

29 January 2008

## **Johnson welcomes QantasLink contract for western region**

Member for Gregory Vaughan Johnson has welcomed the new five-year contract for QantasLink to serve western and far north centres.

Mr Johnson said the renewed contract covered air services from Brisbane to Longreach, Barcaldine, Blackall, Charleville and Roma, and Cairns to Horn Island and Weipa.

"I'm very pleased QantasLink will continue to serve the communities its parent company was first founded to serve," Mr Johnson said.

"For Longreach, Barcaldine and Blackall I welcome the increased seat capacity and on the Longreach-Brisbane sector I welcome the direct Q400 flights (3/wk) that reduce flight time to two hours.

"For the Brisbane-Roma-Charleville route there's also increased seat capacity and for residents of all western and far north centres there's the opportunity to access lower fares."

TN welcomes the undertaking to see the

Media contact: Vaughan Johnson S.73 Telephone Nu

Released under RTIP - DPO



# Media release

## The Honourable Scott Emerson MP Minister for Transport and Main Roads

### **Skies to open between Cairns and Weipa**

The Newman Government will deregulate air services between Cairns and Weipa, allowing the route to open up to new operators, more competition and new services.

Transport and Main Roads Minister Scott Emerson said the route, currently operated solely by QantasLink, was one of the more popular regional air routes in Queensland.

"There's been a growing demand for services between Cairns and Weipa with patronage growing by more than 15 per cent over the last two financial years," Mr Emerson said.

"As demand for this particular route continues to increase it made sense to open it out to the wider market and remove the need for regulation.

"The deregulation of air services between Cairns and Weipa followed feedback received through a five-week long review of all long-distance services conducted by the department.

"Out of all the air services, the Cairns to Weipa route received the most feedback with 585 individual submissions received.

"Passengers, as well as local councils and industry partners provided input and detailed submissions into the review.

"The route will become fully deregulated by the end of 2014 which will allow other operators to start planning"

Member for Cook David Kempton said this announcement is great news for the region.

"Currently, there are 17 regulated return services each week between the two important regional centres," Mr Kempton said.

"The feedback I have received about air services on this route identify issues with pricing, service timing and poor connections to other services.

"By deregulating services on the route, we may see more competition from other carriers which could help to deliver lower fares for Weipa residents, fly-in fly-out workers and tourists."

"I am also pleased to hear Virgin Australia have already expressed interest in this particular route."

The Queensland Government currently regulates 10 air services in the state, including annual subsidies totalling \$8.7 million for subsidising five of the regulated routes.

**[ENDS] 25 June 2013**

**Media contact:** Stephanie Shield S.73 Telephone Nu



## Media release

The Honourable Scott Emerson MP  
Minister for Transport and Main Roads

### Review to improve long-distance connections

Making passenger services to some regional communities more frequent will be considered as part of a review of all Queensland Government long-distance coach, train and air services.

Transport and Main Roads Minister Scott Emerson will write to all regional mayors and councils this week to get their ideas to better utilise transport across the state.

“We can deliver better outcomes for regional Queensland by using existing funding smarter,” Mr Emerson said.

“There are some areas of the state with subsidised bus, train and plane routes while some of our most remote communities have only one service a week.

“Patronage on air routes in fast growing communities like Roma has grown by almost 500 per cent in six years and the industry is telling us it could now support competition.

“The review will also look at better value on western train services where the Westlander between Brisbane and Charleville and the Inlander between Cairns and Mt Isa costs taxpayers more than \$2000 for each passenger.

“This will be the first review in almost six years and will reflect the changes to how people travel in regional Queensland communities.”

The Queensland Government currently subsidises 16 long-distance coach routes, five air routes, five regulated air routes and the TravelTrain network.

Some of the areas under review will include:

- Better connections for Gulf and Torres Strait Island communities
- Better services for growing mining communities
- Duplication of subsidised train, bus and air services between Brisbane and Charleville
- Duplication of subsidised train, bus and air services between Townsville and Mt Isa
- Deregulation of air routes, particularly between Cairns-Weipa and Brisbane-Roma

The review is expected to be finalised later this year.

A full list of Queensland Government long-distance services is available at [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

[ENDS] 13 February 2013

Media contact: Andrew Berkman S.73 Telephone Nu

## Communication summary

This communication summary should accompany all media releases/announcements

**Objective of announcement: Informing and finalising the review of the government-supported network of long distance services**

| Target audience                           | Message   | Timing        | Key messages  |
|---|---|---------------|---|
| Media                                     | Regional media  | Early October | The outcome of the review will focus on three areas -- reduction of rail services, additional bus services and deregulation of some air services. |
| Metro Queenslanders                       | Media release -- only minimal regional coverage expect.   | Early October | information on the changes to regional travel.  |
| Regional Queenslanders                    | Media release and information through electoral offices.  | Early October | Information on the changes to regional travel.  |
| Members of Parliament                     | Regional MPs will be provided talking points and QAs to respond to questions.   | Early October |   |
| Peak bodies / stakeholders                | Non-council airport/ terminal owners, Representative Bodies, Resource Companies, Air Service Provider, Long Distance Coach Service Provider, Long Distance Passenger Rail Service Provider, Current Air and Coach User Group Members. | Early October | Letters to be sent to key stakeholders with the outcomes of the review  |
| Online users                              | TMR website, TransLink website, TMR Facebook page   | Early October | TMR website, TransLink website & Facebook   |
| Other levels of govt ie councils/fed govt | Australian Government, Queensland Government, local government  | Early October | Letters to be sent to all Mayors with the outcomes of the review  |
| Third party endorsements / champions      | Many of the changes will be supported by regional Mayors. Information will be provided closer to the announcement.  | Early October |   |
| Internal – ie department or               | Exempt Sch.3(2)(1)(b) Reveal Cabinet considera  |               |   |

|                                   |  |  |  |
|-----------------------------------|--|--|--|
| whole of govt                     | Exempt Sch.3(2)(1)(b) Reveal Cabinet consider  |  |  |
| Hot Issues / Red Flags            |  |  |  |
| Add more stakeholders as required | <p><b>Australian Government</b> - Australian Competition and Consumer Commission; National Competition Council; Department of Infrastructure and Transport (Casa); Department of Families, Housing, Community Services and Indigenous Affairs; Department of Health and Ageing; Department of Human Services; Department of Regional Australia, Local Government, Arts and Sport; and the Department of Resources, Energy and Tourism.</p> <p><b>Queensland Government departments and all regional local governments.</b></p> |  |  |

*Some key tactics may include: media release/event, media interviews (ie radio etc), website, social media, newsletter, mail-out, advertising, MP info packs or briefing, industry briefing, roadshow etc*

*Top 5 key messages as part of announcement:*

*Key messages should outline what the announcement means for Queenslanders*

- Queensland is a vast state with large regional communities.
- We are connecting essential services, such as health and education.
- Currently some rail lines are subsidised by more than \$2000 a person – which isn't sustainable.
- The government-supported air, rail and coach network was last reviewed in 2007 and there have been many changes in regional economies, route dynamics and the long distance passenger transport industry since then.
- Information on existing services and the review are available on the Department of Transport and Main Roads website [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

Released under RTIP

## Anna Hurley

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**From:** John Borghetti <John.Borghetti@virginaustralia.com>  
**Sent:** Friday, 14 December 2012 3:57 PM  
**To:** Kate Davies  
**Subject:** Virgin Australia paper - deregulation of selected Qld intrastate routes  
**Attachments:** Deregulation of selected Qld intrastate air services routes Nov12.pdf

Dear Campbell,

Many thanks for your call. I very much appreciate your involvement.

Attached is the document Jane McKeon and I left for Scott Emerson, at the end of our meeting, on the 14<sup>th</sup> of November.

I can confirm that during the meeting, Scott asked when the licences expired for the routes in question and Jane replied "March 2013".

He then commented that the timing was good and it would be a good opportunity to review the licences at that time. Naturally, we took comfort in his comments that the timing was good and that we would be allowed to tender and discuss further, closer to that time. We left the document (attached) with him and he expressed interest in its contents.

Please let me know if I can be of help further.

Kind regards,  
John Borghetti  
CEO and MD  
Virgin Australia

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Page 7 redacted for the following reason:

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Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration

Released under RTI - DPC

**Carly Blaik**

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**From:** Kate Davies  
**Sent:** Friday, 14 December 2012 5:51 PM  
**To:** Campbell Newman  
**Subject:** FW: Virgin Australia paper - deregulation of selected Qld intrastate routes  
**Attachments:** Deregulation of selected Qld intrastate air services routes Nov12.pdf

As discussed.

**Kate Davies**  
**Executive Officer**  
**Premier of Queensland**  
Ph: 07 3224 4500 | M: S.73 Telephone N

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**From:** John Borghetti [<mailto:John.Borghetti@virginaustralia.com>]  
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Kind regards,  
John Borghetti  
CEO and MD  
Virgin Australia

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[www.virginaustralia.com](http://www.virginaustralia.com)



## Carly Blaik

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**From:** Cook Electorate Office <COOK@parliament.qld.gov.au>  
**Sent:** Thursday, 13 December 2012 5:35 PM  
**To:** Campbell Newman  
**Cc:** Steve Minnikin  
**Subject:** Fwd: Briefing on long distance passenger service review

Campbell

I enclose the names of the bureaucrats who attended the briefing with Howard Hobbs and Vaughan Johnson on the 28th

I was not advised of nor invited to this meeting.

Howard mentioned it to me after I had raised the regional airline issue with him in an earlier discussion and I turned up after it had started.

There is no doubt in my mind that so far as the Dept knew the offers had been made but not accepted.

I pursued this through our Chief of Staff and subsequently received copies of not only the offers but Qantaslink acceptance.

My concern apart from the stupidity of the extension is that there has been no consultation around this decision and my efforts to bring about a better cheaper air service have been frustrated

The perception the department is creating that some how the regulated route to Weipa and Horn is either necessary or what the community want, is nonsense.

The numbers for Weipa and Horn are very similar and both should be deregulated.

In respect of travel with the Straits my proposal could see several millions of dollars saved in the unnecessary charter costs we pay each year

We should do an immediate review across all departments of the cost of charter in CY TSI

The overuse of charter and the fact the charter companies bend CASA rules is exactly why RPT services are unsustainable

These bureaucrats should get themselves up here and talk to people before foreclosing on economic and social options.

If that decision to extend can be reversed it should be as we promised a review of travel costs on Cape York and Torres Strait and now we must sit on our hands for 2 years

I think we might be able to get interconnecting flights going and a regular RPT but its all that much harder now with the main routes remaining in a monopoly

I am in TI and heading to Mer with the minister tomorrow

When I get home I will prepare a more comprehensive brief on the facts and figures around what I was proposing

Sorry this good idea turned to crap but I think the bigger picture is we need to control the bureaucratic decision making process as this is by no means an isolated occurrence

Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

Begin forwarded message:

**From:** Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
**Date:** 13 December 2012 9:23:25 AM AEST  
**To:** Cook Electorate Office <[COOK@parliament.qld.gov.au](mailto:COOK@parliament.qld.gov.au)>  
**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
**Subject:** Briefing on long distance passenger service review

I've been asked to send you the names of the officers who were with me at the briefing we recently had on the long distance passenger services review. They were:

Matthew Longland – A/Deputy Director-General  
Steve Banaghan – General Manager – Passenger Transport Services Branch  
Peter Milward – A/General Manager – Passenger Transport Integration Branch

I note that in emails to Dick White you have mentioned that you thought that in that meeting officers had told you that a response had not been received from QantasLink about extending the contract. They actually said that they didn't know and we have subsequently provided you with copies of the QantasLink response.  
Please feel free to call me if you need anything else.

**Tony Meredith**- Senior Advisor  
**Office of The Hon Scott Emerson MP**  
Minister for Transport and Main Roads

Phone 07 38980813  
Mobile S.73 Telephone I  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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## Carly Blaik

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**From:** Jon Grayson <Jon.Grayson@premiers.qld.gov.au>  
**Sent:** Thursday, 13 December 2012 5:52 PM  
**To:** Campbell Newman  
**Cc:** Ben Myers; Craig Evans  
**Subject:** Fwd: Briefing Note | Regional Air Services  
**Attachments:** Briefing note\_Regional Air Services.doc; ATT00001.htm; Attachment 1\_MBN16181.pdf; ATT00002.htm

Premier

The high level summary is as follows:

- there are 10 air routes regulated by the state (some subsidised, some not)
- DTMR proposed and had approved an extension of the existing arrangements to Dec 2014 to allow a broader review of regional transport services (covering air, bus, and rail) and to allow a review of whether regulation of routes is still necessary.
- this proposal was included in a briefing note endorsed by the DG approved by the Minister in August 2012
- an offer was subsequently made to the 3 airlines involved in October. QantasLink and Rex have accepted but Skytrans has not yet accepted and is seeking to renegotiate the subsidies on its routes. It appears that QL and Rex arrangements cannot be unwound without negotiation. Presumably the Skytrans offer could be withdrawn. (There are suggestions which cast some doubt on concerns about the viability of Skytrans.)
- a briefing was held with affected MPs and a rep from the DP's office on 28th November

A likely outcome of the review is that some of these routes would be deregulated, and others could be bid in the run up to expiry in 2014. It would have been desirable for DTMR had discussions with Virgin to allow them to gear up for bids in the run up to Dec 2014, and they should immediately enter in to those discussions (as Virgin will need a lead time to prepare for the bid).

Sent from my iPad

Begin forwarded message:

**From:** Craig Evans <Craig.Evans@premiers.qld.gov.au>  
**Date:** 13 December 2012 12:07:06 PM AEST  
**To:** Jon Grayson <Jon.Grayson@premiers.qld.gov.au>  
**Subject:** FW: Briefing Note | Regional Air Services

Hi Jon

Quick update:

- Early draft of the Virgin issue briefing note attached. It is self explanatory regarding why the extensions to the regulated routes were approved but will wait for the final that will be cleared by the Asst Minister – I understand that Neil is also managing an alleged financial viability issue with SkyTrans.
- Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration
- Neil is going to personally review the issue of how and when MP are notified of road works in their electorates.

Regards Craig

Craig Evans AM  
Deputy Director-General

Department of the Premier and Cabinet

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[www.premiers.qld.gov.au](http://www.premiers.qld.gov.au)

**From:** [Lauren.k.Edminson@tmr.qld.gov.au](mailto:Lauren.k.Edminson@tmr.qld.gov.au) [<mailto:Lauren.k.Edminson@tmr.qld.gov.au>] **On Behalf Of** Neil Scales (Transport and Main Roads)  
**Sent:** Thursday, 13 December 2012 11:20 AM  
**To:** Craig Evans  
**Cc:** [Jennifer.M.Grace@tmr.qld.gov.au](mailto:Jennifer.M.Grace@tmr.qld.gov.au)  
**Subject:** Briefing Note | Regional Air Services

Good morning Craig

Please find attached briefing note from the A/Director-General to the Assistant Minister regarding Regional Air Services.

*(See attached file: Briefing note\_Regional Air Services.doc)(See attached file: Attachment 1\_MBN16181.pdf)*

Kind regards,  
**Lauren Edminson**  
Principal Executive Coordinator | Executive Directorate  
*on behalf of*

**Neil Scales**  
A/Director-General (Transport and Main Roads) | Executive Directorate  
**Office Of The Director-General** | Department of Transport and Main Roads

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# Briefing Note

Date 13 December 2012

To Assistant Minister for Transport and Main Roads

Copy to

Subject Regional Air Services

## Background

- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five of these air services are also subsidised by the Queensland Government.

| Route   | Current Contract Holder | Regulated | Subsidised |
|---|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville  | QantasLink              | Yes       | No         |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach   | QantasLink              | Yes       | No         |
| Horn Island: Cairns-Horn Island   | QantasLink              | Yes       | No         |
| Weipa: Cairns-Weipa   | QantasLink              | Yes       | No         |
| Northern 3: Townsville-Clonerry-Mt Isa  | QantasLink              | Yes       | No         |
| Gulf: Cairns-Normanton-Morrington Island-Burketown-Downs-Mt Isa                             | SkyTrans                | Yes       | Yes        |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargominda                              | SkyTrans                | Yes       | Yes        |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windora-Birdsville-Bedourie-Boulia-Mt Isa | SkyTrans                | Yes       | Yes        |
| Northern 1: Townsville-Winton-Longreach   | Regional Express        | Yes       | Yes        |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                | Regional Express        | Yes       | Yes        |

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Brisbane 4000

Enquiries Enquiries  
Telephone +61 7 3066 7112 Phone  
Facsimile +61 7 3066 7122 Fax

- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The Department of Transport and Main Roads (TMR) has commenced a review of the government supported long distance passenger transport (all modes) network to identify potential efficiency savings and examine whether regulation of routes is still required.
- The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- A briefing note was provided to the Minister for Transport (MBN16181) in August 2012, including a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. This is included as Attachment 1.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review to be undertaken.
- TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the regional network analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for South, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).
- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

#### **Comment**

- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland now that these services are mature, particularly the service from Cairns to Weipa and Brisbane to Roma. Both of these services are currently provided by QantasLink.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While patronage on these routes has grown in recent times, the current regulatory regime needs to be carefully assessed to determine whether competition can be sustained on these routes and minimum service levels provided to these communities.
- The failure of critical community air services was experienced in January 2009, when MacAir went into receivership. This affected services to the Gulf, Longreach, Mt Isa, Thargominda, Toowoomba, Charleville and a number of other communities on these routes.
- The extension of current regulated contracts to December 2014 is required to allow sufficient time to undertake economic analysis and coordinate a tender process in the circumstances where the state will be required to continue regulation, which is expected to be the case for many of these services.
- Economic analysis will be undertaken on regulated air routes to determine current market structures, market boundaries and socio-economic profiling of towns and cities to determine the potential impacts of competition.

Exempt Sch.3(7) Legal Professional Privilege

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- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities.

**Recommendation**

- That you note the basis for extension of regulated air service contracts to December 2014.
- That you note the risk to minimum service levels for rural and remote communities in the event that regulation is removed without the necessary community impact assessments.

Enc (1)

Released under RTIP  
**DRAFT**

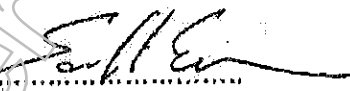


**Department of Transport and Main Roads  
Decision Brief  
MBN16181**

**To:** Minister for Transport and Main Roads  
**Date:** 30 July 2012

|  |                 |
|--|-----------------|
| <b>SUBJECT:</b><br>Review of contracted long distance passenger transport services |                 |
| <b>REQUESTED BY:</b><br>Departmentally generated                                   | <b>Due date</b> |

Approved / Not Approved

Minister   
Date 31.8.12

**Recommendations**

- That you approve that the Department of Transport and Main Roads (TMR) extends the current air and long distance coach contracts until December 2014 to allow a review of existing long distance services (Option 1).

**Background**

- TMR regulates and/or subsidises certain rail, air and long distance coach services.
- In 2011-12, TMR provided over \$176m in subsidies for these long distance passenger services - around \$8.7m (excluding GST) for air services, around \$3.4m (excluding GST) for long distance coach services and around \$164m (excluding GST) for long distance passenger rail services.
- All of the current long distance coach contracts will expire on 31 December 2012. The current air service contracts all expire on 31 March 2013 and the current long distance rail contract expires on 30 June 2013.

| Action Officer:   | Endorsed by:   | Endorsed by:   | Endorsed by:  | Endorsed by:  |
|---|--|--|---|---|
| Chris Dasche<br>Director (Contract Management & Service Delivery)<br>Passenger Transport Division<br>Tel: 3167 4572 (w) | Rose Kent<br>Executive Director (Regulations & Contracts)<br>Passenger Transport Division<br>Tel: 3167 4380<br>IS 73 Telephone | Ryan Huelin<br>General Manager (Passenger Transport)<br>Passenger Transport Division<br>Tel: 3167 4634 (w) | Mark Crkland<br>Deputy Director-General (Policy and Planning)<br>Department of Transport and Main Roads<br>Tel: 3308 7320 (w) | Michael Calabiano<br>Director-General<br>Department of Transport and Main Roads<br>Tel: 3308 1121 (w) |
| Date: 19 July 2012  | Date: 20 July 2012   | Date: 30 July 2012   | Date: 6/8/12  | Date:   |

MBN16181

Page 1 of 3

### Issues

- Queensland Treasury has provisionally requested a review of the government supported long distance passenger transport network to identify potential efficiency savings and examine whether regulation and all contracts are still required.
- The rollingstock used on western rail services is currently scheduled to be retired at the end of 2014 unless a major refurbishment is undertaken. Queensland Rail is not yet able to confirm to TMR if the current retirement date can be extended. If the retirement date is unable to be extended, a decision will be required on refurbishment prior to this proposed review being completed as it is possible that the review may provide options recommending changes to western rail services.
- TMR intends for these contracts to align with other bus contracts across the state.

### Future Steps

- Please refer to Attachment 1 for further detail on the options.

### Option 1 (preferred option)

- Extend the current air and long distance coach contracts to 31 December 2014 to allow sufficient time for a comprehensive review to be undertaken. This review will:
  - assess the potential to optimise efficiency and to achieve better use of government's investment in long distance services
  - consider a range of existing long distance rail issues, including concession funding, rolling stock renewal and opportunities for rationalisation.

### Option 2

- Commence a tender process for the existing air and long distance coach network, without undertaking a review of the network. Existing air and long distance coach contracts will need to be extended until 30 June 2013 to allow sufficient time to undertake a full tender process.
- Rollingstock replacement issues for long distance rail will be addressed in a separate submission.

### Option 3

- This is the same as Option 2, except that there would be a modification to the current air and coach network based on performance during the current contract. Air routes that have high patronage and are not subsidised would be deregulated. Long distance coach routes that have low patronage would no longer be subsidised.
- If you require further detail about the review and its potential outcomes, TMR can provide a presentation to you.

### Grow a Four Pillar Economy

- The current long distance network ensures rural and remote communities have year-round access to essential services in larger centres at a reasonable fare level, reducing their social and economic isolation and cost of living burden.

**Consultation with Stakeholders**

- TMR is developing a consultation plan to further refine consultation activities.

**Financial Implications**

- Financial Implications are included under each option in Attachment 1.

**Employment Impacts**

- Nil

**Election Commitments**

- Nil

**Minister's comments:**

Released under RTI - DPC



**FYI - Fw: MBN16181 - Review of PT services**

Doctrak:PTS.BusFerr

Correspondence Management Unit to: yCoachAir, Peter J McCullough

11/09/2012 02:28 PM

Sent by: Marion R Bell  
Cc: Correspondence Management Unit

Hi  
Please see below emails.  
Marlon

----- Forwarded by Marion R Bell/cp1/QMR/Au on 11/09/2012 02:26 PM -----

From: Ryan E Huelin/cp1/qdo/Au  
To: Correspondence Management Unit@Qdot  
Date: 11/09/2012 01:21 PM  
Subject: Fw: MBN16181 - Review of PT services  
Sent by: Justin C Bucholz

Hello

Please update DocTrak to reflect the below decision, and attach a copy of the email advice. Chris Basche has been advised via email.

Thank you.

Kind regards,

Justin for

**Ryan Huelin**  
General Manager (Passenger Transport Integration Branch) | Office Of The General Manager  
TransLink Division | Department of Transport and Main Roads  
Floor 6 | George Street (420) | 420 George Street | Brisbane Qld 4000  
PO Box 673 | Fortitude Valley Qld 4006  
P: (07) 31674634 | F: (07) 32363159  
M: S.73 Telephone  
E: [ryan.e.huelin@tmr.qld.gov.au](mailto:ryan.e.huelin@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Justin C Bucholz/cp1/qdo/Au on 11/09/2012 01:19 PM -----

From: Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
To: "Ryan.E.Huelin@tmr.qld.gov.au" <Ryan.E.Huelin@tmr.qld.gov.au>  
Date: 11/09/2012 01:01 PM  
Subject: RE: MBN16181 - Review of PT services

Sorry for the delay in getting back to you on this one. The Minister approved the decision.

Tony

From: Justin.C.Bucholz@tmr.qld.gov.au [mailto:Justin.C.Bucholz@tmr.qld.gov.au] On Behalf Of  
Ryan.E.Huelin@tmr.qld.gov.au  
Sent: Friday, 7 September 2012 8:45 AM  
To: Tony Meredith  
Cc: Ryan.E.Huelin@tmr.qld.gov.au  
Subject: MBN16181 - Review of PT services

## Carly Blaik

---

**From:** Campbell Newman  
**Sent:** Sunday, 16 December 2012 9:58 AM  
**To:** Ben Myers  
**Subject:** Fw: Fwd: Briefing on long distance passenger service review

See below - FYI

Our policy advisers should also see this

---

**From:** Cook Electorate Office [mailto:COOK@parliament.qld.gov.au]  
**Sent:** Thursday, December 13, 2012 05:35 PM E. Australia Standard Time  
**To:** Campbell Newman  
**Cc:** Steve Minnikin  
**Subject:** Fwd: Briefing on long distance passenger service review

Campbell

I enclose the names of the bureaucrats who attended the briefing with Howard Hobbs and Vaughan Johnson on the 28th

I was not advised of nor invited to this meeting.

Howard mentioned it to me after I had raised the regional airline issue with him in an earlier discussion and I turned up after it had started.

There is no doubt in my mind that so far as the Dept knew the offers had been made but not accepted.

I pursued this through our Chief of Staff and subsequently received copies of not only the offers but Qantaslink acceptance.

My concern apart from the stupidity of the extension is that there has been no consultation around this decision and my efforts to bring about a better cheaper air service have been frustrated

The perception the department is creating that some how the regulated route to Weipa and Horn is either necessary or what the community want, is nonsense.

The numbers for Weipa and Horn are very similar and both should be deregulated.

In respect of travel with the Straits my proposal could see several millions of dollars saved in the unnecessary charter costs we pay each year

We should do an immediate review across all departments of the cost of charter in CY TSI

The overuse of charter and the fact the charter companies bend CASA rules is exactly why RPT services are unsustainable

These bureaucrats should get themselves up here and talk to people before foreclosing on economic and social options.

