



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

ENVIRONMENT, RECREATION, COMMUNICATIONS
AND THE ARTS LEGISLATION COMMITTEE

FRIDAY, 27 FEBRUARY 1998

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CONTENTS

FRIDAY, 27 FEBRUARY

Department of Communications and The Arts—	
Program 4—Communications—	
Subprogram 4.1—Telecommunications and postal policy	190
Subprogram 4.3—Telstra Corporation Ltd	199
Subprogram 4.4—Australian Communications Authority	251
Program 3—Broadcasting, online and information services—	
Subprogram 3.1—Broadcasting, online and information policy	260
Subprogram 3.5—Australian Broadcasting Authority	274
Subprogram 3.2—National Transmission Agency	277
Subprogram 3.6—National Office for the Information Economy . . .	279

SENATE

FRIDAY, 27 FEBRUARY 1998

**ENVIRONMENT, RECREATION, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE**

Portfolios: Environment, Communications, the Information Economy and the Arts

Members: Senator Patterson (*Chair*), Senator Schacht (*Deputy Chair*) Senators Bartlett, Eggleston, Lightfoot and Lundy

Senators in attendance: Senators Allison, Boswell, Cooney, Eggleston, Lightfoot, Lundy, Murphy, O'Chee, Patterson, Schacht and Woodley

Committee met at 9.12 a.m.

DEPARTMENT OF COMMUNICATIONS AND THE ARTS

Proposed additional expenditure, \$22,793,000 (Document A).

Proposed additional expenditure, \$2,295,000 (Document C).

In Attendance

Senator Newman, Minister for Social Security

Senator Vanstone, Minister for Justice

Department of Communications and the Arts-
Executive

Mr Neville Stevens, Secretary

Ms Cathy Santamaria, Deputy Secretary

Program 1—Arts and Heritage

Subprogram 1.1—Arts and Heritage Policy

Mr James Barr, Head of Secretariat

Ms Dawn Casey, Executive Director

Subprogram 1.3—Cultural Development Assistance

Mr Kevin Wohlers, Acting Assistant Secretary

Subprogram 1.4—Australia Council

Mr Gabriel Chan, Finance Manager, Heritage Branch

Subprogram 1.6—National Gallery of Australia

Dr Brian Kennedy, Director

Mr Alan Froud, Deputy Director

Mr Andrew Sayers, Assistant Director

Subprogram 1.7—National Library of Australia

Mr Warren Horton, Director-General

Ms Jan Fullerton, Deputy Director-General

Mr David Toll, Assistant Director-General

Mr Peter Hughes, Accountant, Corporate Services

Subprogram 1.8—National Museum of Australia

Dr William Jonas, Director

Dr Darryl McIntyre, General Manager, Core Operations

Program 2—Film and Intellectual Property

Subprogram 2.1—Film and Intellectual Property Policy

Dr Alan Stretton, First Assistant Secretary

Mr Alan Edwards, Acting Assistant Secretary

Ms Megan Morris, Acting Assistant Secretary

Subprogram 2.2—Australian Film, TV and Radio School

Mr Rod Bishop, Director

Ms Susan Hissey, Accountant

Mr Denis Green, Manager, Corporate

Subprogram 2.3—National Film and Sound Archive

Mr Ron Brent, Director

Mr Ray Edmondson, Deputy Director

Ms Margaret Baird, Acting Senior Manager, Resource

Ms Ann Baylis, Project Director, New Building

Ms Tim Cansfield-Smith, Manager, Public Affairs

Subprogram 2.4—Australian Film Finance Corporation

Ms Catriona Hughes, Chief Executive

Mr Michael Malouf, Finance Controller

Subprogram 2.5—Film Australia

Mrs Deborah Coombe, Head of Finance

Subprogram 2.6—Australian Film Commission

Ms Catherine Robinson, Chief Executive

Ms Kim Ireland, Corporate Lawyer

Mr Michael Ward, Policy Advisor

Mr Malcolm Day, Manager, Personnel

Mr Ron Neale, Director, Finance and Systems

Program 3—Broadcasting, Online and Information Services

Subprogram 3.1—Broadcasting, Online and Information Services

Dr Beverly Hart, Acting First Assistant Secretary, Licensed Broadcasting and Information Services Division

Mr Michael Sutton, Assistant Secretary, Regional Telecommunications Infrastructure Fund

