Mr Kinley: I have not actually gone and inspected them to see if they have not fitted them.

Senator CONROY: I have encouraged you to do that but that has not happened yet. On your own evidence earlier you have seen pictures. You know exactly the equipment that is currently on board the *Triton* and the *Ocean Protector* and it is not the equipment that meets the regulatory standards of SOLAS. Is there a requirement about how people are loaded onto these lifeboats in SOLAS? Are there actual requirements about how people are loaded onto lifeboats?

Mr Kinley: Yes. There are requirements about—

Senator CONROY: Subdued, tied up and forced in through the hull? Does that meet the standard?

Mr Kinley: I am not aware of that requirement in SOLAS.

Senator CONROY: You will need to clarify your answer there. It opens up so many possibilities. I will need you to be a bit clearer.

Mr Kinley: SOLAS is all about basically getting people into a lifeboat in a distressed situation when the vessel is sinking.

Senator CONROY: There is a lot of distress involved in the loading of these lifeboats. I think the definition of distress is what is going on. I am just seeking to know whether you confirm that they are being safely loaded onto lifeboats. There is a lot of distress involved, and that is the point.

Mr Kinley: I am talking about distress in terms of SOLAS when a ship is sinking.

Senator CONROY: They are being allegedly transferred from ships that have been allegedly sinking. I cannot confirm that part to you. Have you sought information about how the passengers are being loaded onto these lifeboats?

Senator Johnston: Which passengers are these?

Senator CONROY: The ones you pretend do not exist.

Senator Johnston: Which ones are you talking about? Are you talking generally or generically as to passengers getting onto lifeboats? What are you talking about specifically? If you are talking about Operation Sovereign Borders, this is not the forum for those answers.

Senator CONROY: I am asking about the safety standards being policed by AMSA.

Senator Johnston: In what context?

Senator CONROY: This absolutely is the appropriate place.

Senator Johnston: Is it anybody getting off a boat into a lifeboat?

Senator CONROY: AMSA is absolutely the organisation. It is a statutory independent organisation that is here to answer questions about its regulation of sea safety, and that is exactly what I am asking about.

Senator Johnston: So you are talking generally?

Senator CONROY: No, I am asking some very specific questions.

Senator Johnston: So which people getting off what boats are we talking about?

Senator CONROY: The Department of Immigration and OSB Defence has been invoked by Mr Kinley.

Senator Johnston: So you are asking questions about OSB?

Senator CONROY: Absolutely. I cannot help it if you were not paying attention for the last half-hour.

Senator Johnston: You know that this is not the forum for those questions.

Senator CONROY: AMSA are in charge of sea safety.

Senator Johnston: Yes, but that is a matter that is to be put to a different minister and to a different committee.

Senator CONROY: That is a matter of sea safety. Whether boats are being launched with the correct equipment is a matter of AMSA's regulations. You can wish that it is not, but it is. It is under their statutory obligations.

Senator Johnston: Ask the question and then let him answer it. That is all I ask you to do. Ask the question and let him answer it.

Senator CONROY: Mr Kinley was doing fine until you interrupted. He does not look perturbed in any way.

Senator Johnston: Interruption is your middle name. You have not let him answer one single question that you asked.

CHAIR: Can I bring the committee to order. Senator Conroy, can you contain your joy?

Senator CONROY: I am always entertained when Senator Johnston joins us. So you have not inspected the launching mechanisms yet but you are indicating that you will when it comes into Darwin?

Mr Kinley: As part of our flag state inspection we always look at—

Senator CONROY: But we have already—

Senator Johnston: Would you let him answer the question, please? He is in the middle of an answer and you chop him off. Please let him answer the question. You have asked him has he inspected.

Senator CONROY: Would you stop interrupting his answers?

Senator Johnston: I am not interrupting his answers; you are. I will continue to interrupt you when you do not let him answer the question.

CHAIR: Order! I am chairing the meeting. Everyone will come to order. Thank you, Senator Conroy.

Senator CONROY: So you will inspect them when they come to Darwin. We have agreed that they do not have the required equipment to meet the safety standards to launch these orange life rafts. Now, if Customs purchased a vessel and were using it to transport people on the high seas would it be required to seek certification with you for that vessel? Are there different requirements that are required if they are transporting people on the ocean?

Mr Kinley: Again, this is quite a complex question. The conventions that we deal with, which are the International Maritime Organisation conventions, are for trading vessels or passenger vessels. There are standards for both those vessels in those conventions.