If that decision to extend can be reversed it should be as we promised a review of travel costs on Cape York and Torres Strait and now we must sit on our hands for 2 years

I think we might be able to get interconnecting flights going and a regular RPT but its all that much harder now with the main routes remaining in a monopoly

I am in TI and heading to Mer with the minister tomorrow

When I get home I will prepare a more comprehensive brief on the facts and figures around what I was proposing

Sorry this good idea turned to crap but I think the bigger picture is we need to control the bureaucratic decision making process as this is by no means an isolated occurrence

Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

Begin forwarded message:

**From:** Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
**Date:** 13 December 2012 9:23:25 AM AEST  
**To:** Cook Electorate Office <[COOK@parliament.qld.gov.au](mailto:COOK@parliament.qld.gov.au)>  
**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
**Subject:** Briefing on long distance passenger service review

I've been asked to send you the names of the officers who were with me at the briefing we recently had on the long distance passenger services review. They were:

Matthew Longland – A/Deputy Director-General  
Steve Banaghan – General Manager – Passenger Transport Services Branch  
Peter Milward – A/General Manager – Passenger Transport Integration Branch

I note that in emails to Dick White you have mentioned that you thought that in that meeting officers had told you that a response had not been received from QantasLink about extending the contract. They actually said that they didn't know and we have subsequently provided you with copies of the QantasLink response.

Please feel free to call me if you need anything else.

**Tony Meredith** - Senior Advisor  
Office of The Hon Scott Emerson MP  
Minister for Transport and Main Roads

Phone 07 33980813  
Mobile 0466 839049  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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Released under RTI - DPC



# Briefing Note

Date 13 December 2012

**To** Assistant Minister for Transport and Main Roads

**Copy to**

**Subject** Regional Air Services

## Background

- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five of these air services are also subsidised by the Queensland Government.

| Route  | Current Contract Holder | Regulated | Subsidised |
|--|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville   | QantasLink              | Yes       | No         |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach  | QantasLink              | Yes       | No         |
| Horn Island: Carins-Horn Island  | QantasLink              | Yes       | No         |
| Weipa: Cairns-Weipa  | QantasLink              | Yes       | No         |
| Northern 3: Townsville-Cloncurry-Mt Isa  | QantasLink              | Yes       | No         |
| Gulf: Cairns-Normanton-Mornington Island-Burketown-Doomadgee-Mt Isa                          | SkyTrans                | Yes       | Yes        |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargominda                               | SkyTrans                | Yes       | Yes        |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windorah-Birdsville-Bedourie-Boulia-Mt Isa | SkyTrans                | Yes       | Yes        |
| Northern 1: Townsville-Winton-Longreach  | Regional Express        | Yes       | Yes        |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                 | Regional Express        | Yes       | Yes        |

**Department of Transport and Main Roads**  
Office of the Director General  
Level 13  
85 George Street  
Brisbane 4000

Enquiries Enquiries  
**Telephone** +61 7 3066 7112 Phone  
**Facsimile** +61 7 3066 7122 Fax



- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The Department of Transport and Main Roads (TMR) has commenced a review of the government supported long distance passenger transport (all modes) network to identify potential efficiency savings and examine whether regulation of routes is still required.
- The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- A briefing note was provided to the Minister for Transport (MBN16181) in August 2012, including a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. This is included as Attachment 1.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review to be undertaken.
- TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the regional network analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for Cook, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).
- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

#### **Comment**

- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland now that these services are mature, particularly the service from Cairns to Weipa, and Brisbane to Roma. Both of these services are currently provided by QantasLink.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While patronage on these routes has grown in recent times, the current regulatory regime needs to be carefully assessed to determine whether competition can be sustained on these routes and minimum service levels provided to these communities.
- The failure of critical community air services was experienced in January 2009, when MacAir went into receivership. This affected services to the Gulf, Longreach, Mt Isa, Thargominda, Toowoomba, Charleville and a number of other communities on these routes.
- The extension of current regulated contracts to December 2014 is required to allow sufficient time to undertake economic analysis and coordinate a tender process in the circumstances where the state will be required to continue regulation, which is expected to be the case for many of these services.
- Economic analysis will be undertaken on regulated air routes to determine current market structures, market boundaries and socio-economic profiling of towns and cities to determine the potential impacts of competition.

Exempt Sch.3(7) Legal Professional Privilege

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- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities.

**Recommendation**

- That you note the basis for extension of regulated air service contracts to December 2014.
- That you note the risk to minimum service levels for rural and remote communities in the event that regulation is removed without the necessary community impact assessments.

Enc (1)

Released under RTI

**Department of Transport and Main Roads  
Decision Brief  
MBN16181**

To: Minister for Transport and Main Roads

Date: 30 July 2012

|  |                 |
|--|-----------------|
| <b>SUBJECT:</b><br>Review of contracted long distance passenger transport services |                 |
| <b>REQUESTED BY:</b><br>Departmentally generated                                   | <b>Due date</b> |

Approved / Not Approved

Minister: 

Date: 31.8.12

**Recommendations**

- That you approve that the Department of Transport and Main Roads (TMR) extends the current air and long distance coach contracts until December 2014 to allow a review of existing long distance services (Option 1).

**Background**

- TMR regulates and/or subsidises certain rail, air and long distance coach services.
- In 2011-12, TMR provided over \$175m in subsidies for these long distance passenger services - around \$8.7m (excluding GST) for air services, around \$3.4m (excluding GST) for long distance coach services and around \$164m (excluding GST) for long distance passenger rail services.
- All of the current long distance coach contracts will expire on 31 December 2012. The current air service contracts all expire on 31 March 2013 and the current long distance rail contract expires on 30 June 2013.

| Action Officer:   | Endorsed by:  | Endorsed by:   | Endorsed by:  | Endorsed by:   |
|---|---|--|---|--|
| Chris Satche<br>Director (Contract Management & Service Delivery)<br>Passenger Transport Division<br>Tel: 3167 4572 (w)<br>S.73 Telephone<br>Date: 19 July 2012 | Ross Kent<br>Executive Director (Regulations & Contracts)<br>Passenger Transport Division<br>Tel: 3167 4360<br>Date: 20 July 2012 | Ryan Huelin<br>General Manager (Passenger Transport)<br>Passenger Transport Division<br>Tel: 3167 4634 (w)<br>Date: 30 July 2012 | Mark Crdland<br>Deputy Director-General (Policy and Planning)<br>Department of Transport and Main Roads<br>Tel: 3308 7320 (w)<br>Date: 6/8/12 | Michael Colloblano<br>Director-General<br>Department of Transport and Main Roads<br>Tel: 3308 7122 (w)<br>Date: 13/8 |

### Issues

- Queensland Treasury has provisionally requested a review of the government supported long distance passenger transport network to identify potential efficiency savings and examine whether regulation and all contracts are still required.
- The rollingstock used on western rail services is currently scheduled to be retired at the end of 2014 unless a major refurbishment is undertaken. Queensland Rail is not yet able to confirm to TMR if the current retirement date can be extended. If the retirement date is unable to be extended, a decision will be required on refurbishment prior to this proposed review being completed as it is possible that the review may provide options recommending changes to western rail services.
- TMR intends for these contracts to align with other bus contracts across the state.

### Future Steps

- Please refer to Attachment 1 for further detail on the options.

#### Option 1 (preferred option)

- Extend the current air and long distance coach contracts to 31 December 2014 to allow sufficient time for a comprehensive review to be undertaken. This review will:
  - assess the potential to optimise efficiency and to achieve better use of government's investment in long distance services
  - consider a range of existing long distance rail issues, including concession funding, rolling stock renewal and opportunities for rationalisation.

#### Option 2

- Commence a tender process for the existing air and long distance coach network, without undertaking a review of the network. Existing air and long distance coach contracts will need to be extended until 30 June 2013 to allow sufficient time to undertake a full tender process.
- Rollingstock replacement issues for long distance rail will be addressed in a separate submission.

#### Option 3

- This is the same as Option 2, except that there would be a modification to the current air and coach network based on performance during the current contract. Air routes that have high patronage and are not subsidised would be deregulated. Long distance coach routes that have low patronage would no longer be subsidised.
- If you require further detail about the review and its potential outcomes, TMR can provide a presentation to you.

### Grow a Four Pillar Economy

- The current long distance network ensures rural and remote communities have year-round access to essential services in larger centres at a reasonable fare level, reducing their social and economic isolation and cost of living burden.

**Consultation with Stakeholders**

- TMR is developing a consultation plan to further refine consultation activities.

**Financial Implications**

- Financial implications are included under each option in Attachment 1.

**Employment Impacts**

- Nil

**Election Commitments**

- Nil

**Minister's comments:**

Released under RTI - DPC



**FYI - Fw: MBN16181 - Review of PT services**

Doctrak.PTS.BusFerr

Correspondence Management Unit to: yCoachAir, Peter J McCullough

11/09/2012 02:28 PM

Sent by: Marion R Bell

Cc: Correspondence Management Unit

Hi

Please see below emails.

Marion

----- Forwarded by Marion R Bell/cp1/QMR/Au on 11/09/2012 02:26 PM -----

From: Ryan E Huelln/cp1/qdo/eu  
 To: Correspondence Management Unit@Qdot  
 Date: 11/09/2012 01:21 PM  
 Subject: Fw: MBN16181 - Review of PT services  
 Sent by: Justin C Bucholz

Hello

Please update DocTrak to reflect the below decision, and attach a copy of the email advice. Chris Basche has been advised via email.

Thank you.

Kind regards,

Justin for

**Ryan Huelln**  
 General Manager (Passenger Transport Integration Branch) | Office Of The General Manager  
 TransLink Division | Department of Transport and Main Roads

Floor 6 | George Street (420) | 420 George Street | Brisbane Qld 4000  
 PO Box 673 | Fortitude Valley Qld 4000  
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M/S.73 Telephone  
 E: [ryan.e.huelln@tmr.qld.gov.au](mailto:ryan.e.huelln@tmr.qld.gov.au)  
 W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Justin C Bucholz/cp1/qdo/eu on 11/09/2012 01:19 PM -----

From: Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
 To: "Ryan.E.Huelln@tmr.qld.gov.au" <Ryan.E.Huelln@tmr.qld.gov.au>  
 Date: 11/09/2012 01:01 PM  
 Subject: RE: MBN16181 - Review of PT services

Sorry for the delay in getting back to you on this one. The Minister approved the decision.

Tony

**From:** Justin C.Bucholz@tmr.qld.gov.au [mailto:Justin.C.Bucholz@tmr.qld.gov.au] **On Behalf Of**  
 Ryan.E.Huelln@tmr.qld.gov.au  
**Sent:** Friday, 7 September 2012 8:45 AM  
**To:** Tony Meredith  
**Cc:** Ryan.E.Huelln@tmr.qld.gov.au  
**Subject:** MBN16181 - Review of PT services

## Ben Myers

---

**From:** Ross Mensforth  
**Sent:** Thursday, 13 December 2012 2:41 PM  
**To:** Ben Myers  
**Cc:** Peter Walsh; Daniel Harris  
**Subject:** FW: TMR Brief\_Regional Air Services  
**Attachments:** Briefing note\_Regional Air Services.doc; Attachment 1\_MBN16181.pdf

---

**From:** Tony Meredith  
**Sent:** Thursday, 13 December 2012 2:38 PM  
**To:** Ross Mensforth; Daniel Harris  
**Subject:** FW: TMR Brief\_Regional Air Services

This has been sent to the Premier.

Tony

---

**From:** Andrew Berkman  
**Sent:** Thursday, 13 December 2012 2:36 PM  
**To:** Tony Meredith  
**Subject:** Fw: TMR Brief\_Regional Air Services

---

**From:** [Neil.Z.Scales@tmr.qld.gov.au](mailto:Neil.Z.Scales@tmr.qld.gov.au) [<mailto:Neil.Z.Scales@tmr.qld.gov.au>]  
**Sent:** Thursday, December 13, 2012 02:27 PM E. Australia Standard Time  
**To:** Andrew Berkman  
**Subject:** TMR Brief\_Regional Air Services

Hi Andrew, copy below. Jenny

Kind regards,

**Neil Scales**  
A/Director-General (Transport and Main Roads) | Executive Directorate  
**Office Of The Director-General** | Department of Transport and Main Roads

---

Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000  
GPO Box 1549 | Brisbane Qld 4001  
P: (07) 30667316 | F: (07) 30667122  
E: [neil.z.scales@tmr.qld.gov.au](mailto:neil.z.scales@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Jennifer M Grace/cp1/qdot/au on 13/12/2012 02:27 PM -----

From: Neil Z Scales/cp1/qdot/au  
To: [campbell.newman@ministerial.qld.gov.au](mailto:campbell.newman@ministerial.qld.gov.au)  
Cc: [steve.minnikin@ministerial.qld.gov.au](mailto:steve.minnikin@ministerial.qld.gov.au), [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Date: 13/12/2012 02:27 PM  
Subject: TMR Brief\_Regional Air Services  
Sent by: Jennifer M Grace

---

Good afternoon Premier

Attached is the Transport and Main Roads briefing on Regional Air Services

(See attached file: Briefing note\_Regional Air Services.doc)(See attached file: Attachment 1\_MBN16181.pdf)

sent by Jennifer Grace, Office of the Director-General

Kind regards,

**Neil Scales**

A/Director-General (Transport and Main Roads) | Executive Directorate  
Office Of The Director-General | Department of Transport and Main Roads

---

Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000  
GPO Box 1549 | Brisbane Qld 4001  
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E: [neil.z.scales@tmr.qld.gov.au](mailto:neil.z.scales@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

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\*\*\*\*\*

Released under RTI - DPC



**Department of Transport and Main Roads  
Decision Brief  
MBN16181**

To: Minister for Transport and Main Roads

Date: 30 July 2012

|  |                 |
|--|-----------------|
| <b>SUBJECT:</b><br>Review of contracted long distance passenger transport services |                 |
| <b>REQUESTED BY:</b><br>Departmentally generated                                   | <b>Due date</b> |

Approved / Not Approved

Minister: 

Date: 31.8.12

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| Action Officer:   | Endorsed by:  | Endorsed by:   | Endorsed by:  | Endorsed by:   |
|---|---|--|---|--|
| Chris Bascho<br>Director (Contract Management & Service Delivery)<br>Passenger Transport Division<br>Tel: 3167 4572 (w)<br>(S.73 Telephone)<br>Date: 19 July 2012 | Rose Kent<br>Executive Director (Regulations & Contracts)<br>Passenger Transport Division<br>Tel: 3167 4380<br>Date: 20 July 2012 | Ryan Huelin<br>General Manager (Passenger Transport)<br>Passenger Transport Division<br>Tel: 3167 4534 (w)<br>Date: 30 July 2012 | Mark Criddle<br>Deputy Director-General (Policy and Planning)<br>Department of Transport and Main Roads<br>Tel: 3308 7320 (w)<br>Date: 6/8/12 | Michael Galtabano<br>Director-General<br>Department of Transport and Main Roads<br>Tel: 3306 1122 (w)<br>Date: |

MBN16181

### Issues

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- The current long distance network ensures rural and remote communities have year-round access to essential services in larger centres at a reasonable fare level, reducing their social and economic isolation and cost of living burden.

**Consultation with Stakeholders**

- TMR is developing a consultation plan to further refine consultation activities.

**Financial Implications**

- Financial implications are included under each option in Attachment 1.

**Employment Impacts**

- Nil

**Election Commitments**

- Nil

**Minister's comments:**

Released under RTI - DPC



**FYI - Fw: MBN16181 - Review of PT services**

Doctrak.PTS.BusFerr

Correspondence Management Unit to: yCoachAir, Peter J McCulleugh

11/09/2012 02:28 PM

Sent by: Marion R Bell

Cc: Correspondence Management Unit

Hi

Please see below emails.

Marion

----- Forwarded by Marion R Bell/cp1/GMR/Au on 11/09/2012 02:26 PM -----

From: Ryan E Huelln/cp1/qdot/au  
To: Correspondence-Management-Unit@Qdot  
Date: 11/09/2012 01:21 PM  
Subject: Fw: MBN16181 - Review of PT services  
Sent by: Justin C Bucholz

Hello

Please update DocTrak to reflect the below decision, and attach a copy of the email advice. Chris Basche has been advised via email.

Thank you.

Kind regards,

Justin for

**Ryan Huelln**  
General Manager (Passenger Transport Integration Branch) | Office Of The General Manager  
TransLink Division | Department of Transport and Main Roads  
Flour 6 | George Street (420) | 420 George Street | Brisbane Qld 4000  
PO Box 673 | Fortitude Valley Qld 4006  
P: (07) 31674534 | F: (07) 32363159  
M.S.73.Telphone  
E: [ryan.e.huelln@tmr.qld.gov.au](mailto:ryan.e.huelln@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Justin C Bucholz/cp1/qdot/au on 11/09/2012 01:19 PM -----

From: Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
To: "Ryan.E.Huelln@tmr.qld.gov.au" <Ryan.E.Huelln@tmr.qld.gov.au>  
Date: 11/09/2012 01:01 PM  
Subject: RE: MBN16181 - Review of PT services

Sorry for the delay in getting back to you on this one. The Minister approved the decision.

Tony

From: Justin C Bucholz@tmr.qld.gov.au [mailto:Justin.C.Bucholz@tmr.qld.gov.au] On Behalf Of  
Ryan.E.Huelln@tmr.qld.gov.au  
Sent: Friday, 7 September 2012 8:45 AM  
To: Tony Meredith  
Cc: Ryan.E.Huelln@tmr.qld.gov.au  
Subject: MBN16181 - Review of PT services

## Ben Myers

---

**From:** Jon Grayson <Jon.Grayson@premiers.qld.gov.au>  
**Sent:** Thursday, 13 December 2012 5:52 PM  
**To:** Campbell Newman  
**Cc:** Ben Myers; Craig Evans  
**Subject:** Fwd: Briefing Note | Regional Air Services  
**Attachments:** Briefing note\_Regional Air Services.doc; ATT00001.htm; Attachment 1\_MBN16181.pdf; ATT00002.htm

Premier

The high level summary is as follows:

- there are 10 air routes regulated by the state (some subsidised, some not)
- DTMR proposed and had approved an extension of the existing arrangements to Dec 2014 to allow a broader review of regional transport services (covering air, bus, and rail) and to allow a review of whether regulation of routes is still necessary.
- this proposal was included in a briefing note endorsed by the DG approved by the Minister in August 2012
- an offer was subsequently made to the 3 airlines involved in October. QantasLink and Rex have accepted but Skytrans has not yet accepted and is seeking to renegotiate the subsidies on its routes. It appears that QL and Rex arrangements cannot be unwound without negotiation. Presumably the Skytrans offer could be withdrawn. (There are suggestions which cast some doubt on concerns about the viability of Skytrans.)
- a briefing was held with affected MPs and a rep from the DP's office on 28th November

A likely outcome of the review is that some of these routes would be deregulated, and others could be bid in the run up to expiry in 2014. It would have been desirable for DTMR had discussions with Virgin to allow them to gear up for bids in the run up to Dec 2014, and they should immediately enter in to those discussions (as Virgin will need a lead time to prepare for the bid).

Sent from my iPad

Begin forwarded message:

**From:** Craig Evans <Craig.Evans@premiers.qld.gov.au>  
**Date:** 13 December 2012 12:07:06 PM AEST  
**To:** Jon Grayson <Jon.Grayson@premiers.qld.gov.au>  
**Subject:** FW: Briefing Note | Regional Air Services

Hi Jon

Quick update:

- Early draft of the Virgin issue briefing note attached. It is self explanatory regarding why the extensions to the regulated routes were approved but will wait for the final that will be cleared by the Asst Minister – I understand that Neil is also managing an alleged financial viability issue with SkyTrans.
- Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration
- Neil is going to personally review the issue of how and when MP are notified of road works in their electorates.

Regards Craig

Craig Evans AM  
Deputy Director-General

Department of the Premier and Cabinet

+61 7 34062140

[www.premiers.qld.gov.au](http://www.premiers.qld.gov.au)

---

**From:** [Lauren.k.Edminson@tmr.qld.gov.au](mailto:Lauren.k.Edminson@tmr.qld.gov.au) [mailto:[Lauren.k.Edminson@tmr.qld.gov.au](mailto:Lauren.k.Edminson@tmr.qld.gov.au)] **On Behalf Of** Neil Scales (Transport and Main Roads)  
**Sent:** Thursday, 13 December 2012 11:20 AM  
**To:** Craig Evans  
**Cc:** [Jennifer.M.Grace@tmr.qld.gov.au](mailto:Jennifer.M.Grace@tmr.qld.gov.au)  
**Subject:** Briefing Note | Regional Air Services

Good morning Craig

Please find attached briefing note from the A/Director-General to the Assistant Minister regarding Regional Air Services.

*(See attached file: Briefing note\_Regional Air Services.doc)(See attached file: Attachment 1\_MBN16181.pdf)*

Kind regards,  
**Lauren Edminson**  
Principal Executive Coordinator | Executive Directorate  
*on behalf of*

**Neil Scales**  
A/Director-General (Transport and Main Roads) | Executive Directorate  
**Office Of The Director-General** | Department of Transport and Main Roads

---

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W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

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Released under RTI - DPC

# Briefing Note

Date 13 December 2012

**To** Assistant Minister for Transport and Main Roads

**Copy to**

**Subject** Regional Air Services

## Background

- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five of these air services are also subsidised by the Queensland Government.

| Route  | Current Contract Holder | Regulated | Subsidised |
|--|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville   | QantasLink              | Yes       | No         |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach  | QantasLink              | Yes       | No         |
| Horn Island: Cairns-Horn Island  | QantasLink              | Yes       | No         |
| Weipa: Cairns-Weipa  | QantasLink              | Yes       | No         |
| Northern 3: Townsville-Clermont-Mt Isa   | QantasLink              | Yes       | No         |
| Gulf: Cairns-Mornton-Montserrat Island-Burketown-Doomadgee-Mt Isa                            | SkyTrans                | Yes       | Yes        |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargomindah                              | SkyTrans                | Yes       | Yes        |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windorah-Birdsville-Bedourie-Boulia-Mt Isa | SkyTrans                | Yes       | Yes        |
| Northern 1: Townsville-Winton-Longreach  | Regional Express        | Yes       | Yes        |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                 | Regional Express        | Yes       | Yes        |

Department of Transport and Main Roads  
Office of the Director General  
Level 13  
85 George Street  
Brisbane 4000

Enquiries Enquiries  
Telephone +61 7 3066 7112 Phone  
Facsimile +61 7 3066 7122 Fax



- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The Department of Transport and Main Roads (TMR) has commenced a review of the government supported long distance passenger transport (all modes) network to identify potential efficiency savings and examine whether regulation of routes is still required.
- The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- A briefing note was provided to the Minister for Transport (MBN16181) in August 2012, including a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. This is included as Attachment 1.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review to be undertaken.
- TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the regional network analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for Gulf, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).
- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

#### **Comment**

- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland, noting that these services are mature, particularly the service from Cairns to Weipa, and Brisbane to Roma. Both of these services are currently provided by QantasLink.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While patronage on these routes has grown in recent times, the current regulatory regime needs to be carefully assessed to determine whether competition can be sustained on these routes and minimum service levels provided to these communities.
- The failure of critical community air services was experienced in January 2009, when MacAir went into receivership. This affected services to the Gulf, Longreach, Mt Isa, Thargominda, Toowoomba, Charleville and a number of other communities on these routes.
- The extension of current regulated contracts to December 2014 is required to allow sufficient time to undertake economic analysis and coordinate a tender process in the circumstances where the state will be required to continue regulation, which is expected to be the case for many of these services.
- Economic analysis will be undertaken on regulated air routes to determine current market structures, market boundaries and socio-economic profiling of towns and cities to determine the potential impacts of competition.

Exempt Sch.3(7) Legal Professional Privilege

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- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities.

**Recommendation**

- That you note the basis for extension of regulated air service contracts to December 2014.
- That you note the risk to minimum service levels for rural and remote communities in the event that regulation is removed without the necessary community impact assessments.

Enc (1)

Released under RTIP91

Released under RTI - DPC

**Department of Transport and Main Roads  
Decision Brief  
MBN16181**

**To:** Minister for Transport and Main Roads

**Date:** 30 July 2012

|  |                 |
|--|-----------------|
| <b>SUBJECT:</b><br>Review of contracted long distance passenger transport services |                 |
| <b>REQUESTED BY:</b><br>Departmentally generated                                   | <b>Due date</b> |

Approved / Not Approved

Minister: 

Date: 31.8.12

**Recommendations**

- That you approve that the Department of Transport and Main Roads (TMR) extends the current air and long distance coach contracts until December 2014 to allow a review of existing long distance services (Option 1).

**Background**

- TMR regulates and/or subsidises certain rail, air and long distance coach services.
- In 2011-12, TMR provided over \$176m in subsidies for these long distance passenger services - around \$8.7m (excluding GST) for air services, around \$3.4m (excluding GST) for long distance coach services and around \$164m (excluding GST) for long distance passenger rail services.
- All of the current long distance coach contracts will expire on 31 December 2012. The current air service contracts all expire on 31 March 2013 and the current long distance rail contract expires on 30 June 2013.

| Action Officer:  | Endorsed by:   | Endorsed by:  | Endorsed by:   | Endorsed by:  |
|--|--|---|--|---|
| Chris Saatche<br>Director (Contract Management & Service Delivery)<br>Passenger Transport Division | Rose Kent<br>Executive Director (Regulation & Contracts)<br>Passenger Transport Division | Ryan Huellin<br>General Manager (Passenger Transport)<br>Passenger Transport Division | Mark Cridland<br>Deputy Director-General (Policy and Planning)<br>Department of Transport and Main Roads | Michael Callabano<br>Director-General<br>Department of Transport and Main Roads |
| Tel: 3167 4572 (w)<br>S.73 Telephone   | Tel: 3167 4380   | Tel: 3167 4534 (w)  | Tel: 3306 7320 (w)   | Tel: 3306 7122 (w)  |
| Date: 19 July 2012   | Date: 20 July 2012   | Date: 30 July 2012  | Date: 6/8/12   | Date: 13/8  |

MBN16181

Page 1 of 3

### Issues

- Queensland Treasury has provisionally requested a review of the government supported long distance passenger transport network to identify potential efficiency savings and examine whether regulation and all contracts are still required.
- The rollingstock used on western rail services is currently scheduled to be retired at the end of 2014 unless a major refurbishment is undertaken. Queensland Rail is not yet able to confirm to TMR if the current retirement date can be extended. If the retirement date is unable to be extended, a decision will be required on refurbishment prior to this proposed review being completed as it is possible that the review may provide options recommending changes to western rail services.
- TMR intends for these contracts to align with other bus contracts across the state.