Mr Colin Lyons, Assistant Secretary, Legislation Projects

Subprogram 3.2—National Transmission Agency

Mr Vic Jones, General Manager

Subprogram 3.3—Australian Broadcasting Corporation

Mr Brian Johns, Managing Director

Mr Andy Lloyd James, Head, National Networks

Mr Colin Knowles, Head, Technology, Strategy and Development

Mr Russell Balding, Head, Finance and Business Services

Ms Janet Clayton, Chief of Staff

Subprogram 3.4—Special Broadcasting Service

Ms Maureen Crowe, Head, Resources

Mr Jon Torpy, Manager, Finance

Mr David Soothill, Director, Planning and Communications

Subprogram 3.5—Australian Broadcasting Authority

Mr Giles Tanner, General Manager, Policy and Programs Division

Ms Lesley Osborne, Acting Director, Programs

Subprogram 3.6—National Office of the Information Economy

Dr Rod Badger, Acting Chief Executive Officer

Mr Brian Stewart, Assistant Secretary

Program 4—Communications

Subprogram 4.1—Telecommunications and Postal Policy

Ms Faye Holthuyzen, First Assistant Secretary, Telecommunications Industry Division

Mr Tom Dale, Assistant Secretary, Regulatory Policy Branch

Mr Chris Cheah, Assistant Secretary, Networks Policy Branch

Mr John Neil, Assistant Secretary, Enterprise and Radiocommunications Branch

Subprogram 4.2—Australian Postal Corporation

Mr Gerry Ryan, Corporate Secretary, Australia Post

Mr Maurice Castro, Group Manager, Strategic Planning

Mr Rowland Hill, Group Manager, Public Affairs

Mr John Powers, Group Manager, Australia Post

Subprogram 4.3—Telstra Corporation Limited

Mr Graeme Ward, Group Director, Regulatory and External Affairs

Mr John Stanhope, Director, Finance

Mr Lawrence Paratz, Executive General Manager, Network and IT Infrastructure

Mr Geoff Barkla, Director, Industrial Relations

Mr Ted Benjamin, Director, Consumer Affairs

Ms Sue Laver, Consumer Affairs

Mr Tony Bundrock, National Manager, Customer Strategy, Business and Government

Mr Chris Hanson, Counsel, Products and Marketing

Mr Noel Robertson, Group General Manager, Corporate Development

Mr Phil Hastings, Executive General Manager

Mr Peter Frueth, Managing Director

Ms Deena Schiff, Director

Mr John Armstrong

Subprogram 4.4—Australian Communications Authority

Mr Tony Shaw, Chairman

Dr Bob Horton, Deputy Chairman

Mr Roger Smith, Senior Executive Manager, Planning and Standards Group

Mr Geoff Luther, Executive Manager, Marketing Group

Mr John Haydon, Executive Manager, Telecommunications Licensing Group

Mr Peter Gilmartin, Acting Executive Manager, Consumer Affairs Group

Mr John Grant, Executive Manager, Corporate Management Group

Mr Jeremy Chandler, Manager, Finance

Mr Peter Stackpole

Department of Finance and Administration

Mr David Hugill

Mr Neil Willis

CHAIR—I declare open this hearing of the Senate Environment, Recreation, Communications and the Arts Legislation Committee and welcome the minister, Senator Jocelyn Newman, who is minister appearing for all portfolios, replacing the Minister for Communications, the Information Economy and the Arts.

Last night the committee reached program 3 of the communications, the information economy and the arts portfolio. The committee will now resume the hearing, beginning with program 4, Communications, and then proceed to program 3, Broadcasting, online and information services. Responses to questions placed on notice at today's hearing can be sent to the secretariat up until the close of business on 9 April.

I welcome officers from the communications, the information economy and the arts portfolio. Departmental officers will not be asked to comment on the reasons for certain policy decisions or the advice they may have tendered in the formulation of policy, or to express a personal opinion on matters of policy.

Program 4—Communications

Subprogram 4.1—Telecommunications and postal policy

Senator SCHACHT—In relation to my first question, Mr Stevens, I want to draw your attention to an article which appeared earlier this month in the *Financial Review*. It said that the federal government will be hard pressed to find new investors for the Australian mobile phone market, making Optus and Telstra the only likely bidders in the coming spectrum auctions. This was said by a source from the Australian Communications Authority yesterday. Has the ACA communicated to you, as head of the department, and to the minister, such a concern that there might be only two bidders in the spectrum auction?