Senator CONROY: So if a Customs vessel is not registered to be transporting large amounts of people—and large can be 10 or you can pick a number to assist me any time you want of, say, 30 or 50—are there different certifications required if they are transporting for periods of more than five minutes or five days or 10 days? Are there different standards and certifications that *Ocean Protector* or *Triton* or any other Customs vessel require if they are going to engage in that activity to continue to be safe under your regulatory watch?

Mr Kinley: Again, it would depend on the circumstances. Under the Navigation Act we have a mechanism whereby we recognise that Customs vessels do not operate in the normal commercial world, which is what we operate in, but in the normal commercial world there are the straight standards for passenger ships and cargo ships and there are also allowances that are made, for example, if people are rescued at sea. There are allowances to carry excess people at times.

Senator CONROY: Have you sought any information from *Triton* or *Ocean Protector* as to whether or not it is carrying any number of people? Any time you want to pick a number to give me an indication of where you think it might cause a change in certification you can feel free to add some information. Have you asked, 'How many people are you carrying and for how long?', and does that change their certification?

Mr Kinley: The *Triton*, in particular, has been engaged in activities in that part of the world for some time. We have, in the past, had discussions with Customs and Border Protection about the requirements for having adequate lifesaving appliances and means to carry people in those sort of force majeure situations.

Senator CONROY: 'Force' is the right word but 'majeure' I am not sure because it is actually not an emergency situation that they are requesting to be saved. I am not sure that force majeure works. So at this stage

you have not asked *Triton* whether or not it is complying with any regulations because it is transporting large amounts of people for longer than is deemed reasonable by your organisation?

Mr Kinley: We do not deem that time is reasonable. As I said, there is an allowance under the Navigation Act.

Senator CONROY: That is what I am asking. Explain to me the allowance. If they came to you and said, 'We've had these people on board for a month and we are just floating around'—and I am not suggesting that this is the case; I am picking an extreme example to try to understand this regulation that you are in charge of enforcing. If they said, 'We've had 100 people on board for a month and we are just floating around in Northern Australia,' would you say to them, 'You probably need certification of a different sort if you are going to behave in that manner for a month'? If they said it was for a few days or referring them from point A to point B I accept that would be a reasonable exemption that you are describing that they would not need to come to you to seek change in certification, but if they are transporting large amounts of people for lengthy periods of time at what point do you say, 'Just a minute. You've got to comply with a different set of rules'?

Mr Kinley: If that was the case I expect they would discuss it with us.

Senator CONROY: Or allegations—

Senator Johnston: He is still answering the question.

Senator CONROY: No; he had finished. There are allegations that one or two of these vessels are engaged in—that is the claim; I have no veracity—up to 100 people being held on board one of these vessels for quite lengthy periods of time. At some point will they come and talk to you or do you need to go and talk to them about what the safety standards are that are required in those circumstances?

Mr Kinley: I am not aware of any allegations of that regard but the actual safety standards do not necessarily change.

Senator CONROY: A senator last night described them as prison ships. Does that give you cause for concern that the safety standards are a bit different if that is the case? I am not saying it is true or not. I am just pointing to a—

Senator Johnston: You are asking him for an opinion on speculation.

Senator CONROY: I have not finished.

Senator Johnston: He is not going to give you an opinion on speculation.

Senator CONROY: I have not finished my question. You may do exactly what you did after the last one, which is go and ask them a question and they give you some answer which you then deem satisfactory. It does not comply with any standards but you deem it satisfactory.

Mr Kinley: Standards do not exist in the commercial shipping world, apart from for fare paying passengers or for the crew. I am not aware of any standards in the world that are actually commonly put in place for law enforcement vessels. Many countries in the world have those sorts of roles but there are no international standards that are applied in those sorts of situations that I am aware of.

Senator GALLACHER: What if someone stowed away on a ship, how would they be treated?

Mr Kinley: Again, there is no international convention that I am aware of about that. I know that in some ships in the world you hear stories about people being treated quite harshly.

Senator CONROY: Now, moving on from the *Triton* and the *Ocean Protector*, if Customs purchase a vessel and are using it to transport people on the high seas are they required to seek certification with you for that vessel?

Mr Kinley: That will come down to how the Navigation Act or whether the Navigation Act applies to that vessel.