### Future Steps

- Please refer to Attachment 1 for further detail on the options.

### Option 1 (preferred option)

- Extend the current air and long distance coach contracts to 31 December 2014 to allow sufficient time for a comprehensive review to be undertaken. This review will:
  - assess the potential to optimise efficiency and to achieve better use of government's investment in long distance services
  - consider a range of existing long distance rail issues, including concession funding, rolling stock renewal and opportunities for rationalisation.

### Option 2

- Commence a tender process for the existing air and long distance coach network, without undertaking a review of the network. Existing air and long distance coach contracts will need to be extended until 30 June 2013 to allow sufficient time to undertake a full tender process.
- Rollingstock replacement issues for long distance rail will be addressed in a separate submission.

### Option 3

- This is the same as Option 2, except that there would be a modification to the current air and coach network based on performance during the current contract. Air routes that have high patronage and are not subsidised would be deregulated. Long distance coach routes that have low patronage would no longer be subsidised.
- If you require further detail about the review and its potential outcomes, TMR can provide a presentation to you.

### Grow a Four Pillar Economy

- The current long distance network ensures rural and remote communities have year-round access to essential services in larger centres at a reasonable fare level, reducing their social and economic isolation and cost of living burden.

**Consultation with Stakeholders**

- TMR is developing a consultation plan to further refine consultation activities.

**Financial Implications**

- Financial Implications are included under each option in Attachment 1.

**Employment Impacts**

- Nil

**Election Commitments**

- Nil

**Minister's comments:**

Released under RTI - DPC



**FYI - Fw: MBN16181 - Review of PT services**

Doctrak.PTS.BusFerr

Correspondence Management Unit to: yCoachAir, Peter J McCullough

11/09/2012 02:28 PM

Sent by: Marlon R Bell  
Cc: Correspondence Management Unit

Hi  
Please see below emails.  
Marlon

----- Forwarded by Marlon R Bell/cp1/QMR/Au on 11/09/2012 02:28 PM -----

From: Ryan E Huellin/cp1/qdo/au  
To: Correspondence Management Unit@Qdot  
Date: 11/09/2012 01:21 PM  
Subject: Fw: MBN16181 - Review of PT services  
Sent by: Justin C Bucholz

Hello

Please update DocTrak to reflect the below decision, and attach a copy of the email advice. Chris Basche has been advised via email.

Thank you.

Kind regards,

Justin for

**Ryan Huellin**  
General Manager (Passenger Transport Integration Branch) | Office Of The General Manager  
TransLink Division | Department of Transport and Main Roads

Floor 6 | George Street (420) | 420 George Street | Brisbane Qld 4000  
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W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Justin C Bucholz/cp1/qdo/au on 11/09/2012 01:19 PM -----

From: Tony Meredith <Tony.Meredith@ministeriel.qld.gov.au>  
To: "Ryan.E.Huellin@tmr.qld.gov.au" <Ryan.E.Huellin@tmr.qld.gov.au>  
Date: 11/09/2012 01:01 PM  
Subject: RE: MBN16181 - Review of PT services

Sorry for the delay in getting back to you on this one. The Minister approved the decision.

Tony

From: Justin.C.Bucholz@tmr.qld.gov.au [mailto:Justin.C.Bucholz@tmr.qld.gov.au] On Behalf Of  
Ryan.E.Huellin@tmr.qld.gov.au  
Sent: Friday, 7 September 2012 8:45 AM  
To: Tony Meredith  
Cc: Ryan.E.Huellin@tmr.qld.gov.au  
Subject: MBN16181 - Review of PT services

Released under RTI - DPC



## Ben Myers

---

**From:** Ross <S.73 Email Address >  
**Sent:** Saturday, 15 December 2012 7:18 PM  
**To:** Ben Myers  
**Cc:** Ross Mensforth  
**Subject:** Regional Air Brief from TMR  
**Attachments:** Briefing note\_Options for Regional Air Services 15 Dec 12.doc; Attachment 1 - RNA3 Detailed Project Gantt Chart; Attachment 2 - LA request QantasLink\_13 December 2012.doc; Attachment 3 - QLD Regulated Routes\_Results Review Year 4.pdf

Hi Ben

Attached is a briefing note from TMR outlining 4 options. None of which are particularly palatable.

Tony Meredith has however just advised that Minister Emerson has just had a positive phone conversation with John Borghetti. Minister explained that it was a stuff up. John welcomed the call.

I understand that TMR are also working on a timeline for the matter.

This email address is my personal one as I don't have access to the Ministerial network on my blackberry.

Regards

Ross

Sent from my iPad

Begin forwarded message:

**From:** Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
**Date:** 15 December 2012 6:44:11 PM AEST  
**To:** Ross Mensforth <Ross.Mensforth@ministerial.qld.gov.au>, "[\[redacted\]](#)" <[redacted]>  
**Subject:** Fw: Briefing Note with labelled attachments

Attached is a briefing note from Neil Scales explaining how we got here and options going forward.

Tony

---

**From:** Basche, Christopher [mailto:Christopher.Basche@translink.com.au]  
**Sent:** Saturday, December 15, 2012 04:27 PM  
**To:** Neil Z Scales <Neil.Z.Scales@tmr.qld.gov.au>  
**Cc:** McGee, Michael <michael.mcgee@translink.com.au>; Longland, Matthew <matthew.longland@translink.com.au>; Tony Meredith  
**Subject:** Briefing Note with labelled attachments

Neil,

As requested.

Regards

Christopher Basche  
Director (Regional Bus Contracts)  
TransLink Division | Department of Transport and Main Roads

---

420 George Street Brisbane Qld 4000 | GPO Box 50 Brisbane Qld 4001  
t 07 3338 4074 | f 07 3338 4600  
e [Christopher.Basche@translink.com.au](mailto:Christopher.Basche@translink.com.au)  
w [www.translink.com.au](http://www.translink.com.au) w [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)



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# Briefing Note

Date 16 December 2012

**To** Policy Advisor for Minister for Transport and Main Roads

**Copy to**

**Subject** Regional Air Services

## Background

- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five of these air services are also subsidised by the Queensland Government.

| Route   | Current Contract Holder | Regulated | Subsidised |
|---|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville  | QantasLink              | Yes       | No         |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach   | QantasLink              | Yes       | No         |
| Horn Island: Carins-Horn Island   | QantasLink              | Yes       | No         |
| Weipa: Cairns-Weipa   | QantasLink              | Yes       | No         |
| Northern 3: Townsville-Cloncurry-Mt Isa   | QantasLink              | Yes       | No         |
| Gulf: Cairns-Normanton-Mornington Island-Burketown-Doomadgee-Mt Isa                         | SkyTrans                | Yes       | Yes        |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargominda                              | SkyTrans                | Yes       | Yes        |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windorah-Birdsville-Bedourie-Bouli-Mt Isa | SkyTrans                | Yes       | Yes        |
| Northern 1: Townsville-Winton-Longreach   | Regional Express        | Yes       | Yes        |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                | Regional Express        | Yes       | Yes        |

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 Office of the Director General  
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 85 George Street  
 Brisbane 4000

Enquiries Enquiries  
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**Facsimile** +61 7 3066 7122 Fax



- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The previous government, when approving the current network of regulated and subsidised air and coach routes in 2007, requested the department conduct a thorough review prior to new contracts being tendered. The review process commenced in late 2011 following the completion of the review into regulating air services in Cape York and Torres Strait.
- Following the change in government in March 2012, the department prepared a briefing note for the Minister for Transport (MBN16181) in July 2012. This briefing note included a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. These options included extending current contracts, tendering the existing routes or tendering the current routes but deregulate routes with high patronage.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review of all transport modes to be undertaken. The review comprises a number of stages including market analysis, stakeholder consultation, detailed policy review, network analysis and planning, submission to government for approval, contract development and tendering. Refer to **Attachment 1** for a detailed Gantt chart showing the project staging noting that the timeframes have subsequently been reduced to allow potential new contracts to commence on 1 January 2015.
- The purpose for the approved Regional Network Analysis project is to identify potential efficiency savings in network design and examine whether regulation of routes are still required. The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- The current status of the project is the policy development of a Public Benefits Test to evaluate when to “step out” of regulated or subsidised services. It is important to note that the contracted Planning Team in Passenger Transport Branch were undertaking project activities were terminated as part of the TMR reform project and over the past six months the project was transferred to the new TransLink Division where the Leadership team who previously managed SEQ transport and were required to become familiar with transport issues in regional Queensland.
- Following Ministerial approval to extend these contracts, TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the Regional Network Analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for Cook, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).

### **Comment**

- In April 2012 a departmental officer received a call from Lea-Anne Tompkins at Virgin Australia requesting information about Queensland’s aviation contracting regime. General information was discussed and she was advised to call later in the year where more information could be available about the status of the current contracts. The next contact made by Virgin was on Wednesday 12 December to confirm that the air contracts had been extended.

• Exempt Sch.3(7) Legal Professional Privilege

- **Current contractual position**

- The Air Services Contract with QantasLink contains detailed clauses about termination of the contract however these clauses are based on performance and there is no provision for early termination. Exempt Sch.3(7) Legal Professional Privilege

- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

- A high level analysis on the Weipa and Central 1 route indicate that QantasLink may request damages for lost income and incurred expenses (eg aircraft leases and staff termination payments). High level estimates for an ambit claim for Central 1 could amount to \$45 million and Weipa range between \$31 million to \$36 million for a period of 21 months until 31 December 2014. A further detailed analysis would be required to determine the departments counter-claim to allow detailed negotiations to resolve this claim.
- The Central 1 and Weipa routes have experienced significant passenger growth in the past financial year (32% in Central 1 and 17% in Weipa). This has required investment from QantasLink and increased costings (please refer to Attachment 3 for QantasLink Annual Review presentation for information on costings and revenue forecasts. Please note this document is commercial-in-confidence).
- The Central 1 route connects Brisbane, Roma and Charleville, deregulation of the Roma Charleville segment of the route may disadvantage the Charleville community and leave the city with reduced or no services.

- **Routes Analysis**

- From a high level analysis it would seem out of the 10 regulated routes only the Central 1 and Weipa routes may attract competition to allow deregulation (please note no detailed public benefit test, community impacts and economic modelling have been undertaken to reach this conclusion. It is intended to undertake this detailed modelling in regional Network Analysis project as highlighted in the project Gantt chart).
- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland now that these services are mature, particularly the service from Cairns to Weipa, and Brisbane to Roma.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities

- **Options**

- Option 1. Continue with current contracting arrangement and timelines for completion of Regional Network Analysis project.

- This option will allow TMR to conduct an economic analysis to identify potential efficiency savings in network design, including socio-economic profiling of towns and cities to determine the potential impacts of competition, and examine whether regulation of routes are still required.
- No compensation will be required for contracted operators.
- The Government's relationship with Virgin Australia may be impacted if this option is pursued.
- Option 2. Continue with Regional Network Analysis project, however, compress the timeframe by undertaking a higher level of analysis. This may allow a decision to be communicated to the market which routes will be deregulated and regulated by April 2013.
  - Under this option it is likely no public benefits test and minimal community consultation will be undertaken.
  - Aside from the legal risk associated with the current extension letters - TMR would reoffer the contractors only six month extension until 30 September 2013. Upon the April announcement routes that are identified for deregulation will occur 1 October 2012. The routes that still require regulation will be tendered to the market and may require further contract extensions to undertake the procurement process and allow possible new contractors time to mobilise their operation to replace the current incumbent.
  - The Government's relationship with existing operators (QantasLink, REX and SkyTrans) is likely to be damaged due to withdrawal of currently agreed to contract extension offers.
  - QantasLink may use the media to present their position. This may result in negative media articles on the government's reputation.
- Option 3. Deregulate either or both Central 1 and Weipa routes as they show highest patronage growth and numbers of all regulated services.
  - Certain legal challenge from QantasLink as TMR has potentially breached contract conditions. This challenge will likely result in a negotiated compensation claim with TMR. The Government's relationship with QantasLink is likely to be damaged due to withdrawal of currently agreed to contract extension offers.
  - A decision to deregulate these routes would be made without analysis of impacts on local communities and service level offerings. In particular the deregulation of Central 1 route may impact service levels into Charleville .
  - QantasLink may use the media to present their position. This may result in negative media articles on the government's reputation.
- Option 4. Write to SkyTrans to withdraw the offer for the Gulf, Western 1 and Western 2 routes and conduct a tender for these routes. This may allow Virgin Australia to consider tendering for these routes while they wait for the Regional Network Analysis to be completed.
  - A potential risk is that the cost of operating these services may increase compared with extending the SkyTrans contract (noting that SkyTrans are currently seeking to negotiate a higher subsidy and refused to accept the contract extension offer).
  - TMR is not aware whether Virgin Australia has suitable aircraft to operate these routes or whether Virgin Australia are interested in operating these routes.

- These routes have not been subject to a detailed network review and potential network efficiencies may not be achieved.

**Recommendation**

- To note the above analysis and briefing note and provide direction on the preferred option after due consideration of this paper.

Neil Scales  
A/Director General  
Department of Transport and Main Roads

Enc (3)

Released under RTI - DPC

Pages 56 through 66 redacted for the following reasons:

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Exempt Sch.3(8)(1) Breach of confidence

Released under RTI - DPC



## Ben Myers

---

**From:** Ross Mensforth  
**Sent:** Friday, 14 December 2012 6:49 PM  
**To:** Ben Myers  
**Cc:** Peter Walsh  
**Subject:** FW: QantasLink  
**Attachments:** QantasLink Response to Contract Extension Letter.pdf; QantasLink Extension Letter Oct 2012.pdf; ATTUOFQ7.pdf

FYI

---

**From:** Tony Meredith  
**Sent:** Friday, 14 December 2012 6:39 PM  
**To:** Ross Mensforth  
**Subject:** FW: QantasLink

---

**From:** [Peter.L.Milward@tmr.qld.gov.au](mailto:Peter.L.Milward@tmr.qld.gov.au) [<mailto:Peter.L.Milward@tmr.qld.gov.au>]  
**Sent:** Monday, 3 December 2012 9:26 AM  
**To:** Tony Meredith  
**Cc:** Matt Longland  
**Subject:** Re: QantasLink

Tony,

Attached are the following documents in relation this matter:

1. Briefing Note where the Minister provided approval to extend the air and long distance coach contracts until December 2014 to allow the review of these services.
2. Letter from TMR to QantasLink seeking to extend their contract.
3. Letter from QantasLink accepting this offer.

*(See attached file: QantasLink Response to Contract Extension Letter.pdf)(See attached file: QantasLink Extension Letter Oct 2012.pdf)(See attached file: MBN16181 Review of contracted long distance passenger services.pdf)*

Kind regards,

**Peter Milward**  
Executive Director | Service Policy & Investment  
TransLink Division | Department of Transport and Main Roads

---

Floor 6 | 420 George Street | Brisbane Qld 4000  
PO Box 673 | Fortitude Valley Qld 4006  
P: (07) 31674547 | F: (07) 32363159  
M | S.73 Telephon  
E: [peter.l.milward@tmr.qld.gov.au](mailto:peter.l.milward@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

▼ Tony Meredith ---30/11/2012 06:15:26 PM---Can I please get a copy of that acceptance letter for the Cairns to Weipa route. Thanks

From: Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
To: "peter.l.milward@tmr.qld.gov.au" <[peter.l.milward@tmr.qld.gov.au](mailto:peter.l.milward@tmr.qld.gov.au)>

Can I please get a copy of that acceptance letter for the Cairns to Weipa route.  
Thanks

TonyThis email, together with any attachments, is intended for the named recipient(s) only; and may contain privileged and confidential information. If received in error, you are asked to inform the sender as quickly as possible and delete this email and any copies of this from your computer system network.

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\*\*\*\*\*  
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Opinions contained in this email do not necessarily reflect the opinions of the Department of Transport and Main Roads, or endorsed organisations utilising the same infrastructure.  
\*\*\*\*\*

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2 November 2012

Mr Chris Basche  
Director (Contract Management and Service Delivery Branch)  
TransLink division  
Department of Transport and Main Roads  
PO Box 673  
FORTITUDE VALLEY QLD 4006

Dear Chris

RE – Extension of QantasLink Air Services Contract

QantasLink is delighted to receive confirmation of the contract extension to 31 December 2014 to service communities of Horn Island, Weipa from Cairns, Longreach, Barcaldine, Blackall, Charleville, Roma from Brisbane and Cloncurry, Mt Isa from Townsville.

We would be pleased to accept the extension and look forward to a continued successful partnership during this period.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Elsa Dalessio".

Elsa Dalessio  
Head of Sales and Marketing  
QantasLink

Released under RTI - DPC


**Department of Transport and Main Roads  
Decision Brief  
MBN16181**

To: Minister for Transport and Main Roads

Date: 30 July 2012

|  |                 |
|--|-----------------|
| <b>SUBJECT:</b><br>Review of contracted long distance passenger transport services |                 |
| <b>REQUESTED BY:</b><br>Departmentally generated                                   | <b>Due date</b> |

Approved / Not Approved

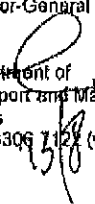
Minister   
Date 31.8.12

**Recommendations**

- That you approve that the Department of Transport and Main Roads (TMR) extends the current air and long distance coach contracts until December 2014 to allow a review of existing long distance services (Option 1).

**Background**

- TMR regulates and/or subsidises certain rail, air and long distance coach services.
- In 2011-12, TMR provided over \$176m in subsidies for these long distance passenger services - around \$8.7m (excluding GST) for air services, around \$3.4m (excluding GST) for long distance coach services and around \$164m (excluding GST) for long distance passenger rail services.
- All of the current long distance coach contracts will expire on 31 December 2012. The current air service contracts all expire on 31 March 2013 and the current long distance rail contract expires on 30 June 2013.

| Action Officer:   | Endorsed by:  | Endorsed by:  | Endorsed by:   | Endorsed by:  |
|---|---|---|--|---|
| Chris Basche<br>Director (Contract Management & Service Delivery)<br>Passenger Transport Division<br>Tel: 3167 4572 (w)<br>S.73 Telephone N<br>Date: 19 July 2012<br>MBN16181 | Rose Kent<br>Executive Director (Regulations & Contracts)<br>Passenger Transport Division<br>Tel: 3167 4360<br>Date: 20 July 2012 | Ryan Huellin<br>General Manager (Passenger Transport)<br>Passenger Transport Division<br>Tel: 3167 4534 (w)<br>Date: 30 July 2012 | Mark Cridland<br>Deputy Director-General (Policy and Planning)<br>Department of Transport and Main Roads<br>Tel: 3306 7320 (w)<br>Date: 6/8/12 | Michael Callablano<br>Director-General<br>Department of Transport and Main Roads<br>Tel: 3306 7127 (w)<br>Date:  |

## Issues

- Queensland Treasury has provisionally requested a review of the government supported long distance passenger transport network to identify potential efficiency savings and examine whether regulation and all contracts are still required.
- The rollingstock used on western rail services is currently scheduled to be retired at the end of 2014 unless a major refurbishment is undertaken. Queensland Rail is not yet able to confirm to TMR if the current retirement date can be extended. If the retirement date is unable to be extended, a decision will be required on refurbishment prior to this proposed review being completed as it is possible that the review may provide options recommending changes to western rail services.
- TMR intends for these contracts to align with other bus contracts across the state.

## Future Steps

- Please refer to **Attachment 1** for further detail on the options.

### Option 1 (preferred option)

- Extend the current air and long distance coach contracts to 31 December 2014 to allow sufficient time for a comprehensive review to be undertaken. This review will:
  - assess the potential to optimise efficiency and to achieve better use of government's investment in long distance services
  - consider a range of existing long distance rail issues, including concession funding, rolling stock renewal and opportunities for rationalisation.

### Option 2

- Commence a tender process for the existing air and long distance coach network, without undertaking a review of the network. Existing air and long distance coach contracts will need to be extended until 30 June 2013 to allow sufficient time to undertake a full tender process.
- Rollingstock replacement issues for long distance rail will be addressed in a separate submission.

### Option 3

- This is the same as Option 2, except that there would be a modification to the current air and coach network based on performance during the current contract. Air routes that have high patronage and are not subsidised would be deregulated. Long distance coach routes that have low patronage would no longer be subsidised.
- If you require further detail about the review and its potential outcomes, TMR can provide a presentation to you.

## Grow a Four Pillar Economy

- The current long distance network ensures rural and remote communities have year-round access to essential services in larger centres at a reasonable fare level, reducing their social and economic isolation and cost of living burden.

**Consultation with Stakeholders**

- TMR is developing a consultation plan to further refine consultation activities.

**Financial Implications**

- Financial implications are included under each option in **Attachment 1**.

**Employment Impacts**

- Nil

**Election Commitments**

- Nil

Minister's comments:

Released under RTI - DPC



**FYI - Fw: MBN16181 - Review of PT services**

Correspondence Management Unit to: Doctrak.PTS.BusFerr  
yCoachAlr, Peter J McCullough

11/09/2012 02:28 PM

Sent by: Marlon R Bell  
Cc: Correspondence Management Unit

Hi  
Please see below emails.  
Marlon

----- Forwarded by Marlon R Bell/cp1/QMR/Au on 11/09/2012 02:28 PM -----

From: Ryan E Huelin/cp1/qdot/au  
To: Correspondence Management Unit@Qdot  
Date: 11/09/2012 01:21 PM  
Subject: Fw: MBN16181 - Review of PT services  
Sent by: Justin C Bucholz

Hello

Please update DocTrak to reflect the below decision, and attach a copy of the email advice. Chris Basche has been advised via email.

Thank you.

Kind regards,

Justin for

**Ryan Huelin**  
General Manager (Passenger Transport Integration Branch) | Office Of The General Manager  
TransLink Division | Department of Transport and Main Roads

Floor 6 | George Street (420) | 420 George Street | Brisbane Qld 4000  
PO Box 673 | Fortitude Valley Qld 4006  
P: (07) 31674534 | F: (07) 32363159  
M: S.73 Telephone  
E: [ryan.e.huelin@tmr.qld.gov.au](mailto:ryan.e.huelin@tmr.qld.gov.au)

W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Justin C Bucholz/cp1/qdot/au on 11/09/2012 01:19 PM -----

From: Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
To: "Ryan.E.Huelin@tmr.qld.gov.au" <Ryan.E.Huelin@tmr.qld.gov.au>  
Date: 11/09/2012 01:01 PM  
Subject: RE: MBN16181 - Review of PT services

Sorry for the delay in getting back to you on this one. The Minister approved the decision.

Tony

**From:** Justin.C.Bucholz@tmr.qld.gov.au [mailto:Justin.C.Bucholz@tmr.qld.gov.au] **On Behalf Of**  
Ryan.E.Huelin@tmr.qld.gov.au  
**Sent:** Friday, 7 September 2012 8:45 AM  
**To:** Tony Meredith  
**Cc:** Ryan.E.Huelin@tmr.qld.gov.au  
**Subject:** MBN16181 - Review of PT services



Queensland  
Government

Department of  
**Transport and Main Roads**

18 October 2012

Ms Elsa D'Alessio  
Head of Sales and Marketing  
QantasLink  
PO Box 511  
Albion Qld 4010

Dear Ms D'Alessio

**Extension of QantasLink Air Services Contract**

The Department of Transport and Main Roads would like to extend this Contract to 31 December 2014.

This extension would continue to operate under the same terms and conditions.

Please advise in writing whether or not this extension is acceptable to QantasLink by Friday 30 November 2012 to the following address:

Mr Chris Basche  
Director (Contract Management & Service Delivery Branch)  
PO Box 673  
Fortitude Valley Qld 4006

If you choose to accept this extension, the department will provide you with Deed of Variation documentation to formally process the extension.

If you require further information, please call Mr Martin Grace, Manager Contract Administration (Air and Ferry), on 3167 4464. Mr Grace will be pleased to assist.

Yours sincerely

Chris Basche  
Director (Contract Management & Service Delivery Branch)  
TransLink Division

TransLink Division  
Contract Management & Service Delivery  
Floor 5 George Street (420)  
420 George Street Brisbane Queensland 4000  
PO Box 673 Fortitude Valley Queensland 4006

Telephone +61 7 3167 4464  
Facsimile +61 7 3167 4545  
Website [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)  
Email [martin.n.grace@tmr.qld.gov.au](mailto:martin.n.grace@tmr.qld.gov.au)  
ABN 39 407 690 291

Department of Transport and Main Roads



## Ben Myers

---

**From:** Campbell Newman  
**Sent:** Sunday, 16 December 2012 9:58 AM  
**To:** Ben Myers  
**Subject:** Fw: Fwd: Briefing on long distance passenger service review

See below - FYI

Our policy advisers should also see this

---

**From:** Cook Electorate Office [mailto:COOK@parliament.qld.gov.au]  
**Sent:** Thursday, December 13, 2012 05:35 PM E. Australia Standard Time  
**To:** Campbell Newman  
**Cc:** Steve Minnikin  
**Subject:** Fwd: Briefing on long distance passenger service review

Campbell

I enclose the names of the bureaucrats who attended the briefing with Howard Hobbs and Vaughan Johnson on the 28th

I was not advised of nor invited to this meeting.

Howard mentioned it to me after I had raised the regional airline issue with him in an earlier discussion and I turned up after it had started.

There is no doubt in my mind that so far as the Dept knew the offers had been made but not accepted.

I pursued this through our Chief of Staff and subsequently received copies of not only the offers but Qantaslink acceptance.

My concern apart from the stupidity of the extension is that there has been no consultation around this decision and my efforts to bring about a better cheaper air service have been frustrated

The perception the department is creating that some how the regulated route to Weipa and Horn is either necessary or what the community want, is nonsense.

The numbers for Weipa and Horn are very similar and both should be deregulated.

In respect of travel with the Straits my proposal could see several millions of dollars saved in the unnecessary charter costs we pay each year

We should do an immediate review across all departments of the cost of charter in CY TSI

The overuse of charter and the fact the charter companies bend CASA rules is exactly why RPT services are unsustainable

These bureaucrats should get themselves up here and talk to people before foreclosing on economic and social options.