Mr Stevens—No, Senator, they have not. Indeed, while it is hard to determine how much interest there will be, we expect to have more than two bidders, but we will not really know for sure until registrations close early in March.

Senator SCHACHT—On 13 March?

Mr Stevens—Yes, 13 March.

Senator SCHACHT—The story says that potential new mobile carriers such as Hutchison and AAPT have been saying for months that, unless the analog network is retained in the bush, it would not be economically viable for them to set up a new analog compatible mobile phone network in the city. It goes on to say that this is because they could use the country analog network to extend the coverage of a new city network without being forced to immediately roll out expensive infrastructure in the country. Is that a view that has been communicated to you, as the department which is the policy adviser to the minister, by those potential bidders?

Mr Stevens—That issue has been raised by a number of carriers. There is no question of that. I do not think that necessarily means that they will not be bidding. We will have to wait and see.

Senator SCHACHT—If only Telstra and Optus bid in the spectrum auction, will this not be a sign of weakness in our competition policy that the existing carriers are the only ones taking up this spectrum and then controlling it?

Mr Stevens—I think that is a hypothetical question, Senator. We will have to wait and see how much interest there is.

Senator SCHACHT—I am not asking you to say who the bidders will be. I am just saying that, if it is true that the two major carriers are the only ones who bid, it will be a disappointment for competition policy?

Mr Stevens—Again, you are asking me to comment on a hypothetical situation. You could ask, if only one was to bid, would that be—

Senator SCHACHT—That would be even worse, would it not, for competition policy?

Mr Stevens—Clearly we would like to have a range of bidders, yes.

Senator SCHACHT—Do you believe that this spectrum auction, therefore, is being affected by the government's indecision over what it is going to do with the analog network—the retention or otherwise of the analog network?

Mr Stevens—No, I do not. I believe the potential bidders know the government's position and have taken that into account.

Senator SCHACHT—What is the government's position then?

Mr Stevens—It was set out by the minister in a press release some time ago.

Senator SCHACHT—Hang on; he told us yesterday that, until the review is completed by the ACA by the end of June, the government has not made a decision.

Mr Stevens—The decision is very simply that there will be a review to have a look at the extent of coverage. There will be a number of options open to government at that point as to how reasonably comparable coverage will be achieved.

Senator SCHACHT—How could people bid in the auction for spectrum, when they do not know what the final position of the government is regarding the analog network? They could

bid in March, the first half of this year, and find that the government has shifted the goal posts around to the half-forward flank in July.

Mr Stevens—As I say, the press release has spelt it out. The government's position has been assessed by the bidders and I have had no feedback from them to the effect that this is not enough for them to make the decision on.

Senator SCHACHT—So you are saying that they have not been on your hot little phone expressing concern?

Mr Stevens—I spoke to a potential bidder this week and they did not raise it with me.

Senator SCHACHT—They did not raise it with you?

Mr Stevens—No.

Senator SCHACHT—Was it one of these two existing bidders?

Mr Stevens—No.

Senator SCHACHT—It was a new one—another one other than Optus?

Mr Stevens—A potential bidder.

Senator SCHACHT—A potential bidder.

Mr Stevens—Yes.

Senator SCHACHT—Just for the record, and you can remind me of this, what is the limit that the government has put in place on existing carriers and what they can bid in the auction for new spectrum to ensure that they do not buy the lot up and hoard it? Is it 40 per cent, or something?

Mr Stevens—No, let me just turn up the right page for you. It is in the 800 spectrum where, from memory, 10 megahertz have been reserved for new entrants.

Senator SCHACHT—What is that as a percentage in the 800? That is half—50 per cent.

Mr Stevens—Yes.

Senator SCHACHT—This has been reserved for new entrants.

Mr Stevens—That is right.

Senator SCHACHT—In the 1800, I think it is. The other part of the spectrum, which is—?

Mr Stevens—It is 1800.

Senator SCHACHT—There is no reserve on that?

Mr Stevens—No, there is not.

Senator SCHACHT—And that is because that is a new part of the spectrum. Just technically, why was there no reserve put on the 1800?

Mr Stevens—We have said that no one bidder can take more than 15 megahertz in the 1800 spectrum. So there is a cap on what anyone can have.