Senator CONROY: You need to explain the criteria?

Mr Kinley: Without having the act in front of me, the act does not apply to Defence Force vessels, for example.

Senator CONROY: I am talking about Customs.

Mr Kinley: I am not sure what arrangements would be put in place.

Senator CONROY: Customs have admitted that they purchased a large number of orange life rafts, survival craft, so Customs have publicly said they have bought these. Do they require certification with you? I got the impression from you earlier on that the answer was yes.

Mr Kinley: As far as I am aware they were bought not as part of the vessel's equipment. I understand that they meet SOLAS's requirements, those boats, but—

Senator CONROY: I will come to that in a second. I am asking whether or not they require certification from you? They are purchased by Customs for use of transporting people on the high seas.

Mr Kinley: Not as a tender for a vessel.

Senator CONROY: I am sorry, not as a?

Mr Kinley: Not as what I would refer to as a tender, a bit of equipment that goes with another vessel.

Senator CONROY: We are agreeing—and you already made this point very clearly—that it is not part of the vessel. It is not part of its natural usage or natural issue. This is a completely separate vessel used for something completely separate from the safety on board of the crew. Are they required to register vessels that are being used to transport people on the high seas? We will get to whether it complies in a minute. I am simply ask a yes/no question.

Mr Kinley: Again, I would have to take that on notice. I am not aware of a registration requirement.

Senator CONROY: So they could buy any sort of vessel at all and do anything they want and they do not have to register it with you.

Mr Kinley: No. I am actually thinking in the case of those particular boats. I am not aware of a registration requirement.

Senator CONROY: So there are no registration requirements on survival craft, particularly if they are being used independently of the actual vessel that is deploying them?

Mr Kinley: As far as I am aware, yes.

Senator CONROY: In relation to these lifeboat survival craft, do they have to comply with SOLAS?

Mr Kinley: Only if they are being used as a lifesaving appliance as part of the ship's—

Senator CONROY: What are you categorising them being used for?

Mr Kinley: As part of a certified ship's equipment.

Senator CONROY: I can show you a YouTube video to show you what they are being used for but what I am asking is whether they have to comply, if they are being deployed, whether they are part of the ship's actual safety equipment for the ship itself, but if they are deploying this vessel does it have to comply with SOLAS?

Mr Kinley: That is an interesting legal question. I would say no.

Senator CONROY: So they would not require certain materials to be loaded like food, communications equipment and medical supplies? They do not have to have any of those things on board?

Mr Kinley: No. There is a whole list of requirements and the lifesaving appliance code which goes with SOLAS about what a certified lifeboat that is part of a ship's equipment should have.

Senator CONROY: We are back to that hair split but that is fine. So as far as you are concerned, in charge of safety at sea in this country, these survival craft can be deployed and they do not have to comply with any standards, whatsoever?

Mr Kinley: I would have to take that one on notice because I would have to go back and do some more investigation about what other standards may be out there. Any standards whatsoever is a wide—

Senator CONROY: You may not be aware, but it has been in the media, and these are quotes from an OSB officer familiar with the work that is being done on the orange life boats that operate as part of OSB. This is quotes from an OSB officer involved, 'In addition to capping the fuel tanks, many materials are removed from the life boats including ropes, scissors, a mirror, fishing line, knives, ropes, a bucket and other emergency tools.' So, would a lifeboat with these modifications remotely meet SOLAS?

Mr Kinley: As I said, that sounds like part of a list of equipment for a vessel's lifesaving appliances. That would not be considered a compliant lifeboat in that case.

Senator CONROY: Not be considered a compliant lifeboat. Thank you for a genuinely honest answer there.

CHAIR: Can I just note for the record, Senator Conroy, that you look very comfortable.

Senator CONROY: You can note anything you like. I find it astonishing that in a vessel at sea that someone would remove a bucket, a fairly standard thing for bailing out water that might come on board. I am not an expert in this area; in fact, I am a particularly poor—

Mr Kinley: Again, my experience with totally enclosed lifeboats is that they are actually designed, even if they fill up with water, to not sink.

Senator CONROY: So, people should treat it like an indoor pool?

Mr Kinley: They are normally built with a bilge pump built into them as well. I am not actually sure about what the situation is.

Senator CONROY: I am only going on the reports in the newspapers.

Mr Kinley: There are things I would rather have than a bucket.