If that decision to extend can be reversed it should be as we promised a review of travel costs on Cape York and Torres Strait and now we must sit on our hands for 2 years

I think we might be able to get interconnecting flights going and a regular RPT but its all that much harder now with the main routes remaining in a monopoly

I am in TI and heading to Mer with the minister tomorrow

When I get home I will prepare a more comprehensive brief on the facts and figures around what I was proposing

Sorry this good idea turned to crap but I think the bigger picture is we need to control the bureaucratic decision making process as this is by no means an isolated occurrence

Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

Begin forwarded message:

**From:** Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
**Date:** 13 December 2012 9:23:25 AM AEST  
**To:** Cook Electorate Office <[COOK@parliament.qld.gov.au](mailto:COOK@parliament.qld.gov.au)>  
**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
**Subject:** Briefing on long distance passenger service review

I've been asked to send you the names of the officers who were with me at the briefing we recently had on the long distance passenger services review. They were:

Matthew Longland – A/Deputy Director-General  
Steve Banaghan – General Manager – Passenger Transport Services Branch  
Peter Milward – A/General Manager – Passenger Transport Integration Branch

I note that in emails to Dick White you have mentioned that you thought that in that meeting officers had told you that a response had not been received from QantasLink about extending the contract. They actually said that they didn't know and we have subsequently provided you with copies of the QantasLink response.  
Please feel free to call me if you need anything else.

**Tony Meredith**- Senior Advisor  
Office of The Hon Scott Emerson MP  
Minister for Transport and Main Roads

Phone 07 38980813  
Mobile [S.73 Telephone](tel:0738980813)  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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## Ben Myers

---

**From:** Tony Meredith  
**Sent:** Sunday, 16 December 2012 10:29 AM  
**To:** Ben Myers  
**Cc:** Steve Minnikin  
**Subject:** Re: Fwd: Briefing on long distance passenger service review

The member for Cook needs to be aware that an invitation was extended to him to attend the meeting. His electorate office did not respond to the invite.

Quite similar to when I sought his advice on regulation of services in TSI and, once again, no response from his office.

Also, I was in the meeting he is talking about. The officers did not say that the offer had not been accepted but they would have to check. Confirmation was subsequently provided to him.

As for services in the TSI, the reduction in State Government travel has hit the existing operator hard. The A/DG of TMR wrote to DPC last week to raise the issue of State Government officers preferring to use charter flights instead of regular passenger services. Charter flights can be cheaper because they have lower safety standards.

The MP wants us to go up and talk to people but that's exactly why we need to do this review. Can Horn Island sustain a second operator? Does any other operator want to fly to Horn Island? (Virgin doesn't.) All questions that need answering.

Happy for the member for Cook about any ideas he has as part of the State-wide review. But could I suggest that he actually talks to the Minister's office first.

I hope this clarifies the matter for you.

Tony

---

**From:** Ben Myers  
**Sent:** Sunday, December 16, 2012 10:03 AM  
**To:** Ross Mensforth; Ross Mensforth <rossm[REDACTED]@s.73 Email Address>; Tony Meredith  
**Subject:** Fwd: Briefing on long distance passenger service review

Sent from my iPhone

Begin forwarded message:

**From:** Campbell Newman <Campbell.Newman@ministerial.qld.gov.au>  
**Date:** 16 December 2012 9:58:28 AM AEST  
**To:** Ben Myers <Ben.Myers@ministerial.qld.gov.au>  
**Subject:** Fw: Fwd: Briefing on long distance passenger service review

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Our policy advisers should also see this

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Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

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**Date:** 13 December 2012 9:23:25 AM AEST  
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**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
**Subject:** Briefing on long distance passenger service review

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**Tony Meredith**- Senior Advisor  
**Office of The Hon Scott Emerson MP**  
Minister for Transport and Main Roads

Phone 07 38980813  
Mobile [S.73 Telephone I](tel:0738980813)  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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## Ben Myers

---

**From:** Ben Myers  
**Sent:** Sunday, 16 December 2012 1:26 PM  
**To:** Tony Meredith  
**Subject:** Re: Briefing on long distance passenger service review

Can you get me a copy of the invite sent to the member?

Sent from my iPhone

On 16/12/2012, at 10:29 AM, "Tony Meredith" <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)> wrote:

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The MP wants us to go up and talk to people but that's exactly why we need to do this review. Can Horn Island sustain a second operator? Does any other operator want to fly to Horn Island? (Virgin doesn't.) All questions that need answering.

Happy for the member for Cook about any ideas he has as part of the State wide review. But could I suggest that he actually talks to the Minister's office first.

I hope this clarifies the matter for you.

Tony

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**From:** Ben Myers  
**Sent:** Sunday, December 16, 2012 10:03 AM  
**To:** Ross Mensforth; Ross Mensforth <[rossm.S.73 Email Address](mailto:rossm.S.73 Email Address)>; Tony Meredith  
**Subject:** Fwd: Briefing on long distance passenger service review

Sent from my iPhone

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**From:** Campbell Newman <[Campbell.Newman@ministerial.qld.gov.au](mailto:Campbell.Newman@ministerial.qld.gov.au)>  
**Date:** 16 December 2012 9:58:28 AM AEST  
**To:** Ben Myers <[Ben.Myers@ministerial.qld.gov.au](mailto:Ben.Myers@ministerial.qld.gov.au)>  
**Subject:** Fw: Fwd: Briefing on long distance passenger service review

See below - FYI

Our policy advisers should also see this

---

**From:** Cook Electorate Office [<mailto:COOK@parliament.qld.gov.au>]  
**Sent:** Thursday, December 13, 2012 05:35 PM E. Australia Standard Time  
**To:** Campbell Newman  
**Cc:** Steve Minnikin  
**Subject:** Fwd: Briefing on long distance passenger service review

Campbell

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When I get home I will prepare a more comprehensive brief on the facts and figures around what I was proposing



Sorry this good idea turned to crap but I think the bigger picture is we need to control the bureaucratic decision making process as this is by no means an isolated occurrence

Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

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**From:** Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
**Date:** 13 December 2012 9:23:25 AM AEST  
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**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
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**Tony Meredith**- Senior Advisor  
**Office of The Hon Scott Emerson MP**  
Minister for Transport and Main Roads

Phone 07 38980813  
Mobile S.73 Telephone  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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**Subject:** Re: Briefing on long distance passenger service review

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Tony

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**Tony Meredith**- Senior Advisor  
**Office of The Hon Scott Emerson MP**  
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Level 15, Capital Hill Building,  
85 George Street, Brisbane Qld 4001

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## Ben Myers

---

**From:** Ross Mensforth  
**Sent:** Friday, 21 December 2012 12:04 PM  
**To:** Ben Myers  
**Cc:** Paul Leven  
**Subject:** FW: Crown Law advice Exempt Sch.3(7) Legal Profess

**Importance:** High

Hi Ben

FYI -

Regards

Ross

---

**From:** Craig Evans [mailto:Craig.Evans@premiers.qld.gov.au]  
**Sent:** Friday, 21 December 2012 11:33 AM  
**To:** Paul Leven; Ross Mensforth  
**Subject:** FW: Crown Law advice  
**Importance:** High

Hi Paul and Ross

Regards Craig

Craig Evans AM  
Acting Director-General  
Department of the Premier and Cabinet

+61 7 34062140

[www.premiers.qld.gov.au](http://www.premiers.qld.gov.au)

---

**From:** Judy Dudurovic  
**Sent:** Friday, 21 December 2012 11:23 AM  
**To:** Craig Evans; Patrick Vidgen  
**Subject:** FW: Crown Law advice  
**Importance:** High

Hi Craig and Pat

Please see the advice below. I haven't had a chance to read it yet – will do so now.

regards  
Judy

---

**From:** Catherine McLennan [mailto:catherine.mclennan@crownlaw.qld.gov.au]  
**Sent:** Friday, 21 December 2012 10:14 AM  
**To:** Kathryn Zahran; Judy Dudurovic  
**Cc:** Melinda Pugh; Peter Dwyer  
**Subject:** Seeking Crown Law advice  
**Importance:** High

Pages 90 through 95 redacted for the following reasons:

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Exempt Sch.3(7) Legal Professional Privilege

Released under RTI - DPC



**From:** Kylie Jacobson  
**Sent:** Thursday, 13 December 2012 5:59 PM  
**To:** Press Secretaries; Premiers Office; Chiefs of Staff; Policy Advisors; Assistant Ministers; Ministers\_All; Electorate Offices; Backbenchers; Media Reporters; jodi.staunton-smith@premiers.qld.gov.au; angela.nutt@premiers.qld.gov.au  
**Subject:** GOVERNMENT FYI: Transcript - Joint Press Conference, Health Payroll Commission of Inquiry - Thursday 13 December 2012  
**Attachments:** 201211213 Health Payroll Commission of Inquiry Joint Press Conference.docx

Please see attached and below a transcript of the Health Payroll Commission of Inquiry Joint Press Conference from today.



**PREMIER OF QUEENSLAND  
THE HON. CAMPBELL NEWMAN  
JOINT PRESS CONFERENCE  
WITH ATTORNEY-GENERAL AND MINISTER FOR JUSTICE  
THE HON. JARROD BLELJIE,  
MINISTER FOR HEALTH  
THE HON. LAWRENCE SPRINGBORG, AND  
THE HON. RICHARD CHESTERMAN QC  
JOINT PRESS CONFERENCE  
EXECUTIVE BUILDING BRISBANE  
Thursday 13<sup>th</sup> December 2012**

*Subjects: Health Payroll Commission of Inquiry; Virgin Blue; Peter Slipper; NDIS.*

E&OE.....

**PREMIER:**

Morning ladies and gentlemen. Thank you for coming. It's great to be here with the Attorney General, Minister for Health and also the Honourable Richard Chesterman QC, former Court of Appeal Judge in the State of Queensland. Ladies and gentlemen, for around two to two and a half years now Queenslanders have been appalled by stories of a health payroll system which has failed to pay hardworking nurses and doctors and ancillary workers on time and appropriately. But it's also cost many, many millions of dollars. In fact we now know the total cost of this payroll debacle is in excess of \$1.2 billion and the Health Minister will talk more about that later on. Now the government has been considering these matters since it got into office and we've tried to get to the bottom of these matters but we have been hampered and limited and that's a matter of the public record in terms of debate in the Parliament and the commentary in the media. We've also had a lot of feedback from Queenslanders. Many people have said to me, to my Ministers and indeed my backbench that this surely cannot be swept under the carpet. They've said "Premier, they've said Campbell, please are you going to get to the bottom of how this whole thing happened? How did it unfold?"

Why did they make these decisions, how could it cost so much? Surely someone must be accountable for this?" We've also had feedback from people who have said that they wish to come forward, that they were insiders who were there when the crucial decisions were being made, who have though been very concerned about coming forward as whistle-blowers, not knowing if they would be indemnified in some way against prosecution potentially themselves. We've had feedback about supposed trials where local Queensland Health staff said that this should not go live, that it wasn't working properly and against that advice they actually proceeded with a full blown rollout of the payroll system.

With that in mind Cabinet considered those matters on Monday just past and made a decision that an investment in a proper Commission of Inquiry was appropriate to get to the bottom of these matters and to ensure that we found answers to these issues and also put in place, ultimately, measures to ensure that this does not happen again in Queensland Government. So today we're announcing that a Commission of Inquiry will be established from the first of February 2013 with a report to be handed down by the Honourable Richard Chesterman QC by the end of April next year. I'll now hand over to the Attorney. Thank you.

#### **ATTORNEY GENERAL:**

Thank you Premier. Ladies and gentlemen, good morning. We're pleased to announce today this Commission of Inquiry into the health payroll bungle that we've seen across Queensland over a number of years now. The reason that we're going down the Royal Commission or Commission of Inquiry route is based on recommendations from the Health Parliamentary committee. They recommended one of two ways, either an internal Parliamentary Committee or a Commission of Inquiry. It was the view of Cabinet that we go down the Commission of Inquiry because these are important matters. We're dealing with a matter of \$1.25 billion to fix the health payroll bungle so far, so these matters have to be crucially looked at. And that's why we're pleased to announce today that the Honourable Richard Chesterman QC will lead this Commission. It'll start on the first of February and run for three months and finish at the end of April 2013.

This is an important inquiry. That's why we've chosen the Honourable Richard Chesterman to lead this inquiry. For those of you who know Richard Chesterman, and you ought to, he's been around Queensland for a long period of time in a professional capacity, being admitted to the bar in 1968 and then serving as Her Majesty's Queen's Counsel and then was appointed to the Supreme Court and then in 2008 was appointed to the Court of Appeal and then recently this year retired from the Court of Appeal. So I thank the Honourable Richard Chesterman for taking on this role.

This Commission of Inquiry over the next three months, well starting in February, will look at all things relating to how this mess unfolded in relation to the adequacy of government procurement processes, who is to blame, whether there is any recourse available for the Government in the future but more importantly, this Royal Commission is to set out the future of these sorts of things in Queensland, setting a framework so this doesn't happen again. Queenslanders have spent far too much of their own money to try and sort this mess out so we're trying to get to the bottom of this and make sure this never happens again in Queensland and that's why one of the terms of reference which you've all been provided copies with, addresses the issue of the future of ICT procurement projects in Queensland to make sure this doesn't happen again.

#### **PREMIER:**

Thank you Attorney. Minister for Health, Lawrence, would like to say a few words?

#### **HEALTH MINISTER:**

Thank you very much Premier. Ladies and gentleman, as many of you would be aware because you have been there from the start, the LNP has doggedly pursued the health payroll since early 2010 and indeed we started to raise questions about this proposed system before it even went haywire, before it even went wrong. And indeed at that particular time there were many people out there who didn't believe that there

was going to be an issue and when it did go live in March of 2010 it has left a trail of human misery, carnage, dislocation and fiscal ruin for many people since that particular day.

We have then doggedly tried to pursue the release of legal advice to the previous Government, which finally was released and indeed with that legal advice it has probably raised more questions than it has actually answered. The advice which I actually have from the Crown Solicitor is the State's ability to be able to affect appropriate financial remedy, potentially against those who have contracted this, really depends upon yet to be established facts. And certainly ladies and gentlemen, there are many people around Queensland who are wondering how something like this has gone wrong. This is the largest debacle in government administration since Collins Class Submarines and it is consuming its way through the Queensland Health budget each and every year and will do so for the next four to five years.

The unfunded component of it this year, in this year's State budget, is around \$150 million dollars which has had to be set aside just to run payroll over and above that which was budgeted and a consequence of that is equivalent to 1500 hundred jobs which have had to be taken out just to run Health payroll. This inquiry is absolutely necessary to get to the bottom of it. It is absolutely necessary to find out when, how and why and it is absolutely necessary to ensure that we have the ability to finally decide if we can take appropriate legal redress for recovery against any individuals, or corporates involved and also who may be at fault. Obviously, the consequences of this come about from malfeasance/criminality, misconduct or just general incompetence. Whatever way the people of Queensland deserve to know the answers.

And many of those people today, who may oppose this Inquiry, are frankly just arguing for a cover up. Because Queenslanders want to know answers, they want to know why this has happened and they want to make sure it never happens in the future. It is my role to ensure that Queensland Health staff are properly looked after, properly paid, and we have a system that works. I haven't been able to deliver that to date because of the legacy left by the previous Government.

**PREMIER:**

Thanks Minister and I will just ask Mr Chesterman if he would like to say a few words.

**RICHARD CHESTERMAN:**

Um, the answer is no Premier. Judges aren't used to giving press conferences. I express my gratitude to the Premier and to the Attorney for the confidence they have put in me in asking me to undertake this task. It is obviously a large task but I think an important one. It seems to me, speaking personally, that there's public interest in good public administration and the public interest in ascertaining what happened when public administration is bad. I will undertake to find the answers.

**PREMIER:**

Thank you. Well ladies and gentlemen, over to you.

**REPORTER:**

Premier, how much will it cost?

**PREMIER:**

The cost is projected to be five million dollars, around five million dollars, but of course if the Commissioner needs to extend the Inquiry, and this is a very tangled web that we are seeing already, of course the Government will give due consideration to any reasonable request to extend. And that would obviously mean an extension of budget.

**REPORTER:**

It's quite involved, how can you possibly expect that this will be able to be done in those short few months?

**PREMIER:**

Well that's the assessment at this time. Let's see how it goes, again it is at the discretion of the Commissioner as to how he undertakes his enquiries in accordance with the Inquiries Act 1950. The Government is determined to get to the bottom of it and the resources will be given to the Commissioner if he requires them.

**REPORTER:**

Is that just throwing good money after bad?

**PREMIER:**

Not at all. I think this is an investment in the future procurement of IT projects but also I don't think you can put a price on openness and transparency. That's what good government is about, it is about saying "look, it is going to cost some money, but we won't have that up as an obstacle to the truth coming out", and we are trying to get to the truth of the matter.

**REPORTER:**

When you say there may be an extension, clearly you are thinking not a matter of months though; you want it to be prompt?

**PREMIER:**

We would like to see this work done by the 30<sup>th</sup> of April. I know the Commissioner is going to give it a good shot at doing that, and has every reason to think that it can be achieved at this time, but I am just foreshadowing openly, that if the Commissioner needs more time or needs more resources then of course we would consider that. But at the moment, 30<sup>th</sup> of April, five million dollars.

**REPORTER:**

So the legal advice that you've got to date shows that you would have difficulty suing for recoveries of money. Are you hoping, I think Mr Springborg has said, you are hoping the Commission may give you a lead there, is that the plan?

**PREMIER:**

That's essentially it, but I will let Lawrence...

**HEALTH MINISTER:**

With regards to the legal advice that we have obviously for legal and professional privilege on matters we cannot disclose that legal advice at this stage. It is my intention at the end of exhaustion of all legal processes on behalf of the Government that that advice will be made available. As I indicated earlier on, our chance of success may very much depend on yet to be discovered facts. And of course I think we understand what that all means and that is all I am at liberty to say at this particular stage.

**REPORTER:**

Is the expectation that Premier Bligh, former Ministers could be called before the Inquiry?

**PREMIER:**

That is a matter for the Commissioner. The Commissioner has the full discretion.

**RICHARD CHESTERMAN:**

I can't answer that now, I can't say.

**REPORTER:**

The matter of indemnities - who will decide that? The Government on the recommendation of the Commissioner?

**PREMIER:**

That's a matter for the Commissioner. Under the Inquiries Act 1950, the Commissioner has the authority under the Act, to make those sorts of calls. And you will see the Terms of Reference there and the actual way that this whole thing has been framed up.

**REPORTER:**

Commissioner, do you then trust the Government to indemnify the witness that you want to indemnify or what is the procedure?

**RICHARD CHESTERMAN:**

Under the Act, all witnesses before a Commission of Inquiry have the same immunities as a witness in the Supreme Court. There's automatic complete immunity.

**REPORTER:**

Commissioner, can I ask you how long on that three month timeframe would you envisage the actual hearings themselves taking?

**RICHARD CHESTERMAN**

I can't answer that. I'll have a better idea by the end of January. I expect there'll be a great deal of preparation work done before public hearings. But, I would anticipate that as much will be public as possible.

**REPORTER:**

Are you daunted by the task in such a short time?

**RICHARD CHESTERMAN**

A little, yes indeed. It is an important, responsible role. But the Government has assured me of adequate support in terms of calibre and level of support and with that I'm sure we'll do it...and if not in three months, I would hope not much more.

**PREMIER:**

Just one thing to add to that, I meant to say this as a bit of a sum up; the Inquiry kicks off on the first of February, 2013. So, over the next month and a half, essentially, the Commissioner will be able to sit down and talk to the AG about the resources that are going to be required, obviously where they'll conduct the hearings, their office premises, and we'll provide more information about how people can come forward, make submissions, provide evidence, etcetera. So, there will be a website, etcetera. So, that will all be sorted out over the next six weeks or so.

**REPORTER:**

And the intention here is to go right back to the early start of this, just, I mean, the early start-up of this, the early preliminary discussions, pre any contracts being written. Is that correct?

**PREMIER:**

Well, it's the whole thing. Again, it's really up to the Commissioner, but the thing is, in accordance with the Terms of Reference, the Commission is empowered to go right into what has happened, how it's happened, who's been involved and make the findings on the evidence that's been presented.

**REPORTER:**

The Nurses Union is already saying this is throwing good money after bad?

**PREMIER:**

I have to say I am very disappointed. This is a union that during the period that their members weren't being paid properly, basically did nothing and said nothing. You know, were complicit if you'd like. I'm not saying they were involved in the contract, but they were complicit in trying to pretend there wasn't a problem that their members weren't being paid. Their members were being overpaid, underpaid, not paid at all. And they basically just kept quiet. And I'm very disappointed and I think their members will be disappointed. I really think any nurse out there who happens to be a member for professional registration reasons would be disappointed that the QNU have taken that stance. They would have been better to have stood up and raised their voice at the time and blown the whistle on the thing. I am disappointed in their attitude.

**REPORTER:**

Premier, you said that there were local trials and there were people prepared to come forward about those. Where did those happen?

**PREMIER:**

Look, I don't have the full details or accurate details of that today. I mean, I can tell you what I've been told, but I don't think that's probably helpful today. But we do have people all the time making these comments. For example, I was on the ABC with Steve Austin in the last two days and he put to me that he had a listener who had contacted his show and said that they wanted to come forward. Now he put that to me on the air just the other day. So, he literally had people coming forward like that saying they wanted to tell the story, but they were frightened. And that's why we're doing this.

**REPORTER:**

How can this be viewed as anything other than a political exercise given that next year is an election year?

**PREMIER:**

Well, it's not for the State. I think the voters of Queensland are very smart. They can distinguish between council elections, state elections and federal elections and I don't think this has got any bearing on the federal election. But I'll say this: We did have a choice. We could have had a Parliamentary Committee Inquiry or we could go the full, independent Commission of Inquiry. And we've got Mr Chesterman QC doing this job for the people of Queensland, a respected senior judge. You can't be more impartial or fair about the way this is being set up. It's been done by someone who is totally independent, who has that proud track record. The Government is doing it that way rather than a Parliamentary Committee which could have been subject to accusations of politicisation and we weren't going to have that. It's too important an issue to be dealt with in that way.

**REPORTER:**

The choice to do it publicly though will dredge up all of this scandal...?

**PREMIER:**

Well Rosie I'm a bit surprised I mean surely this shouldn't be swept under the carpet or done behind closed doors I mean...

**REPORTER:**

Well what sort of information do you think will come out of this that you haven't already got? You've already got Cabinet documents.

**PREMIER:**

Well I'm alluding to that already. I mean, there are claims that I've raised today where there's this constant drip-feed from people saying "We warned them, we said they shouldn't go live. I want to tell my story but I'm frightened of prosecution and we want these people to come forward so we get the facts on the table".

**REPORTER:**

Any potential legal action out of this? This end day of the Commission is about three years since the system went live. Is there a statute of limitations as to when you can file a suit? Can you still do it after the end of the end date of this Commission?

**ATTORNEY GENERAL:**

There is a statute of limitation depending on what the potential prosecution is though, they all have different statute of limitation. There is a general statute of limitation which could expire at the end of 2013, but again, this will be up to the Commissioner in his role in determining whether, if anyone, was responsible for this. The other point about this is and the reason why we do a Commission of Inquiry is it pulls all the information together in one place. I think it's fair to say over the years we've had a piecemeal approach to releasing information, whereas this Commission of Inquiry through Mr Chesterman will pull everything together and he can have a clear look at all the facts and figures and all the people involved.

**REPORTER:**

Mr Springborg, just to clarify that legal advice, there was a negotiation by the former Government after all the health payroll thing went pear-shaped and there was discussion there about indemnifying...y'know...the government wouldn't sue IBM and vice-versa. Is that an obstacle...is that why you wouldn't pursue legal action?

**HEALTH MINISTER:**

I'm not going to speculate on that. I mean obviously the legal advice has been made public and published and that in itself, the publishing of that can actually cause issues, I think as everyone understands when it comes to legal and professional privilege. I'm not at liberty to speculate other than to say that the State's ultimate chances of success may actually relate to yet to be discovered facts. And we've got to wait to see what actually comes out of this.

**PREMIER:**

Michael Best. Bestie. Michael Best. Michael Best. Oh, different topic? Alright we'll deal with this first. Rosie have another go and then we'll go to Spencer.

**REPORTER:**

At the moment, Health Minister, there would be no chance of taking successful legal action on the information you have?

**HEALTH MINISTER:**

Well I'm not speculating on that. I've indicated that from the very first comments I made this morning and in response to the previous question. I am not speculating on that because I think everyone understands the context of speculation on privileged legal advice and what that actually does and I indicated earlier on that at the end of the exhaustion of the options available to the Government then that advice will be made public. I've indicated that and that's on the advice of the Crown Solicitor.

**PREMIER:**

Spencer?

**REPORTER:**

One of the reasons I take it for going for a Royal Commission or a Commission of Inquiry with Royal Commission powers is the fact that that Inquiry can compel witnesses from outside of Queensland to appear before it. Is that correct?

**PREMIER:**

I hope so.

**REPORTER:**

A Parliamentary Inquiry would have been restricted in who it could call.

**ATTORNEY GENERAL:**

And Spencer, that's the point about having a Commission of Inquiry. A Commission of Inquiry in Queensland for a better name is a Royal Commission. It has the powers to compel witness, it has the power to have open hearings, closed hearings and the only way we can get to the bottom of it and have all the witnesses either compelled or voluntary is to have a Commission of Inquiry. A Parliamentary Committee would have, to some extent, been limited in what it could have done. And I think this is, as the Premier said, this is a more open and transparent way with a completely impartial and independent Commissioner. And it gives the nurses of Queensland a say that they haven't had for two and a half years.

**REPORTER:**



If you had strong legal advice, would you pursue a Commission of Inquiry?

**ATTORNEY GENERAL:**

Well look, this is not about the legal advice we've received. It's about a piecemeal approach that's been filtered out into the public. The only way we can get to the bottom of what happened and to set a future course so this doesn't happen again is to have one Royal Commission.

**PREMIER:**

I think the way to put this is that over the last sort-of nine months that we've been in office, and you can look at what's unfolded, the whole thing, rather than getting clearer, got murkier and murkier and murkier. The release of information just raised more questions and that's why this needs to happen.

**REPORTER:**

I think, with the greatest of respect, it doesn't necessarily get clearer if your advice says, well, we need more information before we can get a case going and so then you launch a Commission of Inquiry. Presumably from an outsider's non-legal mind, you launch an Inquiry, you get that information and then perhaps you can pursue a legal avenue. So if the advice is different would you then still need or still want to do the Commission of Inquiry?