Senator SCHACHT—If they went to that full cap of 15 megahertz in the 1800, what percentage of the total 1800 part of the spectrum would that represent?

Mr Stevens—That is one-third.

Senator SCHACHT—That is 33 per cent.

Mr Stevens—Yes.

Senator SCHACHT—This, again, is a question about AMPS. Has the government any plans to release public details of the use of the AMPS spectrum between now and the year 2000 and beyond?

Mr Stevens—I am not sure that I understand the question.

Senator SCHACHT—We know that you have a review, reporting by the end of June, on whether analog is retained but, in the meantime, are there are plans, or has there been any indication given, about how the AMPS spectrum is to be used between now and, let us say, the year 2000?

Mr Stevens—Do you mean in terms of how it might be phased out over that period?

Senator SCHACHT—Yes.

Mr Stevens—There is the intention that early this year the minister will release a plan in relation to the phase-out of the AMPS spectrum.

Senator SCHACHT—But is that dependent upon the review reporting by the end of June? How can you release a plan if you are going to either phase it out or not phase it out?

Ms Holthuyzen—There is a plan in place that the ACA has put out for the withdrawal of spectrum. Five megahertz of the AMPS spectrum has already been withdrawn, and there is a planned withdrawal of remaining levels of spectrum over the next 18 months. When the spectrum is sold, the new bidders will have access to it as it becomes available—as it is freed up.

Senator SCHACHT—If the government chose, as a result of the ACA review, to leave analog in place in regional and rural areas that means that part of the spectrum would have to continue being used by analog. How do you stop the wrong part being withdrawn, if you wanted to make that decision?

Ms Holthuyzen—Five megahertz in a rural area has been kept back out of the sale for rural coverage.

Senator SCHACHT—I see. Of the total spectrum use for analog, what percentage is the five per cent which has been kept back?

Ms Holthuyzen—There is five megahertz in the rural areas and there is 20 across the country so it is a quarter of the 800 spectrum in the rural areas.

Senator SCHACHT—Has all of that 25 per cent—or five megahertz—used for analog in the bush been taken up or are there still gaps or spare capacity?

Ms Holthuyzen—I will just confirm that.

Senator SCHACHT—I am delighted to hear that some of the experts have as much trouble sorting this out as I do.

Ms Holthuyzen—It is part of the Telstra spectrum for the AMPS network so we assume it is all used by Telstra.

Senator SCHACHT—You assume it is all used. Even with that 25 per cent that is reserved for rural analog, is Telstra using it all or do they have more capacity to put up more analog cells in various areas of the bush?

Ms Holthuyzen—You would probably need to ask Telstra, but I think there is spare capacity.

Senator SCHACHT—I hope you people know because you could never trust Telstra with this stuff—they would hoard it!

Ms Holthuyzen—In most areas there would be spare capacity in the five megahertz so they could put up more base stations in regional areas.

Senator SCHACHT—If the government took a decision to maintain analog in the bush, would you have to take some of that back from Telstra and make it available to other players so that they would have a competitive analog network in the bush?

Ms Holthuyzen—Sorry, can you repeat that?

Senator SCHACHT—Telstra is the only one with an analog system in the bush at the moment. Right?

Ms Holthuyzen—Yes.

Senator SCHACHT—If the government chooses to take a decision as a result of the ACA review, and because of all the arguments that people in the bush are raising, that analog will stay in the bush, other carriers—including existing ones and new ones—will say, ‘Well, the only way that we are going to be competitive is to either have an argument over the interconnect fee, number selection, preselection and all of that sort of thing or put up our own analog cells in the bush so that we have our own network.’ But if Telstra says, ‘No, we’ve got it all locked up,’ and do not make it available, how do you let competition come into the bush and enable a new carrier to have an operation with an analog cell?

Ms Holthuyzen—The new competition would come in perhaps through different technologies. The legislation provides that no-one else is able to install an analog network, so whatever analog networks are kept will continue to operate through Telstra.

Senator SCHACHT—Doesn’t that give them a monopoly?

Ms Holthuyzen—Except in terms of other services that might be provided through satellites or come to the bush and reselling of AMPS.

Senator SCHACHT—Are you telling me that if you put it up on a satellite you use a different part of the spectrum?

Ms Holthuyzen—That is correct.

Senator SCHACHT—Don’t you need a new style of analog phone to get up to the satellite?