Senator CONROY: I am sure there are many other things you would rather have if you were floating about in an indoor pool inside an orange tent at sea, but a whole range of safety equipment had been removed. I just want to follow up on some information that Mr Young gave us last time. How many incidents to the north of Australia has AMSA been involved in since 7 September? It was 20 when we were last asked, and you had to check. I appreciate you did go and check and you wanted to be very precise. If there are new incidents, what were the dates of these new incidents?

Mr Young: As reported in response to a question on notice, there were 18 incidents between—let me just check—

Senator CONROY: I thought we got to 20. Yes, since 7 September. Apologies if you think it is 18, my memory says it was 20 but I will not quibble about the two. More importantly, I am just trying to find out if there have been any further ones.

Mr Young: To summarise, the answer I gave previously was from 18 September to 19 December, 18 incidents, which have been described and are now in fact on the Customs website. Subsequently, there were two incidents between 19 December and the time of the last Senate estimates. Subsequently, AMSA has not been involved in any incidents.

Senator CONROY: Are you aware of any incidents?

Mr Young: We are aware of being advised by Customs and Border Protection on two occasions, one in April—

Senator CONROY: Further to—

Mr Young: Further to the ones we have spoken about.

Senator CONROY: Okay, so two others?

Mr Young: Two others; one in April and one in May. They were simply advice from Customs and Border Protection that they were taking actions.

Senator CONROY: Are they required to inform you of all of their contacts? What triggers them to tell you about those two?

Mr Young: We have been working with Customs and Border Protection for a long time and recognise that information comes to both authorities through diverse paths. So, we share a little information to make sure that we do not duplicate responses.

Senator CONROY: I just want to be very clear that I might be using a word that you are comfortable with that allows you to give us a specific answer: are you aware of any other boat movements, other than two, because you do have many diverse sources? They may not be incidents, for the purposes of you being called to action. So, I am asking you are you aware of any other boat movements in that period?

Mr Young: For clarity, I assume we are talking about operations consistent to sovereign waters?

Senator CONROY: Yes. So, there was a fishing boat recently, that does not fall within—

Mr Young: I am aware of none.

Senator CONROY: So, you have not picked up any at all through any of your sources?

Mr Young: No.

Senator CONROY: Given what I have described to you as the removal of safety equipment from the orange vessels that has been described by an OSB officer, will you be taking this up with OSB to inform them that they are making the survival craft not comply with the international standard?

Mr Kinley: No. Those requirements for lifeboat equipment are relevant for a survival craft that—

Senator CONROY: So, people in a survival—

Senator Johnston: He should be allowed to answer the question!

Mr Kinley: Things like fishing lines, for example, are there because there have been longstanding things, a list of things, which should be in lifeboats. The reasoning was that lifeboats are there as a survival craft. Seafarers could be stuck floating in these things for weeks at a time.

Senator CONROY: That is the definition of the situation these people are in.

Mr Kinley: Well, that is not my understanding of what they are being used for.

Senator CONROY: They are being pointed somewhere and told, 'Go for it.' But they are being pointed not within sight of land.

Senator Johnston: That is an operational matter. Do not put that to him. That is just an operational matter that is not relevant here.

Senator CONROY: You are not responsible for this, Senator Johnston. You have made it very clear on many occasions. This is not an operation that you are responsible for. Yes, there are circumstances where they sailed a little close to a piece of land, but we were advised that they are a minimum of 12 kilometres away from land when they are released. I am confused about why it makes a difference to you whether you think because they are told, 'Go in that direction,' that is ultimately what happens.

Senator Johnston: You are putting words in his mouth.

Senator CONROY: No, I am trying to understand why he is ruling out circumstances he does not know.

Mr Kinley: I am not going to speculate on operations. I have got nothing to indicate to me that there have been any situations where people have been in these lifeboats for weeks on end. I was purely explaining to you that the equipment which is required under SOLAS to be fitted in a lifeboat is all there on the basis that people or seafarers may have to survive in those lifeboats for weeks at a time and there is a whole list of things which are required to be there.

Senator CONROY: Of which these orange lifeboats are not complying with.

Senator Johnston: Says who?

Mr Kinley: I am not in a position to speculate about the operations which are happening on water there—

Senator CONROY: I am not asking you to, I am asking you to go and get some facts and then advise the— this is testimony in a paper from an officer who says, 'This is what we have been doing.' There is no evidence in the public about safety equipment being removed from survival craft. You yourself have said, 'Not be considered a compliant lifeboat.' I am asking you can you go and ascertain—

Mr Kinley: Under SOLAS.