**PREMIER:**

Well I just go back to...I don't know if I can quite answer it the way you're asking it. I just go back to, there are people out there, I go back to the Steve Austin program; there are people out there who are saying to people in the media that they have something to say but they're frightened about how they may end up being treated if they were just to come forward. So there are literally whistle-blowers out there who want to talk and that's information that's never been aired. And I think that just illustrates to Queenslanders everywhere, men and women in the street, the sort-of information that might be out there that we need to go and obtain to get to the bottom of this. That's why we're doing it.

**REPORTER:**

Commissioner, if I could ask you a question. Is there any area that this Commission of Inquiry can't go into? Do you want to call a Premier, do you want to call somebody, a former Premier, somebody from IBM or even confidential legal documents. Can you go wherever you want to go?

**RICHARD CHESTERMAN:**

As long as the enquiry is relevant to the Terms of Reference, that the powers are complete. Yes. So if I think a witness has something relevant to say to one of the Terms of Reference, whoever the witness is, wherever they are in Australia, yes I can summon them.

**REPORTER:**

And any privileged, otherwise privileged legal documents etcetera you can get?

**RICHARD CHESTERMAN:**

Ah, no. There are limitations, but principally the legal professional privilege.

**REPORTER:**

So no cabinet documents?

**RICHARD CHESTERMAN:**

That I can't answer without looking more deeply at the question.

**ATTORNEY GENERAL:**

If I can give you a practical example, Commissioner Carmody has got the Child Commission of Inquiry at the moment. Now, the Department of Justice and Attorney General has certain documents from years ago. The Commissioner has written to me on each of those occasions requesting the information. The brief comes up to the Minister's office, we authorise the release. There was not one stage where we haven't authorised release. To have a fully impartial and open independent Inquiry you have got to have the information available, so I would suspect that if the Commissioner needs the assistance from the Government, the all Departments should abide by that request.

**REPORTER:**

What about commercial in confidence is there an issue there with witnesses?

**RICHARD CHESTERMAN:**

No, there is legal professional privilege, not commercial in confidence privilege.

**PREMIER:**

Right, are we all done with Commission of Inquiry? Okay.

**REPORTER:**

Do you think Virgin should have access to Queensland regional air routes?

**PREMIER:**

I'll just say today that we think Virgin is a great asset in term of our State having their head office here and we certainly would like them to stay.

**REPORTER:**

Are you worried they could be going?

**PREMIER:**

Well, that's a commercial decision for them, but the point is that we are a Government that believes in deregulation of air routes and that's what's going to happen.

**REPORTER:**

Has your Government been approached by Virgin or any other airlines about flying up to Bundaberg?

**PREMIER:**

I'm sorry I am not aware of detailed discussions like that, but I will just simply say that as a matter of principle this Government believes in deregulation. We also think that Virgin is a great business to be located in this State and we would certainly like to have them here for the long term.

**REPORTER:**

Since the former Government gave them so much money to relocate up here, how would you view that if they left now?

**PREMIER:**

Oh look I really can't add anything to it Michael.

**REPORTER:**

Has your Government been favouring Qantas over Virgin?

**PREMIER:**

I don't believe so, but I mean again this is commercial decision for Virgin.

**REPORTER:**

Would you consider deregulating some of those regional routes?

**PREMIER:**

Well that's what I said, I'll start again. We believe that the air routes in Queensland wherever possible should be deregulated and that's where we are going. Make no mistake about it. It doesn't matter where it is in the State, we believe ideally they should be deregulated; we believe competition actually is the best way to provide the most economical airfares. We also totally support Virgin having their head office here, we think they are a great company, we want them to stay and we will continue to have that view.

**REPORTER:**

Is that something that will be going through the legislation next year, deregulating?

**PREMIER:**

I'm not sure whether that really is the case. It's probably by regulation that we have the powers to actually have these regulated routes. But look again, I'm not getting into the detail of that, I am just saying that's the position of this Government and that's what will be happening and it doesn't matter whether it be Virgin or Skytrans or any other potential carrier, we would like competition on Queensland's regional air routes.

**REPORTER:**

Premier (inaudible) that you've got a senior member of your Cabinet Mark McArdle involved in the undermining of the judicial process when it comes to the Slipper case?

**PREMIER:**

That is a matter for the Feds, so it got nothing to do with us.

**REPORTER:**

He's part of your team?

**PREMIER:**

Well, you are making the assertion. We are not involved in this.

**REPORTER:**

Can I just quickly ask on the NDIS, the Federal Government is saying that your deal falls \$200 million short, can you put that money in to ensure that the roll out happens in Queensland?

**PREMIER:**

Of course they'd say that. Of course they'd say that. The disappointing thing was last Friday at COAG I took the opportunity to go and talk to the Prime Minister, I think it was during the morning tea break. I said "Prime Minister how about I come to you with this sort of proposal?" Now what the Prime Minister should have done at this stage, in my view, was go "Yes Campbell, that's a great idea."

**REPORTER:**

Well she's saying that you never discussed it with her, so are you saying that you did actually discuss this proposal with her?

**PREMIER:**

Yes. Not the detail that we put on the table yesterday. The principles of a 50/50 deal of Queensland being fully involved was put by me to the Prime Minister on Friday.

**REPORTER:**

But you're not asking for a 50/50 deal, you are asking for 56/44?

**PREMIER:**

No, with the greatest of respect, people need to go back and look and what I said yesterday. I said very clearly by that 2018/2019 we would have raised our spend to the national per capita average spend and I acknowledged yesterday that we weren't quite up to where perhaps New South Wales might be. But I said that when we had got to that point, that we would be looking to put more money in. Yesterday I said very clearly, please go back and look at the transcript. Read your notes. I said that this particular plan that we have is about the minimum, it is about the base line, those are the words that I used on a number of occasions. So we are saying that that's where we will go to. It is a massive increase in funding for people with disabilities, their carers, their families, not at 2018/2019 but in two years' time, starting in two years' time. Now I go back to my conversation with the PM. Now I actually went to her in the morning tea break and said "Here's what I'd like to put to you in terms of principle". Now at that point, if you were fair dinkum, surely you would say to that "Premier, how about we have a chat before you go today?" So I go back to what I said - of course the Feds were say that, because I don't know if they want to actually do the necessary deal.

**REPORTER:**

But you are sort of hinting that you will be able to put more money in, is that something like...?

**PREMIER:**

Sorry, I'm not hinting, I'm saying. I said yesterday that what we put on the table was the baseline. Please go back and look at your notes. I said yesterday this is the minimum affordable that we can do, if we can do better, we will do better. I said very, very, very clearly yesterday that this was a massive increase in funding from Queensland's perspective, that will help many, many people with disabilities and this is where the Federal Government should be going "Thank you, let's get on with it, let's get on with the program." Remember, between now and 2018 there is no money from the Commonwealth and yet this State will be putting in an extra \$850 million over the next five to six years.

**REPORTER:**

Are you maybe setting yourself up for a nice little pre 2014/15 election announcement of more money for NDIS, an extra \$200 million?

**PREMIER:**

No I'm not in the Labor Party I don't play silly political games. I deal with people in a fair dinkum way. This should not be politicised, but frankly, and yes you can tell I am a bit cheesed off, this should not be being politicised in the way that it is by the Federal Government. Again, imagine a Premier has come at a COAG meeting, in a quiet moment to the Prime Minister of the nation, saying "I want a deal, I want to sit down and work through this with you" and the Prime Minister just makes some non-committal comments and the Premier sort of wanders off thinking do they want to care for people with disabilities or not? That should have been the moment the Prime Minister said "Campbell I'd love to have a chat to you this afternoon, before you go back to Queensland."

So I am just emphasising, we have put a significant increase, in fact we're arguing the most significant increase in funding for people with disabilities that the nation has ever seen in a five, six year period. It's a massive increase in funding, there is no money from the Commonwealth coming in that period that we are aware of, yet we're going to do that and start providing a better standard of care for people with disabilities in Queensland. That is cause for much celebration and I thank, by the way, the sector for understanding the reality of what we have put on the table which is a massive boost. Okay? Thank you.

[ENDS]

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Queensland  
Government

**PREMIER OF QUEENSLAND  
THE HON. CAMPBELL NEWMAN  
JOINT PRESS CONFERENCE  
WITH ATTORNEY-GENERAL AND MINISTER FOR JUSTICE  
THE HON. JARROD BLEIJIE,  
MINISTER FOR HEALTH  
THE HON. LAWRENCE SPRINGBORG, AND  
THE HON. RICHARD CHESTERMAN QC  
JOINT PRESS CONFERENCE  
EXECUTIVE BUILDING BRISBANE  
Thursday 13<sup>th</sup> December 2012**

*Subjects: Health Payroll Commission of Inquiry; Virgin Blue; Peter Slipper; NDIS.*

E&OE.....

**PREMIER:**

Morning ladies and gentlemen. Thank you for coming. It's great to be here with the Attorney General, Minister for Health and also the Honourable Richard Chesterman QC, former Court of Appeal Judge in the State of Queensland. Ladies and gentlemen, for around two to two and a half years now Queenslanders have been appalled by stories of a health payroll system which has failed to pay hardworking nurses and doctors and ancillary workers on time and appropriately. But it's also cost many, many millions of dollars. In fact we now know the total cost of this payroll debacle is in excess of \$1.2 billion and the Health Minister will talk more about that later on. Now the government has been considering these matters since it got into office and we've tried to get to the bottom of these matters but we have been hampered and limited and that's a matter of the public record in terms of debate in the Parliament and the commentary in the media. We've also had a lot of feedback from Queenslanders. Many people have said to me, to my Ministers and indeed my backbench that this surely cannot be swept under the carpet. They've said "Premier, they've said Campbell, please are you going to get to the bottom of how this whole thing happened? How did it unfold? Why did they make these decisions, how could it cost so much? Surely someone must be accountable for this?" We've also had feedback from people who have said that they wish to come forward, that they were insiders who were there when the crucial decisions were being made, who have though been very concerned about coming forward as whistle-blowers, not knowing if they would be indemnified in some way against prosecution potentially themselves. We've had feedback about supposed trials where local Queensland Health staff said that this should not go live, that it wasn't working properly and against that advice they actually proceeded with a full blown rollout of the payroll system.

With that in mind Cabinet considered those matters on Monday just past and made a decision that an investment in a proper Commission of Inquiry was appropriate to get to the bottom of these matters and to ensure that we found answers to these issues and also put in place, ultimately, measures to ensure that this does not happen again in Queensland Government. So today we're announcing that a Commission of Inquiry will be established from the first of February 2013 with a report to be handed down by the Honourable Richard Chesterman QC by the end of April next year. I'll now hand over to the Attorney. Thank you.

**ATTORNEY GENERAL:**

Thank you Premier. Ladies and gentlemen, good morning. We're pleased to announce today this Commission of Inquiry into the health payroll bungle that we've seen across Queensland over a number of years now. The reason that we're going down the Royal Commission or Commission of Inquiry route is based on recommendations from the Health Parliamentary committee. They recommended one of two ways, either an internal Parliamentary Committee or a Commission of Inquiry. It was the view of Cabinet that we go down the Commission of Inquiry because these are important matters. We're dealing with a matter of \$1.25 billion to fix the health payroll bungle so far, so these matters have to be crucially looked at. And that's why we're pleased to announce today that the Honourable Richard Chesterman QC will lead this Commission. It'll start on the first of February and run for three months and finish at the end of April 2013.

This is an important inquiry. That's why we've chosen the Honourable Richard Chesterman to lead this inquiry. For those of you who know Richard Chesterman, and you ought to, he's been around Queensland for a long period of time in a professional capacity, being admitted to the bar in 1968 and then serving as Her Majesty's Queen's Counsel and then was appointed to the Supreme Court and then in 2008 was appointed to the Court of Appeal and then recently this year retired from the Court of Appeal. So I thank the Honourable Richard Chesterman for taking on this role.

This Commission of Inquiry over the next three months, well starting in February, will look at all things relating to how this mess unfolded in relation to the adequacy of government procurement processes, who is to blame, whether there is any recourse available for the Government in the future but more importantly, this Royal Commission is to set out the future of these sorts of things in Queensland, setting a framework so this doesn't happen again. Queenslanders have spent far too much of their own money to try and sort this mess out so we're trying to get to the bottom of this and make sure this never happens again in Queensland and that's why one of the terms of reference which you've all been provided copies with, addresses the issue of the future of ICT procurement projects in Queensland to make sure this doesn't happen again.

**PREMIER:**

Thank you Attorney. Minister for Health, Lawrence, would like to say a few words?

**HEALTH MINISTER:**

Thank you very much Premier. Ladies and gentleman, as many of you would be aware because you have been there from the start, the LNP has doggedly pursued the health payroll since early 2010 and indeed we started to raise questions about this proposed system before it

even went haywire, before it even went wrong. And indeed at that particular time there were many people out there who didn't believe that there was going to be an issue and when it did go live in March of 2010 it has left a trail of human misery, carnage, dislocation and fiscal ruin for many people since that particular day.

We have then doggedly tried to pursue the release of legal advice to the previous Government, which finally was released and indeed with that legal advice it has probably raised more questions than it has actually answered. The advice which I actually have from the Crown Solicitor is the State's ability to be able to affect appropriate financial remedy, potentially against those who have contracted this, really depends upon yet to be established facts. And certainly ladies and gentlemen, there are many people around Queensland who are wondering how something like this has gone wrong. This is the largest debacle in government administration since Collins Class Submarines and it is consuming its way through the Queensland Health budget each and every year and will do so for the next four to five years.

The unfunded component of it this year, in this year's State budget, is around \$150 million dollars which has had to be set aside just to run payroll over and above that which was budgeted and a consequence of that is equivalent to 1500 hundred jobs which have had to be taken out just to run Health payroll. This inquiry is absolutely necessary to get to the bottom of it. It is absolutely necessary to find out when, how and why and it is absolutely necessary to ensure that we have the ability to finally decide if we can take appropriate legal redress for recovery against any individuals, or corporates involved and also who may be at fault. Obviously, the consequences of this come about from malfeasance/criminality, misconduct or just general incompetence. Whatever way the people of Queensland deserve to know the answers.

And many of those people today, who may oppose this Inquiry, are frankly just arguing for a cover up. Because Queenslanders want to know answers, they want to know why this has happened and they want to make sure it never happens in the future. It is my role to ensure that Queensland Health staff are properly looked after, properly paid, and we have a system that works. I haven't been able to deliver that to date because of the legacy left by the previous Government.

**PREMIER:**

Thanks Minister and I will just ask Mr Chesterman if he would like to say a few words.

**RICHARD CHESTERMAN:**

Um, the answer is no Premier. Judges aren't used to giving press conferences. I express my gratitude to the Premier and to the Attorney for the confidence they have put in me in asking me to undertake this task. It is obviously a large task but I think an important one. It seems to me, speaking personally, that there's public interest in good public administration and the public interest in ascertaining what happened when public administration is bad. I will undertake to find the answers.

**PREMIER:**

Thank you. Well ladies and gentlemen, over to you.



**REPORTER:**

Premier, how much will it cost?

**PREMIER:**

The cost is projected to be five million dollars, around five million dollars, but of course if the Commissioner needs to extend the Inquiry, and this is a very tangled web that we are seeing already, of course the Government will give due consideration to any reasonable request to extend. And that would obviously mean an extension of budget.

**REPORTER:**

It's quite involved, how can you possibly expect that this will be able to be done in those short few months?

**PREMIER:**

Well that's the assessment at this time. Let's see how it goes, again it is at the discretion of the Commissioner as to how he undertakes his enquiries in accordance with the Inquiries Act 1950. The Government is determined to get to the bottom of it and the resources will be given to the Commissioner if he requires them.

**REPORTER:**

Is that just throwing good money after bad?

**PREMIER:**

Not at all. I think this is an investment in the future procurement of IT projects but also I don't think you can put a price on openness and transparency. That's what good government is about, it is about saying "look, it is going to cost some money, but we won't have that up as an obstacle to the truth coming out", and we are trying to get to the truth of the matter.

**REPORTER:**

When you say there may be an extension, clearly you are thinking not a matter of months though; you want it to be prompt?

**PREMIER:**

We would like to see this work done by the 30<sup>th</sup> of April. I know the Commissioner is going to give it a good shot at doing that, and has every reason to think that it can be achieved at this time, but I am just foreshadowing openly, that if the Commissioner needs more time or needs more resources then of course we would consider that. But at the moment, 30<sup>th</sup> of April, five million dollars.

**REPORTER:**

So the legal advice that you've got to date shows that you would have difficulty suing for recoveries of money. Are you hoping, I think Mr Springborg has said, you are hoping the Commission may give you a lead there, is that the plan?

**PREMIER:**

That's essentially it, but I will let Lawrence...

**HEALTH MINISTER:**

With regards to the legal advice that we have obviously for legal and professional privilege on matters we cannot disclose that legal advice at this stage. It is my intention at the end of exhaustion of all legal processes on behalf of the Government that that advice will be made available. As I indicated earlier on, our chance of success may very much depend on yet to be discovered facts. And of course I think we understand what that all means and that is all I am at liberty to say at this particular stage.

**REPORTER:**

Is the expectation that Premier Bligh, former Ministers could be called before the Inquiry?

**PREMIER:**

That is a matter for the Commissioner. The Commissioner has the full discretion.

**RICHARD CHESTERMAN:**

I can't answer that now, I can't say.

**REPORTER:**

The matter of indemnities - who will decide that? The Government on the recommendation of the Commissioner?

**PREMIER:**

That's a matter for the Commissioner. Under the Inquiries Act 1950, the Commissioner has the authority under the Act, to make those sorts of calls. And you will see the Terms of Reference there and the actual way that this whole thing has been framed up.

**REPORTER:**

Commissioner, do you then trust the Government to indemnify the witness that you want to indemnify or what is the procedure?

**RICHARD CHESTERMAN:**

Under the Act, all witnesses before a Commission of Inquiry have the same immunities as a witness in the Supreme Court. There's automatic complete immunity.

**REPORTER:**

Commissioner, can I ask you how long on that three month timeframe would you envisage the actual hearings themselves taking?

**RICHARD CHESTERMAN**

I can't answer that. I'll have a better idea by the end of January. I expect there'll be a great deal of preparation work done before public hearings. But, I would anticipate that as much will be public as possible.

**REPORTER:**

Are you daunted by the task in such a short time?

**RICHARD CHESTERMAN**

A little, yes indeed. It is an important, responsible role. But the Government has assured me of adequate support in terms of calibre and level of support and with that I'm sure we'll do it...and if not in three months, I would hope not much more.

**PREMIER:**

Just one thing to add to that, I meant to say this as a bit of a sum up; the Inquiry kicks off on the first of February, 2013. So, over the next month and a half, essentially, the Commissioner will be able to sit down and talk to the AG about the resources that are going to be required, obviously where they'll conduct the hearings, their office premises, and we'll provide more information about how people can come forward, make submissions, provide evidence, etcetera. So, there will be a website, etcetera. So, that will all be sorted out over the next six weeks or so.

**REPORTER:**

And the intention here is to go right back to the early start of this, just, I mean, the early start-up of this, the early preliminary discussions, pre any contracts being written. Is that correct?

**PREMIER:**

Well, it's the whole thing. Again, it's really up to the Commissioner, but the thing is, in accordance with the Terms of Reference, the Commission is empowered to go right into what has happened, how it's happened, who's been involved and make the findings on the evidence that's been presented.

**REPORTER:**

The Nurses Union is already saying this is throwing good money after bad?

**PREMIER:**

I have to say I am very disappointed. This is a union that during the period that their members weren't being paid properly, basically did nothing and said nothing. You know, were complicit if you'd like. I'm not saying they were involved in the contract, but they were complicit in trying to pretend there wasn't a problem that their members weren't being paid. Their members were being overpaid, underpaid, not paid at all. And they basically just kept quiet. And I'm very disappointed and I think their members will be disappointed. I really think any nurse out there who happens to be a member for professional registration reasons would be disappointed that the QNU have taken that stance. They would have been better to have stood up and raised their voice at the time and blown the whistle on the thing. I am disappointed in their attitude.

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**REPORTER:**

How can this be viewed as anything other than a political exercise given that next year is an election year?

**PREMIER:**

Well, it's not for the State. I think the voters of Queensland are very smart. They can distinguish between council elections, state elections and federal elections and I don't think this has got any bearing on the federal election. But I'll say this: We did have a choice. We could have had a Parliamentary Committee Inquiry or we could go the full, independent Commission of Inquiry. And we've got Mr Chesterman QC doing this job for the people of Queensland, a respected senior judge. You can't be more impartial or fair about the way this is being set up. It's been done by someone who is totally independent, who has that proud track record. The Government is doing it that way rather than a Parliamentary Committee which could have been subject to accusations of politicisation and we weren't going to have that. It's too important an issue to be dealt with in that way.

**REPORTER:**

The choice to do it publicly though will dredge up all of this scandal...?

**PREMIER:**

Well Rosie I'm a bit surprised I mean surely this shouldn't be swept under the carpet or done behind closed doors I mean...

**REPORTER:**

Well what sort of information do you think will come out of this that you haven't already got? You've already got Cabinet documents.

**PREMIER:**

Well I'm alluding to that already. I mean, there are claims that I've raised today where there's this constant drip-feed from people saying "We warned them, we said they shouldn't go live. I want to tell my story but I'm frightened of prosecution and we want these people to come forward so we get the facts on the table".

**REPORTER:**

Any potential legal action out of this? This end day of the Commission is about three years since the system went live. Is there a statute of limitations as to when you can file a suit? Can you still do it after the end of the end date of this Commission?

**ATTORNEY GENERAL:**

There is a statute of limitation depending on what the potential prosecution is though, they all have different statute of limitation. There is a general statute of limitation which could expire at the end of 2013, but again, this will be up to the Commissioner in his role in determining whether, if anyone, was responsible for this. The other point about this is and the reason why we do a Commission of Inquiry is it pulls all the information together in one place. I think it's fair to say over the years we've had a piecemeal approach to releasing information, whereas this Commission of Inquiry through Mr Chesterman will pull everything together and he can have a clear look at all the facts and figures and all the people involved.

**REPORTER:**

Mr Springborg, just to clarify that legal advice, there was a negotiation by the former Government after all the health payroll thing went pear-shaped and there was discussion there about indemnifying...y'know...the government wouldn't sue IBM and vice-versa. Is that an obstacle...is that why you wouldn't pursue legal action?

**HEALTH MINISTER:**

I'm not going to speculate on that. I mean obviously the legal advice has been made public and published and that in itself, the publishing of that can actually cause issues, I think as everyone understands when it comes to legal and professional privilege. I'm not at liberty to speculate other than to say that the State's ultimate chances of success may actually relate to yet to be discovered facts. And we've got to wait to see what actually comes out of this.

**PREMIER:**

Michael Best. Bestie. Michael Best. Michael Best. Oh, different topic? Alright we'll deal with this first. Rosie have another go and then we'll go to Spencer.

**REPORTER:**

At the moment, Health Minister, there would be no chance of taking successful legal action on the information you have?

**HEALTH MINISTER:**

Well I'm not speculating on that. I've indicated that from the very first comments I made this morning and in response to the previous question. I am not speculating on that because I think everyone understands the context of speculation on privileged legal advice and what that actually does and I indicated earlier on that at the end of the exhaustion of the options available to the Government then that advice will be made public. I've indicated that and that's on the advice of the Crown Solicitor.

**PREMIER:**

Spencer?

**REPORTER:**

One of the reasons I take it for going for a Royal Commission or a Commission of Inquiry with Royal Commission powers is the fact that that Inquiry can compel witnesses from outside of Queensland to appear before it. Is that correct?

**PREMIER:**

I hope so.

**REPORTER:**

A Parliamentary Inquiry would have been restricted in who it could call.

**ATTORNEY GENERAL:**

And Spencer, that's the point about having a Commission of Inquiry. A Commission of Inquiry in Queensland for a better name is a Royal Commission. It has the powers to compel witness, it has the power to have open hearings, closed hearings and the only way we can get to the bottom of it and have all the witnesses either compelled or voluntary is to have a Commission of Inquiry. A Parliamentary Committee would have, to some extent, been limited in what it could have done. And I think this is, as the Premier said, this is a more open and transparent way with a completely impartial and independent Commissioner. And it gives the nurses of Queensland a say that they haven't had for two and a half years.

**REPORTER:**

If you had strong legal advice, would you pursue a Commission of Inquiry?

**ATTORNEY GENERAL:**

Well look, this is not about the legal advice we've received. It's about a piecemeal approach that's been filtered out into the public. The only way we can get to the bottom of what happened and to set a future course so this doesn't happen again is to have one Royal Commission.

**PREMIER:**

I think the way to put this is that over the last sort-of nine months that we've been in office, and you can look at what's unfolded, the whole thing, rather than getting clearer, got murkier and murkier and murkier. The release of information just raised more questions and that's why this needs to happen.

**REPORTER:**

I think, with the greatest of respect, it doesn't necessarily get clearer if your advice says, well, we need more information before we can get a case going and so then you launch a Commission of Inquiry. Presumably from an outsider's non-legal mind, you launch an Inquiry, you get that information and then perhaps you can pursue a legal avenue. So if the advice is different would you then still need or still want to do the Commission of Inquiry?

**PREMIER:**

Well I just go back to...I don't know if I can quite answer it the way you're asking it. I just go back to, there are people out there, I go back to the Steve Austin program; there are people out there who are saying to people in the media that they have something to say but they're frightened about how they may end up being treated if they were just to come forward. So there are literally whistle-blowers out there who want to talk and that's information that's never been aired. And I think that just illustrates to Queenslanders everywhere, men and women in the street, the sort-of information that might be out there that we need to go and obtain to get to the bottom of this. That's why we're doing it.

**REPORTER:**

Commissioner, if I could ask you a question. Is there any area that this Commission of Inquiry can't go into? Do you want to call a Premier, do you want to call somebody, a former Premier, somebody from IBM or even confidential legal documents. Can you go wherever you want to go?

**RICHARD CHESTERMAN:**

As long as the enquiry is relevant to the Terms of Reference, that the powers are complete. Yes. So if I think a witness has something relevant to say to one of the Terms of Reference, whoever the witness is, wherever they are in Australia, yes I can summon them.

**REPORTER:**

And any privileged, otherwise privileged legal documents etcetera you can get?

**RICHARD CHESTERMAN:**

Ah, no. There are limitations, but principally the legal professional privilege.

**REPORTER:**

So no cabinet documents?

**RICHARD CHESTERMAN:**

That I can't answer without looking more deeply at the question.