Ms Holthuyzen—It would be a different phone system.

Senator SCHACHT—Do you have any idea how much an analog phone would cost to get to a satellite?

Ms Holthuyzen—I do not think the analog phone would operate—

Senator SCHACHT—It just makes it non-competitive—if it costs you \$50 for a analog receiver. I am doing well here. I have three experts at the table. Mr Luther, what are you going to tell me?

Mr Luther—Senator, you cannot use an analog phone to access a satellite system.

Senator SCHACHT—What will you use then? Will you use a digital system?

Mr Luther—You will use a digital specially designed handset to work with the satellite system.

CHAIR—Senator Schacht, this is all very interesting, but we are actually straying a little off estimates. Why are we having a briefing on whether you can use an analog to get to a satellite?

Senator SCHACHT—I have to say that large numbers of people in the communications industry are absolutely interested in this issue. It is not exactly an esoteric issue off out on the right or the left. I am happy to get 100 briefings on this, but the ground keeps changing as technology keeps changing. This is the first time—

CHAIR—You try to keep up to date, but estimates is not the time and place. Let's try to keep right to the track.

Senator SCHACHT—This is part of the process. This is planning for the use of the spectrum on a big debate of whether analog should continue in the bush. I am not trying to belabour it. While I have the experts here, I am just trying to get on the record that it would be a digital satellite system but Would you anticipate that the expense of the hand-held receiver would be approximately the same as for the existing Telstra analog?

Mr Luther—From quoted figures—and they are publicly available—the expected cost of a satellite handset will be something like \$US3,000.

Senator SCHACHT—That is not a very competitive price compared to an analog phone at the moment, is it?

Mr Luther—No.

Senator SCHACHT—The point I am making is that that is not an alternative system in cost. What would be the cost of the actual phone call you would make via a satellite?

Mr Luther—There are various plans for different mobile satellite services, so you would need to get a range of different quotes. Iridium, which is the most advanced one and has the most satellites up in the air at the moment, is quoting \$US3 a minute air time now.

Senator SCHACHT—Isn't that more expensive than the analog?

Mr Luther—Yes, that is more expensive.

Senator SCHACHT—If you are going to put that to the bush as an alternative to the analog—

Mr Stevens—Senator, I do not think we are saying that.

Senator SCHACHT—No, I know you are not saying that.

Mr Stevens—We are not suggesting that that would be an alternative to analog as such.

Senator SCHACHT—Okay. What is the competitive alternative to analog spectrum in the bush?

Mr Luther—There are a range of possibilities.

Mr Stevens—One possibility is an expansion of the GSM network.

Senator SCHACHT—Thank you, I was going to come to that.

Mr Stevens—That has been flagged in the minister's press release because it is clearly an option.

Senator SCHACHT—Do we have any idea what it would cost to put the extracellular capacity, or the strength of signal for each of the cells, for a digital cell operation in the bush? Or is that the review is going to look at?

Mr Stevens—That is something that would have to wait for the review.

Senator SCHACHT—That is, the review will deal—

Mr Stevens—The review is going to look at the extent of the coverage and also the plans that the carriers have to roll out GSM between now and the year 2000.

Senator SCHACHT—Have they given any to the Spectrum Management Agency, Mr Luther? Have they yet given any indication that they would be willing to roll out a more comprehensive system of GSM transmitting cellular towers, et cetera?

Mr Luther—The short answer is no, they have given no indication one way or the other.

Senator SCHACHT—Mr Stevens or Ms Holthuyzen, has the review looking at putting the extra cost in to get the GSM system to give the same geographical coverage as the existing analog cellular system looked at putting that cost into the universal service obligation?

Mr Stevens—No, that is not part of that review.

Senator SCHACHT—Even though it is not part of the review by the ACA, has the department as the policy adviser to the minister looked at that issue?

Ms Holthuyzen—When the USO review that was undertaken last year—the standard telephone review—looked at the extension of the USO it actually recommended that mobile services should not be included in the universal service obligation. As you are aware, there is a further universal service review to be completed later this year.

Senator SCHACHT—That is to be completed later this year?

Ms Holthuyzen—Yes.

Senator SCHACHT—There was some controversy between the participants of the review last year—between Professor Ergas and others—about those issues. That is still a matter of dispute in the community.