Senator CONROY: from OSB now, so that next time I ask you you can give me the same answer you did before yesterday: you went and had a chat and they satisfied you.

Mr Kinley: But these lifeboats are not being used, as far as I am aware, in the context of what lifeboats are certified under SOLAS to do. There is a whole lot of requirements about having hand flares and having a floating bailer. They are actually supposed to have two buckets and a fishing line and all of that stuff. I do not see that it is relevant.

Senator CONROY: Are you aware that one of the boats has reportedly run aground on a reef well short of shore. A bucket could be pretty useful in a circumstance like that. Do we not have to worry about it? It is an Indonesian reef. It is on the public record. One of these orange vessels that you are describing as not compliant, has had its buckets taken out, and it has run aground on a reef and people have had to struggle to get out and make it to shore. They are not making it to shore always.

Senator Johnston: He is not going to speculate about any of this stuff.

Senator CONROY: It is not about speculation, it is just a reported fact.

Senator Johnston: It is just speculation.

Mr Kinley: It is, and I am not sure what good a bucket would do you in that situation.

Senator CONROY: You can lead the international call to take buckets out of these boats. You can put up a rule change, say, 'Internationally it is absurd. We do not need these buckets on these types of vessels.'

Mr Kinley: In fact, in terms of SOLAS, the buckets are generally there to perform other functions. That is why there are two of them.

Senator CONROY: We are pleased to know that you do not think they are used for bailing anybody out at any stage. That is all the questions I have got.

Senator BACK: I wonder if I could completely change the topic, if I may. Would you be good enough to just give the committee an overview of what role, if any, AMSA played associated with MH370?

Mr Kinley: Certainly. On 8 March, the aircraft, as was widely reported, disappeared. On 17 March, the Prime Minister agreed to a request from the Malaysian Prime Minister that we would assume coordination of the search for the missing aircraft in our search and rescue region. That was some 10 days, of course, after the aircraft had disappeared. On 18 March, our joint rescue coordination centre here in Canberra, in the AMSA building, commenced coordination of the search. That went on for some 42 days.

Senator BACK: Yes.

Mr Kinley: There were seven countries, including Australia, New Zealand, the USA, China, Japan, Korea and Malaysia, who all contributed search assets.

Senator BACK: Did you continue that coordination process from Canberra or did you move it to WA?

Mr Kinley: No, our rescue coordination centre here in Canberra is designed to cover all of our search and rescue region, even though the location of the potential search area did pose a particular challenge with the remoteness and the long-range aircraft that were needed to get out there.

Senator BACK: Do you not think in any way your effectiveness was diminished by virtue of continuing rescue coordination from here?

Mr Kinley: No, and as a matter of fact, when we do have an incident such as that we do move forward coordinators to actually—we had an aviation coordinator in Perth and Mr Young can probably further clarify how we deal with those sorts of incidents.

Mr Young: We seek to make coordination arrangements that are put in place fit for purpose. In this particular case, AMSA coordinated overall the search for floating material that may have come from the aircraft.

Senator BACK: Yes.

Mr Young: There was an employment of both aircraft and ships for that and the practical arrangements we put in place were that AMSA provided coordination instructions for the aircraft, because most of the ships were military. Actually, headquarters joined operations command at Bungendore and were delegated that part. They dealt with that, and we deployed people forward for a number of purposes; one, to be at the joint agency coordination centre set up by infrastructure, in order to assist operationally from there, but we also used a number of civil aircraft for visual searching and we would typically deploy two or three of our specialist officers over to the airport to brief, make sure they have the right cameras and life jackets and all that sort of stuff for the operation that they are undertaking. That is how we went about it this time. Other operations might look slightly different; that is the way it was this time.

Senator BACK: Thank you. Now, I think we are to learn that the Malaysians are releasing the raw Inmarsat data today. Do you have any inkling as to whether or not the release of this data is going to make us any the wiser as to the fate of the aircraft?

Mr Kinley: That is probably a better question for the ATSB than us. Certainly, in our efforts to narrow down the search area at the time we were coordinating the search we took information from all sorts of sources, every source that was available. A lot of that was also coordinated by the ATSB. The Inmarsat data and the analysis of that was all part of that, so it is going to take a lot more technical brains than ours to actually determine whether that raw data can be better analysed by someone else.