**ATTORNEY GENERAL:**

If I can give you a practical example, Commissioner Carmody has got the Child Commission of Inquiry at the moment. Now, the Department of Justice and Attorney General has certain documents from years ago. The Commissioner has written to me on each of those occasions requesting the information. The brief comes up to the Minister's office, we authorise the release. There was not one stage where we haven't authorised release. To have a fully impartial and open independent Inquiry you have got to have the information available, so I would suspect that if the Commissioner needs the assistance from the Government, the all Departments should abide by that request.

**REPORTER:**

What about commercial in confidence is there an issue there with witnesses?

**RICHARD CHESTERMAN:**

No, there is legal professional privilege, not commercial in confidence privilege.

**PREMIER:**

Right, are we all done with Commission of Inquiry? Okay.

**REPORTER:**

Do you think Virgin should have access to Queensland regional air routes?

**PREMIER:**

I'll just say today that we think Virgin is a great asset in term of our State having their head office here and we certainly would like them to stay.

**REPORTER:**

Are you worried they could be going?

**PREMIER:**



Well, that's a commercial decision for them, but the point is that we are a Government that believes in deregulation of air routes and that's what's going to happen.

**REPORTER:**

Has your Government been approached by Virgin or any other airlines about flying up to Bundaberg?

**PREMIER:**

I'm sorry I am not aware of detailed discussions like that, but I will just simply say that as a matter of principle this Government believes in deregulation. We also think that Virgin is a great business to be located in this State and we would certainly like to have them here for the long term.

**REPORTER:**

Since the former Government gave them so much money to relocate up here, how would you view that if they left now?

**PREMIER:**

Oh look I really can't add anything to it Michael.

**REPORTER:**

Has your Government been favouring Qantas over Virgin?

**PREMIER:**

I don't believe so, but I mean again this is commercial decision for Virgin.

**REPORTER:**

Would you consider deregulating some of those regional routes?

**PREMIER:**

Well that's what I said, I'll start again. We believe that the air routes in Queensland wherever possible should be deregulated and that's where we are going. Make no mistake about it. It doesn't matter where it is in the State, we believe ideally they should be deregulated; we believe competition actually is the best way to provide the most economical airfares. We also totally support Virgin having their head office here, we think they are a great company, we want them to stay and we will continue to have that view.

**REPORTER:**

Is that something that will be going through the legislation next year, deregulating?

**PREMIER:**

I'm not sure whether that really is the case. It's probably by regulation that we have the powers to actually have these regulated routes. But look again, I'm not getting into the detail of that, I am just saying that's the position of this Government and that's what will be happening and it doesn't matter whether it be Virgin or Skytrans or any other potential carrier, we would like competition on Queensland's regional air routes.

**REPORTER:**

Premier (inaudible) that you've got a senior member of your Cabinet Mark McArdle involved in the undermining of the judicial process when it comes to the Slipper case?

**PREMIER:**

That is a matter for the Feds, so it got nothing to do with us.

**REPORTER:**

He's part of your team?

**PREMIER:**

Well, you are making the assertion. We are not involved in this.

**REPORTER:**

Can I just quickly ask on the NDIS, the Federal Government is saying that your deal falls \$200 million short, can you put that money in to ensure that the roll out happens in Queensland?

**PREMIER:**

Of course they'd say that. Of course they'd say that. The disappointing thing was last Friday at COAG I took the opportunity to go and talk to the Prime Minister, I think it was during the morning tea break. I said "Prime Minister how about I come to you with this sort of proposal?" Now what the Prime Minister should have done at this stage, in my view, was go "Yes Campbell, that's a great idea."

**REPORTER:**

Well she's saying that you never discussed it with her, so are you saying that you did actually discuss this proposal with her?

**PREMIER:**

Yes. Not the detail that we put on the table yesterday. The principles of a 50/50 deal of Queensland being fully involved was put by me to the Prime Minister on Friday.

**REPORTER:**

But you're not asking for a 50/50 deal, you are asking for 56/44?

**PREMIER:**

No, with the greatest of respect, people need to go back and look and what I said yesterday. I said very clearly by that 2018/2019 we would have raised our spend to the national per capita average spend and I acknowledged yesterday that we weren't quite up to where perhaps New South Wales might be. But I said that when we had got to that point, that we would be looking to put more money in. Yesterday I said very clearly, please go back and look at the transcript. Read your notes. I said that this particular plan that we have is about the minimum, it is about the base line, those are the words that I used on a number of occasions. So we are saying that that's where we will go to. It is a massive increase in funding for people with disabilities, their carers, their families, not at 2018/2019 but in two years' time, starting in two years' time. Now I go back to my conversation with the PM. Now I actually went to her in the morning tea break and said "Here's what I'd like to put to you in terms of principle". Now at that point, if you were fair dinkum, surely you would say to that "Premier, how about we have a chat before you go today?" So I go back to what I said - of course the Feds were say that, because I don't know if they want to actually do the necessary deal.

**REPORTER:**

But you are sort of hinting that you will be able to put more money in, is that something like...?

**PREMIER:**

Sorry, I'm not hinting, I'm saying. I said yesterday that what we put on the table was the baseline. Please go back and look at your notes. I said yesterday this is the minimum affordable that we can do, if we can do better, we will do better. I said very, very, very clearly yesterday that this was a massive increase in funding from Queensland's perspective, that will help many, many people with disabilities and this is where the Federal Government should be going "Thank you, let's get on with it, let's get on with the program." Remember, between now and 2018 there is no money from the Commonwealth and yet this State will be putting in an extra \$850 million over the next five to six years.

**REPORTER:**

Are you maybe setting yourself up for a nice little pre 2014/15 election announcement of more money for NDIS, an extra \$200 million?

**PREMIER:**

No I'm not in the Labor Party I don't play silly political games. I deal with people in a fair dinkum way. This should not be politicised, but frankly, and yes you can tell I am a bit cheesed off, this should not be being politicised in the way that it is by the Federal Government. Again, imagine a Premier has come at a COAG meeting, in a quiet moment to the Prime Minister of the nation, saying "I want a deal, I want to sit down and work through this with you" and the Prime Minister just makes some non-committal comments and the Premier sort of wanders off thinking do they want to care for people with disabilities or not?

That should have been the moment the Prime Minister said “Campbell I’d love to have a chat to you this afternoon, before you go back to Queensland.”

So I am just emphasising, we have put a significant increase, in fact we’re arguing the most significant increase in funding for people with disabilities that the nation has ever seen in a five, six year period. It’s a massive increase in funding, there is no money from the Commonwealth coming in that period that we are aware of, yet we’re going to do that and start providing a better standard of care for people with disabilities in Queensland. That is cause for much celebration and I thank, by the way, the sector for understanding the reality of what we have put on the table which is a massive boost. Okay? Thank you.

**[ENDS]**

Released under RTI - DP

## Ben Myers

---

**From:** Jane McKeon <Jane.McKeon@virginaustralia.com>  
**Sent:** Tuesday, 25 June 2013 4:53 PM  
**To:** "undisclosed-recipients:"@domain.invalid  
**Subject:** Media Release - Virgin Australia Welcomes Deregulation between Cairns and Weipa 250613  
**Attachments:** \_VirginAustraliaWelcomesDeregulationbetweenCairnsandWeipaAnnouncingNewDailyService.pdf

Please find media release attached.

Regards,



**Jane McKeon** | Group Executive, Government Relations  
PO Box 1034 Spring Hill QLD Australia 4004  
P 02 8093 7001  
E [jane.mckeon@virginaustralia.com](mailto:jane.mckeon@virginaustralia.com)

**Executive Assistant:** Regina Quinlan  
P 07 3333 9696 | M [S.73 Telephone](tel:0733339696)  
E [regina.quinlan@virginaustralia.com](mailto:regina.quinlan@virginaustralia.com)

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## VIRGIN AUSTRALIA WELCOMES DEREGULATION BETWEEN CAIRNS AND WEIPA ANNOUNCING NEW DAILY SERVICE

25 June 2013

Virgin Australia today welcomed the Newman Government's decision to deregulate air services between Cairns and Weipa, opening up one of Queensland's most popular regional routes to new operators.

To coincide with this announcement, Virgin Australia confirmed it will bring competition when the route is deregulated in 2014, with a new direct service.

Virgin Australia will launch a daily service between Cairns and Weipa on its ATR Turboprop aircraft bringing choice to consumers in the region and competitive air fares.

Virgin Australia Chief Commercial Officer, Judith Crompton said: "Virgin Australia has a strong track record of bringing much-needed competition and lower fares to monopoly markets in Australia. In Queensland the mining boom is continuing to drive increased demand and open up routes that can sustain competitive air services.

"Weipa is an important mining centre in regional Queensland which has seen significant growth in demand for air travel in recent years. This has created the opportunity for deregulation to bring competition and lower fares to this market reducing costs for business and boosting tourism

"We welcome the deregulation of the Cairns and Weipa connection and believe it is a positive step forward for customers, the industry and tourism.

"We are pleased to confirm that once the route is deregulated, we will offer a daily service between Cairns and Weipa on our growing ATR Turboprop fleet, providing customers with increased travel options," said Ms Crompton.

Virgin Australia will deliver a competitive offering with fares starting from \$129\* one way between Cairns and Weipa from 2014, which represents an approximate 20% discount on fares currently available to customers.

ENDS

### Media contacts

Jacqui Abbott



[jacqui.abbott@virginaustralia.com](mailto:jacqui.abbott@virginaustralia.com)

*\*Fares quoted refer to Saver Fares and include one piece of checked baggage and complimentary food and beverage. Fares are correct as at 25 June 2013 and are subject to change.*

*This media release has been sent and authorised by Virgin Australia Airlines Pty Ltd ACN 36 090 670 965 of 56 Edmondstone Road Bowen Hills, Qld Australia 4006. If you do not wish to receive further media releases from **Virgin Australia**, please email [corporatecommunications@virginaustralia.com](mailto:corporatecommunications@virginaustralia.com) with 'unsubscribe' in the subject line.*

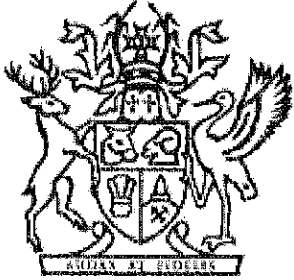
24-hour media enquiries: 1800 142 467

Virgin Australia Airlines Pty Ltd ABN 36 090 670 965 · Virgin Australia Airlines (NZ) Ltd ABN 26 313 149 900 · Virgin Australia International Airlines Pty Ltd ABN 63 125 580 823 · Virgin Samoa Ltd ABN 90 116 23 517

## Michael Prain

---

**From:** Michael Prain  
**Sent:** Friday, 7 March 2014 7:09 AM  
**To:** Peter Turnbull  
**Subject:** FW: John Borghetti letter



**Michael Prain**  
Director - Policy  
Office of the Hon. Campbell Newman MP | Premier of Queensland  
Phone: 07 3719 7020 | Fax: 07 3221 1809  
Executive Building | 100 George Street | Brisbane | QLD 4000  
GPO Box 15185 | City East | Brisbane | QLD 4002  
**Great State. Great Opportunity.**

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**From:** David Hourigan [mailto:David.Hourigan@premiers.qld.gov.au]  
**Sent:** Thursday, 6 March 2014 5:41 PM  
**To:** Michael Prain; Paul Leven  
**Subject:** Fwd: John Borghetti letter

Gents are you across this one

Sent from my iPhone

Begin forwarded message:

**From:** Anthony Crack <Anthony.Crack@premiers.qld.gov.au>  
**Date:** 6 March 2014 4:40:08 pm AEST  
**To:** David Hourigan <David.Hourigan@premiers.qld.gov.au>, Craig Wilson  
<Craig.Wilson@premiers.qld.gov.au>  
**Cc:** Tracey O'Meara <Tracey.O'Meara@premiers.qld.gov.au>  
**Subject:** RE: John Borghetti letter

The decision is very clear – approve deregulation of Brisbane – Roma...

Anthony Crack  
Cabinet Secretary  
Executive Director - Economic Policy  
Department of the Premier and Cabinet  
Telephone: (07) 300 39330 / Mobile: 0417 780 595

---

**From:** David Hourigan  
**Sent:** Thursday, 6 March 2014 3:58 PM  
**To:** Craig Wilson  
**Cc:** Tracey O'Meara; Anthony Crack  
**Subject:** Fwd: John Borghetti letter

All. Apparently the Brisbane to Roma isn't bring deregulated Anthony and Tracey what was the decision Tracey check with TMR to see what's happening pls  
Ta

Sent from my iPhone

Begin forwarded message:

**From:** Roslyn Raleigh <[Roslyn.Raleigh@dsdip.qld.gov.au](mailto:Roslyn.Raleigh@dsdip.qld.gov.au)>  
**Date:** 6 March 2014 12:03:35 pm AEST  
**To:** David Hourigan <[David.Hourigan@premiers.qld.gov.au](mailto:David.Hourigan@premiers.qld.gov.au)>  
**Subject:** John Borghetti letter

David

David Edwards asked me to send a copy of the attached letter from John Borghetti to you.

Kind regards

Roz Raleigh  
Executive Officer  
Office of the Director-General  
Department of State Development, Infrastructure and Planning  
Queensland Government  
tel +61 7 3227 8451 (Ext 78451)  
fax +61 7 3224 4683  
post PO Box 15009 City East Qld 4002  
visit Level 12, 100 George Street, Brisbane  
[roslyn.raleigh@dsdip.qld.gov.au](mailto:roslyn.raleigh@dsdip.qld.gov.au)  
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## Michael Prain

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**From:** Ross Mensforth  
**Sent:** Monday, 11 February 2013 4:19 PM  
**To:** Tony Meredith  
**Cc:** Michael Prain  
**Subject:** FW: TF/13/1587 - Letter from Prem to Mr John Borghetti

**This message has been archived. View the original item**

Hi Tony

As discussed

I think that we should have the meeting progressed in the respective Minister / CEO calendars

Cheers

Ross

**From:** Ross Mensforth  
**Sent:** Tuesday, 29 January 2013 12:06 PM  
**To:** Mark Gorter  
**Cc:** Peter Walsh; Tony Meredith  
**Subject:** FW: TF/13/1587 - Letter from Prem to Mr John Borghetti

HI Mark

Can you please note the comments from the Premier on the attached correspondence to Mr Borghetti.

Peter Walsh and I will be available to support progressing this. Will discuss with you when you get a chance.

Cheers

Ross

From: Glenys Jenkin [<mailto:Glenys.Jenkin@premiers.qld.gov.au>]



Sent: Tuesday, 29 January 2013 11:29 AM  
To: Ross Mensforth  
Subject: TF/13/1587 - Letter from Prem to Mr John Borghetti

Hi Ross

Copy of letter to Mr Borghetti as requested.

Kind regards,

G

Glenys Jenkin

Senior Departmental Liaison Officer

Department of the Premier and Cabin

**Attachments:**

|  |          |
|--|----------|
| ATTACHMENT TO OUTGOING - The Department of Transport and Main Roads<br>Long Distance Passenger Services.PDF          | (639 KB) |
| (SIGNED VERSION) Letter from Premier to Mr John Borghetti, CEO Virgin<br>Australia, regarding meeting to discuss.PDF | (486 KB) |

## Michael Prain

---

**From:** Peter Turnbull <peter.turnbull@ministerial.qld.gov.au>  
**Sent:** Friday, 31 May 2013 7:04 AM  
**To:** Michael Prain  
**Subject:** Premier's Cape trip

**This message has been archived. View the original item**

My notes from yesterday in regard to transport and roads issues.

From Evernote: <<http://evernote.com/>>

Premier's Cape trip

Transport and main roads issues

- \* Regional Air Services - Several comments about competition in the regions. Premier wants a competitive tendering process for regional air services. Need to check on 2yr exclusive deal Emerson did with Qantas
- \* Road building issues a common issue - TMR telling councils they are moving away from local councils doing the work in favour of larger companies. Premier wants councils to take back control for smaller projects (eg Winton-Richmond \$1mill/yr for 6 years - should be council project). Councils have become addicted to NDRRA funding. Will be a riot if Government does not start managing process better
- \* Freight costs into communities - Issue at Karumba with cost of produce in stores. Is there a way to provide freight subsidies or organise a better deal for regional councils?
- \* Port of Karumba - Premier w

## Anna Hurley

---

**From:** Paul Leven  
**Sent:** Monday, 17 March 2014 4:25 PM  
**To:** Anna Hurley  
**Subject:** FW: Air routes release  
**Attachments:** 20131220 Deregulated air routes.doc

---

**From:** Paul Leven  
**Sent:** Friday, 20 December 2013 10:48 AM  
**To:** Michael Prain  
**Subject:** FW: Air routes release

---

**From:** Aaron Wakeley  
**Sent:** Friday, 20 December 2013 10:41 AM  
**To:** Andrew Berkman; Media Unit  
**Cc:** Stephanie Shield; Paul Leven  
**Subject:** RE: Air routes release

Hey mate,

Has this one all been ticked off by policy etc...

Thanks,  
Aaron



**Aaron Wakeley**  
Senior Media Advisor  
Office of the Hon. Campbell Newman MP | Premier of Queensland  
Phone: 07 3719 7000 | Fax: 07 3221 1809 | Mobile: S.73 Telephone  
Executive Building | 100 George Street | Brisbane | QLD 4000  
PO Box 15185 | City East | Brisbane | QLD 4002  
**Great State. Great Opportunity.**

---

**From:** Andrew Berkman  
**Sent:** Friday, 20 December 2013 8:54 AM  
**To:** Media Unit  
**Cc:** Stephanie Shield  
**Subject:** Air routes release

Hi all, a release for the Cairns Post and Warrego Watchman today. We'll put out tomorrow.

Cheers  
Andrew

## Anna Hurley

---

**From:** Paul Leven  
**Sent:** Monday, 17 March 2014 4:25 PM  
**To:** Anna Hurley  
**Subject:** FW: Air routes release

---

**From:** Paul Leven  
**Sent:** Friday, 20 December 2013 10:48 AM  
**To:** Aaron Wakeley; Andrew Berkman; Media Unit  
**Cc:** Stephanie Shield  
**Subject:** RE: Air routes release

Not to go out.

This is not my understanding of the decision that was made about subsidised routes. Need to at least check the decision.

PL

---

**From:** Aaron Wakeley  
**Sent:** Friday, 20 December 2013 10:41 AM  
**To:** Andrew Berkman; Media Unit  
**Cc:** Stephanie Shield; Paul Leven  
**Subject:** RE: Air routes release

Hey mate,

Has this one all been ticked off by policy etc...

Thanks,  
Aaron



**Aaron Wakeley**  
Senior Media Advisor  
Office of the Hon. Campbell Newman MP | Premier of Queensland  
Phone: 07 3719 7000 | Fax: 07 3221 1809 | Mobile:   
Executive Building | 100 George Street | Brisbane | QLD 4000  
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---

**From:** Andrew Berkman  
**Sent:** Friday, 20 December 2013 8:54 AM  
**To:** Media Unit  
**Cc:** Stephanie Shield  
**Subject:** Air routes release

Hi all, a release for the Cairns Post and Warrego Watchman today. We'll put out tomorrow.

Cheers  
Andrew

## Anna Hurley

---

**From:** Paul Leven  
**Sent:** Monday, 17 March 2014 4:26 PM  
**To:** Anna Hurley  
**Subject:** FW: Air routes  
**Attachments:** img-Z201105-0001.pdf; 20131220 Deregulated air routes.doc

---

**From:** Paul Leven  
**Sent:** Friday, 20 December 2013 11:19 AM  
**To:** Peter Turnbull  
**Cc:** Michael Prain  
**Subject:** FW: Air routes

Peter,  
We need to have a good look at this on your return. We have delayed the announcement until Jan. Something doesn't add up here for me.  
PL

---

**From:** Andrew Berkman  
**Sent:** Friday, 20 December 2013 11:14 AM  
**To:** Paul Leven; Tony Meredith  
**Cc:** Stephanie Shield; Aaron Wakeley; Media Unit; Michael Prain; Peter Turnbull  
**Subject:** RE: Air routes

Done.

---

**From:** Paul Leven  
**Sent:** Friday, 20 December 2013 11:13 AM  
**To:** Andrew Berkman; Tony Meredith  
**Cc:** Stephanie Shield; Aaron Wakeley; Media Unit; Michael Prain; Peter Turnbull  
**Subject:** Air routes

Hi again Andrew / Tony,  
Sorry guys. I've had a couple of further discussions about this one here and we're definitely not comfortable with a release on this before it has been run by the Premier in early Jan. Too much risk for you and us.

Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration

Needs to be held up for now.  
PL

---

**From:** Aaron Wakeley  
**Sent:** Friday, 20 December 2013 10:41 AM  
**To:** Andrew Berkman; Media Unit  
**Cc:** Stephanie Shield; Paul Leven  
**Subject:** RE: Air routes release

Hey mate,

Has this one all been ticked off by policy etc...

Thanks,  
Aaron



**Aaron Wakeley**  
Senior Media Advisor  
Office of the Hon. Campbell Newman MP | Premier of Queensland  
Phone: 07 3719 7000 | Fax: 07 3221 1809 | Mobile: S.73 Telephone Nu  
Executive Building | 100 George Street | Brisbane | QLD 4000  
PO Box 15185 | City East | Brisbane | QLD 4002  
**Great State. Great Opportunity.**

---

**From:** Andrew Berkman  
**Sent:** Friday, 20 December 2013 8:54 AM  
**To:** Media Unit  
**Cc:** Stephanie Shield  
**Subject:** Air routes release

Hi all, a release for the Cairns Post and Warrego Watchman today. We'll put out tomorrow.

Cheers  
Andrew

Released under RTI - DPC



## Media release

The Honourable Scott Emerson MP  
Minister for Transport and Main Roads

### **Four air routes opened to competition**

Four regional air routes will be opening up for competition as part of the Newman Government's on-going review of regional passenger services.

Minister for Transport Scott Emerson said the review looked at how the government could deliver its election promise to revitalise front-line services on Queensland's five regulated air routes.

"From January 1, 2015, when the existing contracts end, four of these routes will be opened up to commercial competition so the market can set the best price," Mr Emerson said.

"The government will continue to invest in maintaining the current five subsidised air routes, which wouldn't exist without this support.

"By adding competition to growing markets we can continue to tackle the cost of living pressures for all Queenslanders as we promised to do and it is on this basis that I've accepted the review's recommendations to deregulate these routes."

The four routes are:

- Brisbane-Roma-Charleville
- Cairns-Weipa
- Townsville-Cloncurry-Mount Isa
- Cairns-Horne Island

Member for Warrego Howard Hobbs welcomed the announcement that Brisbane-Roma-Charleville had sufficient market depth to support competition.

"The economic growth from the booming resource sector in the Surat Basin has driven strong patronage growth on the Brisbane-Roma segment of the air route in particular," Mr Hobbs said.

"We're now seeing around 50 flights per week and patronage growth in the vicinity of 39 per cent between 2007 and 2012."

Mr Emerson said the Government announced in June that it would deregulate the Cairns-Weipa route.

"The review has shown this route would also benefit from commercial competition with further growth in the mining sector," he said.

The long-distance passenger transport review canvassed views of regional communities, including local government, resulting in 7,200 responses, of which 3,400 were air passengers.

Decision on further changes to long-distance bus and train routes are yet to be finalised.

**[ENDS] 20 December 2013**

Media contact: Andrew Berkman S.73 Telephone Nur



**Anna Hurley**

**From:** Paul Leven  
**Sent:** Monday, 17 March 2014 4:26 PM  
**To:** Anna Hurley  
**Subject:** FW: Air routes  
**Attachments:** img-Z201105-0001.pdf

**From:** Paul Leven  
**Sent:** Friday, 20 December 2013 11:19 AM  
**To:** Peter Turnbull  
**Subject:** Air routes

**From:** Andrew Berkman  
**Sent:** Friday, 20 December 2013 11:09 AM  
**To:** Paul Leven  
**Cc:** Tony Meredith; Jillian Bagnall  
**Subject:** As discussed

Paul,

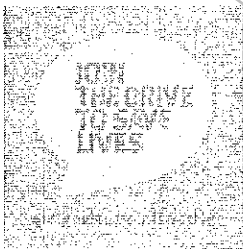
Decision as requested.

Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration

Cheers  
Andrew



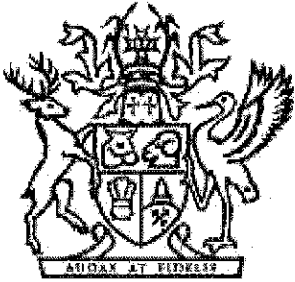
**Andrew Berkman**  
Senior Media Advisor  
Office of the Hon. Scott Emerson MP |  
Minister for Transport and Main Roads  
Phone: 07 3237 1111 | Fax: 07 3224 2493 | Mobile S.73 Telephone  
Capital Hill Building | 85 George Street | Brisbane | QLD 4000  
GPO Box 2644 | Brisbane | QLD 4001  
Great State. Great Opportunity.



## Peter Turnbull

---

**From:** Michael Prain  
**Sent:** Friday, 7 March 2014 7:09 AM  
**To:** Peter Turnbull  
**Subject:** FW: John Borghetti letter



**Michael Prain**  
Director - Policy  
Office of the Hon. Campbell Newman MP | Premier of Queensland  
Phone: 07 3719 7020 | Fax: 07 3221 1809  
Executive Building | 100 George Street | Brisbane | QLD 4000  
GPO Box 15185 | City East | Brisbane | QLD 4002  
**Great State. Great Opportunity.**

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**From:** David Hourigan [<mailto:David.Hourigan@premiers.qld.gov.au>]  
**Sent:** Thursday, 6 March 2014 5:41 PM  
**To:** Michael Prain; Paul Leven  
**Subject:** Fwd: John Borghetti letter

Gents are you across this one

Sent from my iPhone

Begin forwarded message:

**From:** Anthony Crack <[Anthony.Crack@premiers.qld.gov.au](mailto:Anthony.Crack@premiers.qld.gov.au)>  
**Date:** 6 March 2014 4:40:08 pm AEST  
**To:** David Hourigan <[David.Hourigan@premiers.qld.gov.au](mailto:David.Hourigan@premiers.qld.gov.au)>, Craig Wilson  
<[Craig.Wilson@premiers.qld.gov.au](mailto:Craig.Wilson@premiers.qld.gov.au)>  
**Cc:** Tracey O'Meara <[Tracey.O'Meara@premiers.qld.gov.au](mailto:Tracey.O'Meara@premiers.qld.gov.au)>  
**Subject:** RE: John Borghetti letter

The decision is very clear – approve deregulation of Brisbane – Roma...