Ms Holthuyzen—I do not think there was a dispute over that recommendation—

Senator SCHACHT—No, it was probably—

Ms Holthuyzen—The dispute was over the costings of digital data capability.

Senator SCHACHT—I accept that. But that would be one way in which the extra cost of putting up that extension into the bush for GSM could be covered for all the carriers so that it is not just Telstra that has to pay the cost of putting it up, but the cost is put into the calculation of the USO. The benefit of doing that would be that we have one system that still gives the same coverage and we do not have two different receivers, analog and digital hand-held receivers, running around the country.

Mr Stevens—That is also a possibility, but as we have said, we look at mandating roaming between the networks in some of these areas as well, which is another way of reducing the capital costs of expanding the GSM network.

Senator SCHACHT—Yes. I draw your attention to remarks made by Mr Chris Anderson at the mobile phone association gathering in Sydney on Tuesday where that issue was raised. I do not think he responded very favourably to the issue of roaming. I think the carriers have a different view from new carriers or service providers, et cetera. I am not taking their view on this. Do you have any response yet from the major carriers of what their view is on roaming?

Mr Stevens—There are a number of issues that come into roaming. One is general roaming. What I was talking about specifically was perhaps a more limited form of roaming in areas where the roll-out has been mandated.

Senator SCHACHT—Concerning the cost of that roaming, would that be covered by the USO then?

Mr Stevens—We have not made any decisions about that.

Senator SCHACHT—Have the carriers told you how much it would cost to provide even that limited roaming?

Ms Holthuyzen—No.

Mr Stevens—Do you mean the network roll-out costs or the costs of installing roaming?

Senator SCHACHT—If you are going to allow roaming so that you can connect in between the two systems, which I think may be a very useful way to handle the problem, is there an extra cost for the major carriers in providing that roaming service? Is there a cost to put whatever the equipment is on the present system to allow it to occur?

Ms Holthuyzen—Presumably there is some cost, but the issue is that if you allow that roaming there are bigger savings in terms of overall capital cost because you do not build three networks out in the bush—you build three separate ones.

Senator SCHACHT—If the review is going to handle this by the end of June, or just after that, we will get the report and we will have these cost figures and these issues in it. If it does not report by then, then at the next estimates committee hearing we will traverse this issue again. Mr Luther, has there been any discussion about having a dual hand-held receiver that does both digital and analog?

Mr Luther—Yes, there certainly have been a number of proposals that there be, for instance, a dual mode handset that works in AMPS and CDMA.

Senator SCHACHT—What is the suggested cost of such a hand-held receiver?

Mr Luther—It is very difficult to say because they are not being mass manufactured at the moment. The people I have spoken to were reasonably confident that they could be produced at not too great a cost penalty compared to current handsets.

Senator SCHACHT—You do not think it would be an excessive cost?

Mr Luther—No. They are nothing like the Iridium handset.

Senator SCHACHT—We hope that is right.

Mr Luther—As I say, these things are not being manufactured in mass at the moment.

Senator SCHACHT—As part of this issue about analog but also generally about mobile phones, what is the view in the department about number preselection for the mobile phone system? A number of the new or potential carriers are arguing that they will not be properly competitive with the existing three carriers unless they get full number preselection in mobile.

Ms Holthuyzen—My understanding is that that matter is still being dealt with between the ACCC and the ACA.

Senator SCHACHT—Is that an issue you would leave for the ACA to have a view about when they turn up?

Ms Holthuyzen—Preselection is one of their responsibilities. I am not quite sure where that position is at.

Senator SCHACHT—Do you accept that it is a general policy issue about competition policy?

Ms Holthuyzen—Yes.

Senator SCHACHT—I thought that, as a policy department, you might have a view about that, Mr Stevens.

Mr Stevens—We may have views on a range of things, but I think Ms Holthuyzen is saying there is a formal process that has to be undertaken by various organisations to achieve these things.

Senator SCHACHT—I move to a couple of other policy issues, which may be only for you, Mr Stevens. Where is the department at in preparing a policy on the digitalisation of television broadcasting in Australia?

Mr Stevens—There have been discussions with the minister on those issues.

Senator SCHACHT—Unfortunately, that was one of the questions I was unable to give the minister last night because of all the other questions we had. He is not here today. I do accept the fact that Senator Newman may not be fully aware of all the intricacies about it.

Senator Newman—That may be a fair assumption.