Mr Young: For clarity, could I add that the way we divided up the responsibilities was that there was a phase where the aircraft was flying and an attempt, which the Inmarsat data was part of, to determine where the aircraft may have gone. At some point it entered the water and at that point, if material was produced that would float, it needed to be found and it was at that component that was AMSA's task. The other component was dealt with by ATSB very closely; in fact, we had ATSB in our operations room. So, we produced one centre to do it all, but the principal difference was that they were looking after where the aircraft may have gone, we were looking after where floating material from the aircraft may have gone.

Senator BACK: Thank you. I just want to ask one more question on this and then I will move onto Montara. It was the subject of enormous speculation around the world that there seemed to be so much floating material, which so many different people seemed to be able to identify from satellites, et cetera. What was the floating material, or did it indeed exist at all? Was it wave formations that were causing apparent anomalies on satellite images, et cetera? Or is the sea so badly contaminated out there that what we were seeing was real?

Mr Kinley: Again, we took a lot of advice in that regard from the Australian Geospatial-Intelligence Organisation, who do all that analysis of satellite data. That data always had a qualification around it about how

much confidence there was that those were actually objects, and that was the same with other supposed sightings that came from other people's satellites, so there was a question mark around whether they were actually seeing anything at all to start with. But there was also sightings that did turn up, a lot of it of marine debris, a lot of fishing debris I think out there from fishing vessels. So I think one of the many things we learned in this was that there is actually not a lot of satellites spending their time looking in the southern Indian Ocean because there is usually very little of interest happening there.

Senator BACK: Little to see there, yes.

ACTING CHAIR: Senator Gallacher just has two questions on MH370 if we can.

Senator BACK: Absolutely, we will go for those.

ACTING CHAIR: Can we then come back to you?

Senator BACK: Sure.

ACTING CHAIR: So, we will go to Senator Gallacher then back to you Senator Back, then Senator Conroy.

Senator GALLACHER: I will not be long. I commend the good work that all of the agencies are doing in respect to MH370. However, with the Air France example, which actually took two years to find, was your agency across any of the outcomes of that? That must have been factored into your thinking when you were facing this particular challenge. So, was there anything that the international community learnt out of the two year search for the Air France that is valuable in this exercise?

Mr Young: The Air France incident is quite relevant in terms of the lessons that could be learnt from it. We, in the search and rescue business, had studied it anyway. In this particular case it was useful for giving us guidance about how much floating debris there might be, how long it had remained afloat in the case of the Air France incident, and it will be of no doubt great use to the ATSB in terms of the sub-surface search that is now going on. My recollection is that the ATSB actually arranged for one of the experts who were involved in the Air France disaster to come and be part of the working group that is trying to develop the search strategy. So, it was right up front there as the best and most recent example that we could use.

Senator GALLACHER: Is your agency involved in providing solutions so that we do not lose \$300 million aircrafts full of people and not be able to find them? Do you put forward solutions? You are obviously doing the very intensive job of trying to find something. It is like they have found the haystack, they just cannot find the needle. Does your organisation make recommendations about possible solutions so that this does not happen again?

Mr Young: We are part of a much wider group in that sense. Infrastructure, in fact, leads on the aviation policy side with the International Civil Aviation Organisation. The triumvirate that comes together is CASA, as the regulator, Airservices as the air traffic provider, and AMSA as the aviation search and rescue authority. You really need all of them to cooperate in producing the recommendations you are talking about. I think it was only last week, or it might have been the week before, forgive me, ICAO held a meeting about global tracking arrangements for aircraft that had been reported on their website and AMSA participated in that. I sent an officer to be there to represent the search and rescue components of what, as I say, is actually a much wider issue in terms of finding the solutions that you are referring to.

Senator GALLACHER: For want of a better expression, is there a silver bullet here? Is there something that can solve this problem in aircraft design?

Mr Young: Most silver bullets do not actually seem to cover every situation. In this particular case, ICAO has picked up on global tracking where there would be more or less a near real-time update of an aircraft's position by satellite back to some repository. That would get around the issue that is being faced with MH370 in particular. There are other possibilities as well. Modern technology allows the streaming of much more data than in the past, but those are really aviation policy issues that Infrastructure would lead on with the experts from CASA, ATSB, AMSA and Airservices to try and take forward into the international community and win the arguments there.