Anthony Crack  
Cabinet Secretary  
Executive Director - Economic Policy  
Department of the Premier and Cabinet  
Telephone: (07) 300 39330 Mobile: S.73 Telepho

---

**From:** David Hourigan  
**Sent:** Thursday, 6 March 2014 3:58 PM  
**To:** Craig Wilson  
**Cc:** Tracey O'Meara; Anthony Crack  
**Subject:** Fwd: John Borghetti letter

All. Apparently the Brisbane to Roma isn't bring deregulated Anthony and Tracey what was the decision Tracey check with TMR to see what's happening pls  
Ta

Sent from my iPhone

Begin forwarded message:

**From:** Roslyn Raleigh <[Roslyn.Raleigh@dsdip.qld.gov.au](mailto:Roslyn.Raleigh@dsdip.qld.gov.au)>  
**Date:** 6 March 2014 12:03:35 pm AEST  
**To:** David Hourigan <[David.Hourigan@premiers.qld.gov.au](mailto:David.Hourigan@premiers.qld.gov.au)>  
**Subject:** John Borghetti letter

David

David Edwards asked me to send a copy of the attached letter from John Borghetti to you.

Kind regards

Roz Raleigh  
Executive Officer  
Office of the Director-General  
Department of State Development, Infrastructure and Planning  
Queensland Government  
tel +61 7 3227 8451 (Ext 78451)  
fax +61 7 3224 4683  
post PO Box 15009 City East Qld 4002  
visit Level 12, 100 George Street, Brisbane  
[roslyn.raleigh@dsdip.qld.gov.au](mailto:roslyn.raleigh@dsdip.qld.gov.au)  
[www.dsdip.qld.gov.au](http://www.dsdip.qld.gov.au)

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- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five are subsidised (see table below)
- The LNP supports deregulating routes, particularly where there is a demand such as resource communities (Roma or Weipa for example) but it is vital that all regional communities retain access to air services.
- We will review all these routes and see whether the government can step back.
- Contracts were due to expire in early 2013. All will be extended – some to late 2013 and some to late 2014 – to allow the review.
- This will give us enough time to determine whether these routes can be commercially viable with more than one operator.
- I don't want a situation where towns like Charleville or Barcaldine in Central West Queensland or Normanton or Doomadgee in North-West Queensland are left without an air service.
- We will work with the industry, including Virgin, to improve air services for regional communities.
- What we tend to see when other carriers move in is a spread of prices. For example next Thursday from Emerald to Brisbane (an open route) on Virgin there are flights ranging from \$245 to \$417. On the same day from Roma to Brisbane (a regulated route) on QantasLink all flights are \$365.

#### Background

- The Queensland Government spends about \$9.5 million per year to ensure the continued operation of these services.
- There are about 240,000 trips taken on these routes.

- In April 2008, the government endorsed the routes and minimum service levels contracts to QantasLink and MacAir.
- Following the collapse of MacAir, the department re-established air services on the MacAir routes under temporary Emergency Service Contracts with three operators.
- Following an open public tender process, the government announced on 2 December 2009 that new contracts for these routes were awarded to QantasLink, Skytrans and REX (Regional Express).
- These contracts will expire in March 2013.
- An extension of regulated regional air services was granted to allow the review of long distance services to occur.
- QantasLink and Regional Express (REX) will be extended until Dec 31, 2014.
- It is expected the three Skytrans contracts will be extended for another six months to negotiation of subsidy levels.
- In October the Minister for Transport agreed to a review following lobbying from MPs Howard Hobbs and Trevor Watt (this was publicly announced)

| Route  | Current Contract Holder | Regulated | Subsidised |
|--|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville   | QantasLink              | ✓         | ✗          |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach  | QantasLink              | ✓         | ✗          |
| Horn Island: Cairns-Horn Island  | QantasLink              | ✓         | ✗          |
| Weipa: Cairns-Weipa  | QantasLink              | ✓         | ✗          |
| Northern 3: Townsville-Cloncurry-Mt Isa  | QantasLink              | ✓         | ✗          |
| Gulf: Cairns-Normanton-Mornington Island-Burketown-Doomadgee-Mount Isa                       | Skytrans                | ✓         | ✓          |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargomindah                              | Skytrans                | ✓         | ✓          |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windorah-Birdsville-Bedourie-Boulia-Mt Isa | Skytrans                | ✓         | ✓          |
| Northern 1: Townsville-Winton-Longreach  | Regional Express        | ✓         | ✓          |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                 | Regional Express        | ✓         | ✓          |

Daniel Harris

**From:** Tony Meredith  
**Sent:** Thursday, 13 December 2012 10:53 AM  
**To:** Daniel Harris; Ross Mensforth  
**Subject:** FW: Regional Air services TPs  
**Attachments:** TPs – Regional air services.docx

Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration

Tony

**From:** Andrew Berkman  
**Sent:** Thursday, 13 December 2012 7:50 AM  
**To:** Kate Haddan; John Wiseman; Lynette Keep  
**Cc:** Tony Meredith; Stephanie Shield  
**Subject:** Regional Air services TPs

Kate, John, Lynn,

As discussed. List of routes is at the bottom of this.

I'll also send through an interview the Assistant Minister Steve Minnikin did this morning on 4BC Breakfast.

Cheers  
Andrew

Released under RTI - DPC

**Daniel Harris**

**From:** Tony Meredith  
**Sent:** Thursday, 13 December 2012 2:38 PM  
**To:** Ross Mensforth; Daniel Harris  
**Subject:** FW: TMR Brief\_Regional Air Services  
**Attachments:** Briefing note\_Regional Air Services.doc; Attachment 1\_MBN16181.pdf

This has been sent to the Premier.

Tony

---

**From:** Andrew Berkman  
**Sent:** Thursday, 13 December 2012 2:36 PM  
**To:** Tony Meredith  
**Subject:** Fw: TMR Brief\_Regional Air Services

---

**From:** [Neil.Z.Scales@tmr.qld.gov.au](mailto:Neil.Z.Scales@tmr.qld.gov.au) [mailto:[Neil.Z.Scales@tmr.qld.gov.au](mailto:Neil.Z.Scales@tmr.qld.gov.au)]  
**Sent:** Thursday, December 13, 2012 02:27 PM E. Australia Standard Time  
**To:** Andrew Berkman  
**Subject:** TMR Brief\_Regional Air Services

Hi Andrew, copy below. Jenny

Kind regards,

**Neil Scales**  
A/Director-General (Transport and Main Roads) | Executive Directorate  
Office Of The Director-General | Department of Transport and Main Roads

---

Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000  
GPO Box 1549 | Brisbane Qld 4001  
P: (07) 30667316 | F: (07) 30667122  
E: [neil.z.scales@tmr.qld.gov.au](mailto:neil.z.scales@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

----- Forwarded by Jennifer M Grace/cp1/qdot/au on 13/12/2012 02:27 PM -----

From: Neil Z Scales/cp1/qdot/au  
To: [campbell.newman@ministerial.qld.gov.au](mailto:campbell.newman@ministerial.qld.gov.au)  
Cc: [steve.minnikin@ministerial.qld.gov.au](mailto:steve.minnikin@ministerial.qld.gov.au); [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
Date: 13/12/2012 02:27 PM  
Subject: TMR Brief\_Regional Air Services  
Sent by: Jennifer M Grace

Good afternoon Premier

Attached is the Transport and Main Roads briefing on Regional Air Services

(See attached file: Briefing note\_Regional Air Services.doc)(See attached file: Attachment 1\_MBN16181.pdf)

sent by Jennifer Grace, Office of the Director-General

Kind regards,

Neil Scales

---

Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000  
GPO Box 1549 | Brisbane Qld 4001  
P: (07) 30667310 | F: (07) 30667122  
E: [neil.z.scales@tmr.qld.gov.au](mailto:neil.z.scales@tmr.qld.gov.au)  
W: [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

\*\*\*\*\*  
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\*\*\*\*\*

Released under RTI - DPC





- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The Department of Transport and Main Roads (TMR) has commenced a review of the government supported long distance passenger transport (all modes) network to identify potential efficiency savings and examine whether regulation of routes is still required.
- The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- A briefing note was provided to the Minister for Transport (MBN16181) in August 2012, including a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. This is included as Attachment 1.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review to be undertaken.
- TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the regional network analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for Cook, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).
- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

#### Comment

- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland now that these services are mature, particularly the service from Cairns to Weipa, and Brisbane to Roma. Both of these services are currently provided by QantasLink.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While patronage on these routes has grown in recent times, the current regulatory regime needs to be carefully assessed to determine whether competition can be sustained on these routes and minimum service levels provided to these communities.
- The failure of critical community air services was experienced in January 2009, when MacAir went into receivership. This affected services to the Gulf, Longreach, Mt Isa, Thargominda, Toowoomba, Charleville and a number of other communities on these routes.
- The extension of current regulated contracts to December 2014 is required to allow sufficient time to undertake economic analysis and coordinate a tender process in the circumstances where the state will be required to continue regulation, which is expected to be the case for many of these services.
- Economic analysis will be undertaken on regulated air routes to determine current market structures, market boundaries and socio-economic profiling of towns and cities to determine the potential impacts of competition.

Exempt Sch.3(7) Legal Professional Privilege

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- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities.

**Recommendation**

- That you note the basis for extension of regulated air service contracts to December 2014.
- That you note the risk to minimum service levels for rural and remote communities in the event that regulation is removed without the necessary community impact assessments.

Enc (1)

Released under RTI/DISC

## Daniel Harris

**From:** Ross Mensforth  
**Sent:** Wednesday, 9 January 2013 9:34 AM  
**To:** Daniel Harris  
**Subject:** FW: Deloitte analysis  
**Attachments:** Draft Deloitte Report - 21 December 2012.DOCX

FYI

---

**From:** Craig Evans [mailto:Craig.Evans@premiers.qld.gov.au]  
**Sent:** Friday, 4 January 2013 3:26 PM  
**To:** Paul Leven; Ross Mensforth  
**Subject:** FW: Deloitte analysis

For info, noting that we are expecting a further update from Deloitte on Monday. Regards Craig

Craig Evans AM  
Acting Director-General  
Department of the Premier and Cabinet

+61 7 34062140

[www.premiers.qld.gov.au](http://www.premiers.qld.gov.au)

---

**From:** Judy Dudurovic  
**Sent:** Friday, 4 January 2013 3:21 PM  
**To:** Neil Scales (Transport and Main Roads)  
**Cc:** Craig Evans; Patrick Vidgen  
**Subject:** FW: Deloitte analysis

Hi Neil

Please find below an email from Graham Newton from Deloitte on their findings to date from the email interrogation.

Also attached is a copy of the draft Deloitte Report from 21 December (this builds on the report from 18 December provided to you by Jon Grayson)

regards  
Judy

---

**From:** Newton, Graham (AU - Brisbane) [mailto:grnewton@deloitte.com.au]  
**Sent:** Friday, 4 January 2013 2:49 PM  
**To:** Judy Dudurovic  
**Cc:** Craig Evans  
**Subject:** RE: Deloitte analysis

Hi Judy,

By way of update we are progressing through the email interrogation at the moment having received the data last Friday (28<sup>th</sup>). It has taken some days to load the volume of data (1.4 terabytes) into a software platform to make is searchable. Two data sets, for custodians Mark Cridland and Ryan Heulin, were producing errors and appeared to be

in a corrupted form. We have contacted Geoff Dutton of DTMR about this problem and he is extracting the data again and should have this to us on Monday 7 January. We will then need to process this data again for searching.

Whilst the process of loading the remainder of data into a searchable form is still underway, we have managed to commence our searches and I can provide some interim results for you. Our focus more generally has been on the following:

- the legal advice provided in January 2012 and any communications in relation to this to potentially indicate more clearly why it was not acted on
- the creation of the Ministerial Briefing Note and any communications in relation to this that may relate more directly to the air operator contracts and proposed extensions
- overall communications involving the three contracting parties and government employees where there may be discussion or communication in relation to the contracts and proposed extensions

There are a number of emails we have identified to date that appear to be most relevant to the circumstances we are examining. Some of the names referred to in the emails are not known to us so I am not able to provide any context in relation to the involvement of these people. The emails are summarised as follows:

- There is a word document attached to an email dated 5 March 2012 from Peter McCullough to Warwick Lodge of Rex entitled: *'Final Rex 28 November 2011 Quarterly Review Meeting Minutes'* where the possibility of a contract extension is discussed. It reads – *"MG advised as there is only 1 ¼ years until the end of the contract, it is highly likely the current contract will be extended to at least the end of the 2013 financial year, or calendar year. Further advice will be provided when known. WL advised REX would be comfortable with a contract extension"*. This email appears to indicate that Rex was being advised in November 2011 that the contracts would likely be extended until December 2013.
- The original legal advice sought by Katie Pekaj in January 2012 is emailed to her and Catherine Reid by Alison De Marco on 30 January 2012. Katie Pekaj responds and thanks Alison and also CC's Peter McCullough. At this stage we have not seen this email or the attached advice forwarded to anyone else. However, Katie Pekaj advises Andrew Shepherd in an email on 7 March 2012 that she has saved the legal advice in the *'cross modal folder'*.
- There is a memo addressed to Ryan Huelin dated 27 February 2012 that appears to have been created by Martin Grace which outlines a business case for the appointment of a Senior Project Officer. It provides an overview of the RNA projects and describes how the air and coach contracts are coming to an end and *'The department is proposing to extend all of these contracts to 31 December 2013'*. It makes no reference to the legal advice sought in relation to the extensions. Martin Grace created the first draft and approved the final which was subsequently submitted to Zoe Bond in another email sent from Amanda Fairley on 27 February 2012.
- On 4 May 2012 there is an email with the subject *'RNA 3 Ministerial Briefing Note'* and a word attachment *'RNA 3 Ministerial Briefing Note - DRAFT'* from Katie Pekaj to Kelly Armour, Belinda Lewis, Martin Grace, Christopher Basche and Peter McCullough. The email requested feedback and comments on the content. The briefing note contains five options for the Minister to consider (as opposed to three in the final briefing note) and the extension date is 31 December 2013 (as opposed to 31 December 2014 in the final briefing note), the options outlined are:
  - *Option 1 (preferred option)*  
*Continue with the review as planned with long distance passenger rail included as part of the review. Extensions would be sought for existing air and long distance coach contracts to 31 December 2013 and a decision would be delayed on the Inlander and Westlander until this review is complete.*
  - *Option 2*  
*Continue with the review as planned with long distance passenger rail excluded from the review. Extensions would be sought for existing air and long distance coach contracts to 31 December 2013.*
  - *Option 3*  
*The review does not go ahead and the current long distance passenger network remains the same with the government continuing support of current regulated / subsidised services. If this option is pursued, the department could commence the tender process immediately so that new contracts would align with the end of the current contracts. This option however has not been previously supported by Treasury and DPC. There are potential lost savings and market distortion as the review presents an opportunity to make network efficiencies and enable efficient government investment in services.*
  - *Option 4*

Similar to Option 3, this option would see the planned review not go ahead and the current long distance passenger network remain the same however air routes that have high patronage and do not require government subsidy would be deregulated and low patronage long distance coach routes would be removed. This would include removing regulation requirements on Horn Island, Weipa and Roma air routes and subsidy from the Biloela and Collinsville long distance coach routes. This would create savings of around \$250,000 per annum as the above air routes are not subsidised.

o Option 5

The department does not commence the review and the government does not enter into air or long distance coach service contracts once current contracts expire. This would mean the Queensland government would cease support of regulated/subsidised air and long distance coach routes in Queensland. This would create savings of around \$12 million per annum however it would also create significant negative community reaction, in particular from the small isolated communities that heavily rely on the current services to access essential services in larger centres. Without government support of these services, they are generally unviable for operators due to low patronage and high operating costs.

Judy we are currently sourcing all of the responses that were provided in relation to this original draft of the Ministerial Briefing Note. When I am able to collect all of these I will update you further. I expect this will be Monday.

Kind regards

Graham Newton

Partner | Forensic

Deloitte Touche Tohmatsu

123 Eagle Street, Brisbane, QLD, 4000, Australia

Tel/Direct: +61 7 3308 7080 | Fax: +61 7 3308 7004 | Mobile: S.73 Telephone Num

gnewton@deloitte.com.au | www.deloitte.com.au

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**From:** Judy Dudurovic [mailto:Judy.Dudurovic@premiers.qld.gov.au]

**Sent:** Friday, 4 January 2013 12:47 PM

**To:** Newton, Graham (AU - Brisbane)

**Cc:** Craig Evans

**Subject:** FW: Deloitte analysis

Hi Graham

Neil Scales has just contacted us below seeking advice on whether there is any further advice on the email analysis.

I know that you are on leave, but I would be very grateful if you are able to advise the current status.

regards

Judy

Judy Dudurovic | Executive Director - Business Services | Department of the Premier and Cabinet | Level 1, 100 George Street, Brisbane |  
judy.dudurovic@premiers.qld.gov.au | (07) 3224 4691

Please consider the environment before printing this email

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**From:** Neil Scales (Transport and Main Roads)

**Sent:** Friday, 4 January 2013 12:44 PM

**To:** Jon Grayson

Cc: Scott Martin; Judy Dudurovic; Patrick Vidgen  
Subject: Re: Deloitte analysis

Happy New Year Jon,

Is there any further progress on the further analysis by Deloitte please ?

Regards,

Neil Scales  
Deputy-Director General  
TransLink Division | Department of Transport and Main Roads  
420 George Street Brisbane Qld 4000 | GPO Box 50 Qld 4001  
t 07 3338 4500. | f 07 3338 4600  
e [neil.scales@translink.com.au](mailto:neil.scales@translink.com.au)  
w [www.translink.com.au](http://www.translink.com.au)  
w [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)

On 18/12/2012, at 9:10 AM, "Jon Grayson" <[Jon.Grayson@premiers.qld.gov.au](mailto:Jon.Grayson@premiers.qld.gov.au)> wrote:

- > Neil
- >
- > Further to our discussion this morning, attached is Deloitte's preliminary findings which may be instructive for you.
- >
- > You will note that Deloitte wishes too undertake further work, including a confidential analysis of any emails between the department and industry. If you are agreeable, could you please alert your head of IT, and Scott Martin from DPC will be in touch to arrange.
- >
- > Kind regards
- >
- > Jon Grayson
- > Director-General
- > Department of the Premier and Cabinet
- >
- > ' (07) 322 44728
- > • [jon.grayson@premiers.qld.gov.au](mailto:jon.grayson@premiers.qld.gov.au)<<mailto:kelly.skuse@premiers.qld.gov.au>>
- >
- > Executive Building | Level 15 | 100 George Street | Brisbane
- > PO Box 15185 | City East | Queensland 4002
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**Deloitte**

**Department of the  
Premier and Cabinet**

**Regulated Air Routes Contract  
Renewal Special Review**

Released Under RTIP  
DRAFT  
DPC

**21 December 2012**

16

Mr Jon Grayson  
Director General  
Department of the Premier and Cabinet  
PO Box 15185  
CITY EAST QLD 4002

21 December 2012

Dear Jon

**Re: Regulated Air Routes Contract Renewal - Special Review**

Please find attached the report from the regulated Air Routes Contract Renewal review.

If you have any questions or wish to discuss anything raised within the report, please contact me on (07) 3308 7046 or [REDACTED] S.73 Telephone N or Graham Newton on (07) 3308 7080 or [REDACTED]

Yours sincerely

**Carl Gerrard**  
Partner  
Deloitte Touche Tohmatsu

# Contents

|   |   |    |
|---|---|----|
| 1 | Executive Summary   | 1  |
|   | 1.1 Background  | 1  |
|   | 1.2 Key issues  | 1  |
| 2 | Analysis of the decision by DTMR to extend current air contracts    | 2  |
|   | 2.1 Overall Summary   | 2  |
|   | 2.2 Original contracts  | 3  |
|   | 2.3 Contract extension  | 4  |
|   | 2.4 Consultation and communication plan                             | 6  |
|   | 2.5 Options   | 6  |
|   | 2.6 Lessons learnt – Observations regarding decision making process | 6  |
|   | Appendix A – Timeline of key events                                 | 8  |
|   | Appendix B - Document listing                                       | 10 |
|   | Appendix C – Personnel Interviewed                                  | 11 |

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# 1 Executive Summary

## 1.1 Background

Department of the Premier and Cabinet (DPC) engaged Deloitte to undertake an urgent review of the decision by the Minister for the Department of Transport and Main Roads (DTMR) to extend existing air contracts on subsidised regional routes beyond their current expiry date in March 2013 to December 2014. A summary of the key dates and findings from analysis undertaken during the period 17 – 21 December 2012 is outlined in Section 2.

## 1.2 Key issues

There are limitations and issues in relation to the project management by DTMR including gaps in documentation and briefs with insufficient justification and risk identification.

DTMR prepared an options brief for the Minister dated 30 July 2012 which recommended that to allow time for the completion of the Regional Network Analysis (RNA) Stage 3, that the Air services contract be extended to December 2014. One of the objectives of the RNA3 is to undertake a comprehensive intermodal review (rail, air and coach) to ensure the state government subsidies for routes are complementary and cost effective. To complete this review prior to March 2013 was considered at the time to not be feasible due to delays in RNA2 and availability of the necessary internal resources. Therefore DTMR recommended to the Minister that he approve a contract extension period so that sufficient time could be spent on the RNA3 project prior to going out to market.

Extending a contract without consulting other potential suppliers is appropriate so long as it is within the original request for proposal and contract terms and conditions.

There were a range of steering committee meetings and briefs, demonstrating that there was active consideration of RNA3 and the contract extension between January and July when the Ministerial briefing note was prepared recommending the extension.

## 2 Analysis of the Decision by DTMR to Extend Current Air Contracts

### 2.1 Overall summary

- Based on documents reviewed and people interviewed it is apparent that the process adopted throughout Regional Network Analysis Stage 3 (RNA) was consistent with a holistic review that incorporated an intermodal review of coach, rail and aviation transport
- The review did consider and incorporate some planning and timeline documents, formation of Steering Groups and internally documented meetings to reflect considerations and decisions made at various stages of the RNA
- Ministerial Decision Brief MBN16181 dated 30 July 2012 did not consider or document the risk attached to the 3 options being considered as part of the RNA
  - Option 1 – Extend contracts and allow review
  - Option 2 – Tender and no review
  - Option 3 – Undertake review and remove high performing air routes

- Context of briefing on Option 1 lacked detail in relation to Air Contracts and what the RNA 3 review would cover
- Contemplation to extend contracts was discussed in May 2012 (9 May RNA Steering Committee meeting)
- Coach and Air contracts have been extended to December 2014. Rail has not been extended and is due to expire June 2013

- Exempt Sch.3(7) Legal Professional Privilege

## 2.2 Original contracts

- There were three original Air Services Contracts entered into, all due to expire on 31 March 2013. These were with Regional Express (REX), QantasLink and Skytrans
- The terms and rights of extension clauses in all three contracts provides for extension provisions of between 3 – 6 months

• Exempt Sch.3(7) Legal Professional Privilege

[Redacted content]

- Our review of the Air Services Tender Information Pack 2007 provided to suppliers outlines a number of requirements and in particular a detailed table of requirements for all routes outlined the Term of the contract as "From the Commencement Date until 31 December 2012 (subject to Contract Clause 2.2 (Right of Extension))." We note that the contract extension clause is actually Clause 1.2 and assume that this is an error in the Tender Documentation. A copy of the draft Air Services contract September 2007 included with the tender pack details Clause 1.2 covers Right of Extension.
- Parties that tendered for each route are outlined in the table below:

| Route            | Horn Island                      | Welba       | Northern 14               | Central 1&2 | Western 1&2      | Gulf      |
|------------------|----------------------------------|-------------|---------------------------|-------------|------------------|-----------|
| Tender Operators | Qantas Link<br>CTPI - Business A | Qantas Link | Regional Pacific Airlines | Qantas Link | MacAir<br>MacAir | Sky Trans |

- It should be noted that Virgin Blue were invited to tender but did not at the time. Review of the RNA Tender Process Contact Register – Air indicated that Virgin Blue via email on the 19/9/2007 “thanked QT for the email- expressed that Virgin Blue were not interested in the tender process.”
- The Air Services Tender Information Pack for RTP 140A09 covering the Northern, Western and Gulf Subset outlines the term “From the Commencement Date until 31 March 2013 (subject to Contract Clause 2.2 (Right of Extension))
- Exempt Sch.3(7) Legal Professional Privilege
- [Redacted]
- As at 21 December, there is no contract with Skytrans. Based on the terms of the original contract, if no extension is agreed by the parties by 31 December, the capacity to extend the contract beyond 31 March 2013 is lost.
- [Redacted]

### 2.3 Contract extension

- [Redacted]
- Our review of the Quarterly contract review meetings held this year between the contracted parties indicated that contract extensions were being discussed with the contractors as early as March 2012.

| Contractor              | Quarterly Review details   |
|-------------------------|--|
| <b>Qantas Link</b>      | <p>Friday 11 May 2102 – Agenda Item 6 QantasLink advised that “the department is seeking approval from the Minister to undertake the review of contracted air services”</p> <p>Friday 7 September 2012 – Agenda Item 6 – advised that “it is most likely the review of the contracted air services will progress and contracts will be extended. QantasLink will be notified when further information is available.”</p> <p>It should be noted that an email dated 11/9/2012 from Tony Meredith to Ryan Huelin indicated that the Minister had approved the decision. This is 5 days after QantasLink was advised.</p> |
| <b>Sky Trans</b>        | <p>Thursday 25 October 2012 -- advised current contracts extended until 31 December 2014 and confirmed a letter of extension was sent to SkyTrans recently.</p> <p>Advised a Deed of Variation will be prepared on acceptance of the extension offer.</p>  |
| <b>Regional Express</b> | <p>Wednesday 14 March 2012 – Agenda Item 6 – advised that due to caretaker mode, the department is unable to discuss the developments of RNA 3 in detail. Advised that “at this stage contracts are planned to be extended to December 2013”.</p> <p>Thursday 13 September 2012 – Agenda item 6 – advised that “the decision on the review of contracted air services is still pending. However Rex was advised</p>  |

<sup>1</sup> Note that all 3 contracting parties received Extend to Services Contracts dated 18 October 2012.

| Contractor | Quarterly Review details   |
|------------|--|
|            | that contracts would be extended until 31 December 2014. Rex advised they would be comfortable with an extension." |

- The contract extensions were discussed at the former DTMR RNA 3 Steering Committee on 9 May where it was stated that "The need to extend contracts until December 2014 to allow time to finalise the review process was discussed considering work is required to be undertaken internally"
- We understand that in June/July Acting GM Passenger Transport Integration Mr Peter Milward had a discussion with Executive Director Economic Policy Department for the Premier and Cabinet and Director Transport Area Queensland Treasury during which the issue of extending contracts was raised
- The RNA 3 Steering Committee was advised on 3 August 2012 of advice regarding extensions to contracts where it also noted that the both agencies "support concept of extending contracts but would require further discussions about the project"
- This review has not identified any additional evidence of further advice regarding contract extensions being provided to the Executive Director Economic Policy Department for the Premier and Cabinet and Director Transport Area Queensland Treasury
- At this meeting it was also noted that the Ministerial Decision Brief MBN16181 was with the DDG
- The timeline prepared in the form of a Gant Chart (V2) included the consideration to extend the current contracts on or about 24 September 2012.<sup>2</sup>
- Minutes of RNA3 Policy Workshop meeting on 20 September 2012, at Agenda Item 2 noted that "...importantly attendees were advised that Ministerial approval had been provided for current air and coach contracts to be extended to December 2014 which will allow time to conduct the RNA 3 process".
- DTMR received via email information requests from Virgin Australia
  - on the 17 September 2012 regarding Qld Airports and Regulated Air Transport Plan their request was specifically around the Central 1 route Brisbane – Roma - Charleville –Roma – Brisbane
  - on the 16 October 2012 regarding several matters including commencement dates of the Brisbane –Roma, Cairns – Weipa and Townsville-Cloncurry- Mt Isa. The response provided to Virgin Australia by the Department did not advise the commencement dates.
- DTMR and the parties have exchanged correspondence – letters of arrangement proposing to extend the services contract on the 18<sup>th</sup> October 2012

Exempt Sch.3(7) Legal Professional Privileged



<sup>2</sup> Note Version 3 of this document has since been prepared which does not reflect contract extensions



## 2.4 Consultation and communication plan

- A draft consultation and communication plan was developed which references a media release by the Minister. A draft media release was provided to the Minister on the 30 October 2012 for consideration we understand that the media release was never issued. This referenced RNA3 and the contract extensions.
- The draft communication and consultation plan also listed stakeholders that would be consulted "*seeking submissions*" which included Virgin, Jetstar, Hinterland Aviation and others
- The draft communication and consultation plan also listed risks and opportunities which included "*Raising community and industry expectations*". The mitigation / support strategy outlined for this risk/opportunity included (1) engagement through the consultation process (2) make it clear that this is an exploratory process and (3) adequately brief the Minister on the project scope and provide regular status updates.

## 2.5 Options

The options open to Government rely on the legality of the of the extension letters.

The issue to contend with is whether in the absence of a formal deed of variation covering the proposed extension allows:

- The CEO the ability to revoke the regulation (first declared on 1 October 2012) on the relevant routes under question –
  - Brisbane-Roma-Charleville-Roma-Brisbane
  - Townsville-Cloncurry-Mt Isa-Cloncurry-Townsville
  - Cairns –Weipa- Cairns
- DTMR to withdraw its offer to extend the services contract (Clause 34.5) deems no variation to the service contract will be effective "unless it is in writing and duly executed by the parties or signed by the parties giving it.
- DTMR may grant rights or benefits under Section 3.3 (Air Services Contract). This could be further investigated.
- Exempt Sch.3(7) Legal Professional Privilege

## 2.6 Lessons learnt – observations regarding decision making process

### 2.6.1 Documentation of proper process and advice sought

The original contracts entered into in 2008 state that the contract can be extended by 3-6 months. There was no reference to the contract terms and conditions in the Ministerial briefing note in July 2102. In addition, there was no mention of the risks of extending the contracts until

December 2014 in the brief to the Policy Advisor for the Minister for Transport and Main Roads.

The conversation during which DTMR discussed the contract extension with Treasury and DPC on or about June/July 2012 was verbal and not documented.

The Project Gantt chart on the RNA whilst detailed and inclusive of a number of key milestones particularly in version 2 has not been maintained. (The most recent version 3 is dated August 2012 and the dates in the two prior versions vary significantly).

### 2.6.2 Lack of continuity in project management

DTMR staff working on RNA3 and contract extensions were temporary and some ceased employment on 30 June. Without adequate handover and documentation, this may have contributed to gaps in the knowledge of staff remaining in DTMR responsible for continuing with RAN3.

There have been a number of senior management changes in DTMR and more recently, structural changes and lines of reporting due to the merger of TransLink into DTMR. Again, without adequate handover and documentation, this lack of continuity in the responsibility for the project could impact on knowledge of staff now responsible for the delivery of the project.

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# Appendix A – Timeline of Key Events

We provide below a timeline of key events in the context of this matter to include reference to documents, meetings and discussions that are relevant:

| Date         | Event  |
|--------------|--|
| 18 Jan12     | Exempt Sch.3(7) Legal Professional Privilege<br>[Redacted]   |
| 30 Jan 2012  | [Redacted]   |
| Feb 2012     | Mr Martin Grace returns from leave whereupon he was provided with the<br>[Redacted]  |
| 15 Feb 2012  | DTMR RNA3 Steering committee meeting. Those present include Mr Grace and Ms Katie Pekaj. No reference in minutes to the legal advice sought and obtained in the weeks preceding this   |
| 14 Mar 2012  | Quarterly meeting with DTMR and representatives from REX where minutes record Mr Grace as noting that "...at this stage contracts are planned to be extended to December 2013".  |
| 11 May 2012  | Quarterly meeting with DTMR and representatives from QantasLink where minutes record Mr Grace noting that "...the department is seeking approval from the Minister to undertake the review of contracted air services".      |
| 30 July 2012 | Ministerial Briefing Note prepared for Minister outlining three options with regard to management of existing aviation contracts. Option one - roll over of existing contracts for 2 years period recommended.<br>[Redacted] |

We asked Mr Peter McCullough (Principal Advisor Aviation), who was relieving in the position of Mr Martin Grace in January, why the legal advice was not considered or included in the Ministerial Briefing Note in July 2012 he responded by saying that the legal advice had been obtained in January. He did not provide any other explanation as to why this advice had not been properly considered or incorporated into the Briefing Note.

---

|              |  |
|--------------|--|
| 7 Sep 2012   | Quarterly meeting with DTMR and representatives from QantasLink where minutes record Mr Grace noting that <i>"...it is most likely the review of the contracted air services will progress and contracts will be extended. QantasLink will be notified when further information is available."</i> |
| 11 Sept 2012 | Ministerial approval for the recommended option to extend the three aviation contracts is noted in internal email communication.   |

---

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DRAFT

# Appendix B – Document Listing

As part of the review we examined the following documents:

## Document Name

Department of Transport and Main Roads Decision Brief 30 July 2012 (including Attachment One)

Ministerial Approval email from Tony Meredith to Ryan Huelin re MBN16181 – Review of PT services– 11 September 2012

Regional Air Services Briefing Note to Policy Advisor for Minister for Transport and Main Roads 16 December 2012

Draft Regional Network Analysis Stage 3 (RNA3) – Consultation and Communication plan

Draft RNA3 Media Release – drafted 30 October 5 November 2013

Email Correspondence with Virgin Australia on 19 September 2012 and 16 October 2012

Email request Exempt Sch.3(7) Legal Professional Privilege

Memorandum of Advice – Extension of long distance coach and air service contracts 30 January 2012

Air Services Tender Information Pack for RTP 140A09 plus proforma contract

Air Services Tender Information Pack plus proforma contract 2007

Public advertisement of Invitation to Offer

RNA 3 project Gantt Charts version 1-3

Regional Network Analysis Stage 3 Steering Committee Meetings

15 February 2012

23 March 2012

9 May 2012

3 August 2012

Regional Network Analysis 3 (RNA3) – Policy Workshop 20 September 2012

Quarterly Review Meetings Minutes – QantasLink, Regional Express, SkyTrans

Air Tender process 2007 spreadsheet

Extension letter to Skytrans, QantasLink, Regional Express Air 18 October 2012

Acceptance letters from Skytrans, QantasLink, Regional Express Air

Air Services Contracts for Skytrans, QantasLink, Regional Express Air

# Appendix C – Personnel Interviewed

| Position  | Person           |
|---|------------------|
| Acting Director General                           | Neil Scales      |
| Executive Director Bus, Ferry, Coach & Air        | Michael McGee    |
| Director Contract Management and Service Delivery | Chris Basche     |
| Executive Director Service Policy and Investment  | Peter Milward    |
| Acting Principal Advisor                          | Katie Pekaj      |
| Principal Advisor                                 | Peter McCullough |

DRAFT

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## Daniel Harris

---

**From:** Ross Mensforth <ross.S.73 Email Address >  
**Sent:** Sunday, 16 December 2012 12:56 PM  
**To:** Daniel Harris  
**Cc:** Paul Leven; Ross Mensforth  
**Subject:** Fwd: Briefing Note with labelled attachments  
**Attachments:** Briefing note\_Options for Regional Air Services 15 Dec 12.doc; Attachment 1 - RNA3 Detailed Project Gantt Chart; Attachment 2 - LA request QantasLink\_13 December 2012.doc; Attachment 3 - QLD Regulated Routes\_Results Review Year 4.pdf

As per my email

Begin forwarded message:

**From:** Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
**Date:** 15 December 2012 6:44:11 PM  
**To:** Ross Mensforth <Ross.Mensforth@ministerial.qld.gov.au>, "ros" <ross >  
**Subject:** Fw: Briefing Note with labelled attachments

Attached is a briefing note from Neil Scales explaining how we got here and options going forward.

Tony

---

**From:** Basche, Christopher [<mailto:Christopher.Basche@translink.com.au>]  
**Sent:** Saturday, December 15, 2012 04:27 PM  
**To:** Neil Z Scales <Neil.Z.Scales@tmr.qld.gov.au>  
**Cc:** McGee, Michael < michael.mcgee@translink.com.au >; Longland, Matthew <matthew.longland@translink.com.au>; Tony Meredith  
**Subject:** Briefing Note with labelled attachments

Neil,

As requested.

Regards

Christopher Basche  
Director (Regional Bus Contracts)  
TransLink Division | Department of Transport and Main Roads

---

420 George Street Brisbane Qld 4000 | GPO Box 50 Brisbane Qld 4001  
t 07 3338 4074 | f 07 3338 4600  
e [Christopher.Basche@translink.com.au](mailto:Christopher.Basche@translink.com.au)  
w [www.translink.com.au](http://www.translink.com.au) w [www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)



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## Daniel Harris

**From:** Ross Mensforth <ross.S.73 Email Address >  
**Sent:** Sunday, 16 December 2012 12:52 PM  
**To:** Daniel Harris  
**Cc:** Paul Leven; Ross Mensforth  
**Subject:** Fwd: Briefing on long distance passenger service review

**Categories:** Red Category

Hi Dan

Just working through this issue and I was wondering if you'd be able to take a look at what Tony and TMR have sent across? (A separate brief with 4 options — all bad, has been drafted by TMR and this has gone to Ben - I will forward a copy of this separately)

It appears that the contracts for 2 of the 3 airlines have been "locked in" but they maybe able to be broken (potentially at significant costs)

So best option may actually be to go keep the two contracts that have been extended but getting the third contract, that hasn't yet been accepted, out to a competitive tender.

The alternative will be to make Qantas and Regional Express very unhappy?

Cheers

Ross  
S.73 Telephone Nu

Begin forwarded message:

**From:** Tony Meredith <Tony.Meredith@ministerial.qld.gov.au>  
**Date:** 16 December 2012 11:51:48 AM  
**To:** Ross Mensforth <Ross.Mensforth@ministerial.qld.gov.au>, "ross.S.73 Email Address" <ross.S.73 Email Address >  
**Subject:** Fw: Fwd: Briefing on long distance passenger service review

---

**From:** Tony Meredith  
**Sent:** Sunday, December 16, 2012 10:29 AM  
**To:** Ben Myers  
**Cc:** Steve Minnikin  
**Subject:** Re: Fwd: Briefing on long distance passenger service review

The member for Cook needs to be aware that an invitation was extended to him to attend the meeting. His electorate office did not respond to the invite.

Quite similar to when I sought his advice on regulation of services in TSI and, once again, no response from his office.

Also, I was in the meeting he is talking about. The officers did not say that the offer had not been accepted but they would have to check. Confirmation was subsequently provided to him.

As for services in the TSI, the reduction in State Government travel has hit the existing operator hard. The A/DG of TMR wrote to DPC last week to raise the issue of State Government officers preferring to use charter flights instead of regular passenger services. Charter flights can be cheaper because they have lower safety standards.

The MP wants us to go up and talk to people but that's exactly why we need to do this review. Can Horn Island sustain a second operator? Does any other operator want to fly to Horn Island? (Virgin doesn't.) All questions that need answering.

Happy for the member for Cook about any ideas he has as part of the State wide review. But could I suggest that he actually talks to the Minister's office first.

I hope this clarifies the matter for you.

Tony

---

**From:** Ben Myers

**Sent:** Sunday, December 16, 2012 10:03 AM

**To:** Ross Mensforth; Ross Mensforth <ross.S.73 Email Address>; Tony Meredith

**Subject:** Fwd: Briefing on long distance passenger service review

Sent from my iPhone

Begin forwarded message:

**From:** Campbell Newman <Campbell.Newman@ministerial.qld.gov.au>

**Date:** 16 December 2012 9:58:28 AM AEST

**To:** Ben Myers <Ben.Myers@ministerial.qld.gov.au>

**Subject:** Fw: Fwd: Briefing on long distance passenger service review

See below - FYI

Our policy advisers should also see this

---

**From:** Cook Electorate Office [mailto:COOK@parliament.qld.gov.au]

**Sent:** Thursday, December 13, 2012 05:35 PM E. Australia Standard Time

**To:** Campbell Newman

**Cc:** Steve Minnikin

**Subject:** Fwd: Briefing on long distance passenger service review

Campbell

I enclose the names of the bureaucrats who attended the briefing with Howard Hobbs and Vaughan Johnson on the 28th

I was not advised of nor invited to this meeting.

Howard mentioned it to me after I had raised the regional airline issue with him in an earlier discussion and I turned up after it had started.

There is no doubt in my mind that so far as the Dept knew the offers had been made but not accepted.

I pursued this though our Chief of Staff and subsequently received copies of not only the offers but Qantaslink acceptance.

My concern apart from the stupidity of the extension is that there has been no consultation around this decision and my efforts to bring about a better cheaper air service have been frustrated

The perception the department is creating that some how the regulated route to Weipa and Horn is either necessary or what the community want, is nonsense.

The numbers for Weipa and Horn are very similar and both should be deregulated.

In respect of travel with the Straits my proposal could see several millions of dollars saved in the unnecessary charter costs we pay each year

We should do an immediate review across all departments of the cost of charter in CY TSI

The overuse of charter and the fact the charter companies bend CASA rules is exactly why RPT services are unsustainable

These bureaucrats should get themselves up here and talk to people before foreclosing on economic and social options.

If that decision to extend can be reversed it should be as we promised a review of travel costs on Cape York and Torres Strait and now we must sit on our hands for 2 years

I think we might be able to get interconnecting flights going and a regular RPT but its all that much harder now with the main routes remaining in a monopoly

I am in TI and heading to Mer with the minister tomorrow

When I get home I will prepare a more comprehensive brief on the facts and figures around what I was proposing

Sorry this good idea turned to crap but I think the bigger picture is we need to control the bureaucratic decision making process as this is by no means an isolated occurrence

Cheers  
David

David Kempton

Member for Cook  
Assistant Minister for Aboriginal and Torres Strait Islanders

Begin forwarded message:

**From:** Tony Meredith <[Tony.Meredith@ministerial.qld.gov.au](mailto:Tony.Meredith@ministerial.qld.gov.au)>  
**Date:** 13 December 2012 9:23:25 AM AEST  
**To:** Cook Electorate Office <[COOK@parliament.qld.gov.au](mailto:COOK@parliament.qld.gov.au)>  
**Cc:** "Steve Minnikin (Ministerial)" <[Steve.Minnikin@ministerial.qld.gov.au](mailto:Steve.Minnikin@ministerial.qld.gov.au)>  
**Subject:** Briefing on long distance passenger service review

I've been asked to send you the names of the officers who were with me at the briefing we recently had on the long distance passenger services review. They were:

Matthew Longland – A/Deputy Director-General  
Steve Banaghan – General Manager – Passenger Transport Services Branch  
Peter Milward – A/General Manager – Passenger Transport Integration Branch

I note that in emails to Dick White you have mentioned that you thought that in that meeting officers had told you that a response had not been received from QantasLink about extending the contract. They actually said that they didn't know and we have subsequently provided you with copies of the QantasLink response. Please feel free to call me if you need anything else.

**Tony Meredith**- Senior Advisor  
**Office of The Hon Scott Emerson MP**  
Minister for Transport and Main Roads

Phone 07 38980813  
Mobile S.73 Telephone N  
Email [tony.meredith@ministerial.qld.gov.au](mailto:tony.meredith@ministerial.qld.gov.au)  
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85 George Street, Brisbane Qld 4001

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Pages 172 through 173 redacted for the following reasons:

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Exempt Sch.3(7) Legal Professional Privilege

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## Briefing Note

Date 16 December 2012

**To** Policy Advisor for Minister for Transport and Main Roads

**Copy to**

**Subject** Regional Air Services

### Background

- Queensland currently has 10 regulated routes operated by QantasLink, SkyTrans and Regional Express (REX). Five of these air services are also subsidised by the Queensland Government.

| Route  | Current Contract Holder | Regulated | Subsidised |
|--|-------------------------|-----------|------------|
| Central 1: Brisbane-Roma-Charleville   | QantasLink              | Yes       | No         |
| Central 2: Brisbane-Blackall/Barcaldine-Longreach  | QantasLink              | Yes       | No         |
| Horn Island: Carins-Horn Island  | QantasLink              | Yes       | No         |
| Weipa: Cairns-Weipa  | QantasLink              | Yes       | No         |
| Northern 3: Townsville-Cloncurry-Mt Isa  | QantasLink              | Yes       | No         |
| Gulf: Cairns-Normanton-Mornington Island-Burketown-Doomadgee-Mt Isa                          | SkyTrans                | Yes       | Yes        |
| Western 1: Brisbane-Toowoomba-St George-Cunnamulla-Thargominda                               | SkyTrans                | Yes       | Yes        |
| Western 2: Brisbane-Toowoomba-Charleville-Quilpie-Windorah-Birdsville-Bedourie-Boulia-Mt Isa | SkyTrans                | Yes       | Yes        |
| Northern 1: Townsville-Winton-Longreach  | Regional Express        | Yes       | Yes        |
| Northern 2: Townsville-Hughenden-Richmond-Julia Creek-Mt Isa                                 | Regional Express        | Yes       | Yes        |

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- Current contracts with regulated air service providers are due to expire in March 2013. These contracts commenced in April 2008, following a competitive tender process. It is understood that Virgin did not tender for services at this time.
- Regulation of air services is required to guarantee a minimum service level for rural and remote communities, which are included in the relevant contracts.
- The previous government, when approving the current network of regulated and subsidised air and coach routes in 2007, requested the department conduct a thorough review prior to new contracts being tendered. The review process commenced in late 2011 following the completion of the review into regulating air services in Cape York and Torres Strait.
- Following the change in government in March 2012, the department prepared a briefing note for the Minister for Transport (MBN16181) in July 2012. This briefing note included a number of options to extend current air service contracts to allow for the regional network analysis to be undertaken. These options included extending current contracts, tendering the existing routes or tendering the current routes but deregulate routes with high patronage.
- The recommendation to extend current air service contracts to December 2014 was approved, to allow sufficient time for a comprehensive review of all transport modes to be undertaken. The review comprises a number of stages including market analysis, stakeholder consultation, detailed policy review, network analysis and planning, submission to government for approval, contract development and tendering. Refer to **Attachment 1** for a detailed Gantt chart showing the project staging noting that the timeframes have subsequently been reduced to allow potential new contracts to commence on 1 January 2015.
- The purpose for the approved Regional Network Analysis project is to identify potential efficiency savings in network design and examine whether regulation of routes are still required. The scope of this review includes air services, long distance coach services and long distance passenger rail services, to determine the most effective way to service regional and rural communities throughout Queensland.
- The current status of the project is the policy development of a Public Benefits Test to evaluate when to “step out” of regulated or subsidised services. It is important to note that the contracted Planning Team in Passenger Transport Branch were undertaking project activities were terminated as part of the TMR reform project and over the past six months the project was transferred to the new TransLink Division where the Leadership team who previously managed SEQ transport and were required to become familiar with transport issues in regional Queensland.
- Following Ministerial approval to extend these contracts, TMR wrote to the three current regulated air service providers (QantasLink, SkyTrans and Regional Express) in October 2012, with an offer to extend the current contracts to December 2014.
- A briefing on the Regional Network Analysis, including aviation contracts, was provided on 28 November 2012, to a range of affected government members. The briefing was attended by the Member for Gregory, Member for Cook, Member for Warrego and Office of the Deputy Premier (all attended Members were invited to the briefing).

#### Comment

- In April 2012 a departmental officer received a call from Lea-Anne Tompkins at Virgin Australia requesting information about Queensland’s aviation contracting regime. General information was discussed and she was advised to call later in the year where more information could be available about the status of the current contracts. The next contact made by Virgin was on Wednesday 12 December to confirm that the air contracts had been extended.

• Exempt Sch.3(7) Legal Professional Privilege

- **Current contractual position**

- The Air Services Contract with QantasLink contains detailed clauses about termination of the contract however these clauses are based on performance and there is no provision for early termination. Exempt Sch.3(7) Legal Professional Privilege

- QantasLink and Regional Express have both responded to TMR and accepted the extension to December 2014. SkyTrans has not yet accepted the offer of an extension and has sought to renegotiate the current subsidy for their services.

- A high level analysis on the Weipa and Central 1 route indicate that QantasLink may request damages for lost income and incurred expenses (eg aircraft leases and staff termination payments). High level estimates for an ambit claim for Central 1 could amount to \$45 million and Weipa range between \$31 million to \$36 million for a period of 21 months until 31 December 2014. A further detailed analysis would be required to determine the departments counter-claim to allow detailed negotiations to resolve this claim.
- The Central 1 and Weipa routes have experienced significant passenger growth in the past financial year (32% in Central 1 and 17% in Weipa). This has required investment from QantasLink and increased costings (please refer to Attachment 3 for QantasLink Annual Review presentation for information on costings and revenue forecasts. Please note this document is commercial-in-confidence).
- The Central 1 route connects Brisbane, Roma and Charleville, deregulation of the Roma Charleville segment of the route may disadvantage the Charleville community and leave the city with reduced or no services.

- **Routes Analysis**

- From a high level analysis it would seem out of the 10 regulated routes only the Central 1 and Weipa routes may attract competition to allow deregulation (please note no detailed public benefit test, community impacts and economic modelling have been undertaken to reach this conclusion. It is intended to undertake this detailed modelling in regional Network Analysis project as highlighted in the project Gantt chart).
- Virgin Australia has raised concerns about the current regulatory restrictions which prevent entry to some air services in Queensland now that these services are mature, particularly the service from Cairns to Weipa, and Brisbane to Roma.
- Virgin Australia claims that regulation of these routes is no longer required due to growth in patronage and current economic activity in these regions.
- While Virgin has expressed a desire to compete on a number of regulated air routes, it is expected that the establishment of services may take some time, due to the mobilisation of aircraft, terminal facilities and regulatory approval with Commonwealth aviation authorities

- **Options**

- Option 1. Continue with current contracting arrangement and timelines for completion of Regional Network Analysis project.



- This option will allow TMR to conduct an economic analysis to identify potential efficiency savings in network design, including socio-economic profiling of towns and cities to determine the potential impacts of competition, and examine whether regulation of routes are still required.
- No compensation will be required for contracted operators.
- The Government's relationship with Virgin Australia may be impacted if this option is pursued.
- Option 2. Continue with Regional Network Analysis project, however, compress the timeframe by undertaking a higher level of analysis. This may allow a decision to be communicated to the market which routes will be deregulated and regulated by April 2013.
  - Under this option it is likely no public benefits test and minimal community consultation will be undertaken.
  - Aside from the legal risk associated with the current extension letters - TMR would reoffer the contractors only six month extension until 30 September 2013. Upon the April announcement routes that are identified for deregulation will occur 1 October 2012. The routes that still require regulation will be tendered to the market and may require further contract extensions to undertake the procurement process and allow possible new contractors time to mobilise their operation to replace the current incumbent.
  - The Government's relationship with existing operators (QantasLink, REX and SkyTrans) is likely to be damaged due to withdrawal of currently agreed to contract extension offers.
  - QantasLink may use the media to present their position. This may result in negative media articles on the government's reputation.
- Option 3. Deregulate either or both Central 1 and Weipa routes as they show highest patronage growth and numbers of all regulated services.
  - Certain legal challenge from QantasLink as TMR has potentially breached contract conditions. This challenge will likely result in a negotiated compensation claim with TMR. The Government's relationship with QantasLink is likely to be damaged due to withdrawal of currently agreed to contract extension offers.
  - A decision to deregulate these routes would be made without analysis of impacts on local communities and service level offerings. In particular the deregulation of Central 1 route may impact service levels into Charleville .
  - QantasLink may use the media to present their position. This may result in negative media articles on the government's reputation.
- Option 4. Write to SkyTrans to withdraw the offer for the Gulf, Western 1 and Western 2 routes and conduct a tender for these routes. This may allow Virgin Australia to consider tendering for these routes while they wait for the Regional Network Analysis to be completed.
  - A potential risk is that the cost of operating these services may increase compared with extending the SkyTrans contract (noting that SkyTrans are currently seeking to negotiate a higher subsidy and refused to accept the contract extension offer).
  - TMR is not aware whether Virgin Australia has suitable aircraft to operate these routes or whether Virgin Australia are interested in operating these routes.

- These routes have not been subject to a detailed network review and potential network efficiencies may not be achieved.

**Recommendation**

- To note the above analysis and briefing note and provide direction on the preferred option after due consideration of this paper.

Neil Scales  
A/Director General  
Department of Transport and Main Roads

Enc (3)

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