Senator STERLE: I cannot believe the militaries of the world did not see something going on. That would be really out of order if I was to suggest that.

Senator BACK: Absolutely. To cut the questions quickly, post-Montara, Corexit 9,500 and Corexit 9,527 were both used in the process of trying to cap the well. Can you tell me, or is it in your area of responsibility, I just want an understanding now of the environmental impact? Was Montara about 2009?

Mr Kinley: The post-spill monitoring is actually not in our area of responsibility, but I have actually seen post-spill monitoring reports which are indicating a very good recovery up there. From the point of view of the Corexit, there was quite a bit of media interest last year in core exit 9,527 in particular.

Senator BACK: Yes, it was.

Mr Kinley: Again, there was a lot of discussion around the supposed science behind some of the claims that were made at that time. We are actually rotating our stocks and we would not use those dispersants now. We have also updated our standards for how we approve dispersants or response agents. Like all things with technology, technology is moving on all the time. The science around the dispersants and those sorts of things has moved on, but particularly when you look at how dispersants were used in the Macondo incident in the US and how much they used of that was orders of magnitudes greater than anything we used for the Montara response.

Senator BACK: Montara has been repaired. The seabed installations are up and running again, as I understand the platform. Is that NOPSEMA's role or is it your role to now monitor it?

Mr Kinley: NOPSEMA have that baby now.

Senator BACK: My final question does go back to one that Senator Conroy asked earlier; I just wanted to be satisfied. You should not rely on media reports, I know, but the media reports used to be that you guys were getting phone calls all the time to tell you to come and get people; the asylum seeker with the mobile phone ringing his brother in Melbourne. Has that stopped? Are you getting phone calls from people at sea asking you to direct operations to come and find them?

Mr Young: The last such event we experienced was on 1 January, to the best of my recollection.

Senator BACK: This year?

Mr Young: This year.

Senator BACK: Thanks for that. Those were my questions, Chair.

Senator CONROY: Are you aware of the Maritime Labour Convention?

Mr Kinley: Yes.

Senator CONROY: What does this convention do?

Mr Kinley: It is about living and working conditions for seafarers.

Senator CONROY: Is Australia party to the convention?

Mr Kinley: Yes, we are.

Senator CONROY: When did the convention come into effect?

Mr Kinley: August last year, I think.

Senator CONROY: Does AMSA have any responsibilities under the convention?

Mr Kinley: Yes, we do.

Senator CONROY: Does this include enforcement of minimum seafarer standards?

Mr Kinley: Yes.

Senator CONROY: Can you advise on how many occasions AMSA has taken enforcement action under the convention since it came into effect?

Mr Kinley: I would have to take that one on notice, but certainly, in general terms, it is part of our port state control program now. I think we may have had two detentions. Again, I will take that on notice, but we are issuing deficiencies. The bulk of the deficiencies we are finding are around things like food and catering and those sorts of issues. It is now part of our business, and we are, in particular, doing a lot of work with welfare providers in Australia to also see what we can do to improve Australia's capabilities in that regard.

Senator CONROY: So, you said you would take some of that on notice. Could you provide us with a list of your actions?

Mr Kinley: I can happily do that, yes.

Senator CONROY: I am sure this sentiment is shared by the committee. Could I congratulate you on your work in the search in difficult circumstances and hopefully you have some success.

Mr Young: Thank you.

Senator STERLE: Mr Mrdak, I just wanted to come back, because I know how efficient you and your department are and you were going to come back to me with some questions I had on the funding for the East-West Link western section and I know that if you have not got the answer here you have completely snubbed me. I am waiting for the answer.

Mr Mrdak: I have not received an updated answer. But I do not think the proposition you put to me was incorrect this morning.

Senator STERLE: I am shocked. That is the first time you have let me down in about nine years I have been sitting here.

Mr Mrdak: I apologise. I will try and chase that quickly. As I said, your proposition to me sounded accurate, but I will confirm that.

Senator STERLE: Thanks, Mr Mrdak. If you could let me know because that was in today's paper, so if it needs a correction it would be very helpful if you rang me in 10 minutes.

CHAIR: That concludes the hearing. I would just like to thank the department and their officials for putting up with us. I know we are a weird mob. I would like to thank the minister and I would like to thank the professional staff behind the glass up there for putting up with all of our stuff. Thank you very much.

Committee adjourned at 17:43