Senator SCHACHT—It is a policy issue. Do we have any indication yet, Mr Stevens, of when the government would be in a position to make an announcement about the issue of digital broadcasting for television?

Mr Stevens—I cannot give you a definite date, but it is clearly a matter we are looking at now.

Senator SCHACHT—Yesterday, the minister was quoted in an article in the *Financial Review* as saying that he generally supports that the existing free to air broadcasters would get access to digital broadcasting as a right for up to 15 years in that part of the spectrum. Have Treasury and Finance issued a view and been involved in the discussions? If you actually auctioned off the digital licences there would be, I suspect, a considerable increase in revenue for the government. Has that been a consideration that has come into place yet?

Mr Stevens—There have been some discussions with Treasury and Finance on these general issues.

Senator SCHACHT—Could I take it as said that their social view on this is totally overcome by the idea that a large bag of money will turn up in the revenue?

Mr Stevens—I think it is a bit hard for me to comment on that.

Senator SCHACHT—I would be staggered if they took a more liberal view about that, or some other view.

CHAIR—Senator Schacht, we planned to do a quarter of an hour on this and I am planning to go home this afternoon.

Senator SCHACHT—I am going out on the 4.20 plane too. This is a significant issue. I have to say to Mr Stevens and to the minister that, on some of these issues on digital allocation, you are between a rock and a hard place in trying to satisfy the range of the interests. Will the issue of whether you mandate HDTV, or high definition television, be part of the process of discussion?

Mr Stevens—That is certainly one of the issues.

Senator SCHACHT—I notice that the minister yesterday, in his remarks in the *Financial Review*—I think it was yesterday or the day before—made a comment that he was cautious about mandating any technology or any use of spectrum for a particular technology. Would it not be true that, if you do not mandate the digital capacity for HDTV, HDTV will not turn up?

Mr Stevens—I think we are getting into some difficult policy questions now, Senator.

Senator SCHACHT—I appreciate that. These questions are as much an issue directly for the minister and we will revisit that issue later at a future hearing. Other questions I will put on notice.

CHAIR—I would like to thank the officers from subprogram 4.1.

Senator SCHACHT—Don't leave, you might have to come back a bit later on.

Senator Newman—What?

Senator SCHACHT—That is true.

Senator Newman—What did you say?

Senator SCHACHT—The officers from the department and the policy area, when we get to other parts of statutory authorities, in the past have been quite useful in providing at the very least technical information that helps us with the other areas. I am just saying that in the past they have sat around at the back and been quite useful for the estimate hearings.

Senator Newman—I understand. We are always happy to help, Senator.

[9.42 a.m.]

Subprogram 4.3—Telstra Corporation Ltd

CHAIR—Senator Allison has been waiting patiently since yesterday morning. Just before we start, I have some questions here on notice from Senator Calvert. He had hoped that we would complete estimates yesterday, as I had hoped as well, being an optimist. There are 24 questions that Senator Calvert has requested be placed on notice. Senator Cooney also has a series of questions to be placed on notice.

Senator SCHACHT—I will be raising one of those directly. You will be pleased to know, Mr Ward, that the questions from Senator Calvert are concerning Mr Saul. We hope that you can clarify—

Mr Ward—We understand some of the developments there, Senator.

Senator ALLISON—Mr Ward, back in July 1996, Telstra offered selected customers an all expenses paid trip to Atlanta for the Olympic Games. Mr Stone from the Northern Territory and Mr Gird from Victoria went on this trip. Which other members of parliament were invited to attend?

Mr Ward—Senator, I am not fully briefed on this but I believe—

Senator SCHACHT—I can tell you I wasn't.

CHAIR—I wonder why, Senator Schacht.

Mr Ward—I do not want to list all those that were not invited. I believe they were the only two but I am not fully across the issue personally. I believe they were the only two.

Senator ALLISON—This issue has been the subject of now four questions on notice by me. Isn't there anybody who is with the delegation today who could answer the question?

Mr Ward—We do not have anybody in the delegation from our business and government group here. In fact, typically we don't—

Senator SCHACHT—Where is David Shires or Mr Samarq?

Mr Ward—No, from our business and government area. They are from my government relations area, Senator.

Senator SCHACHT—Oh, there is a difference?

Mr Ward—No, this is the area that runs our corporate customer business.

CHAIR—Mr Ward, have Senator Allison's questions on notice been answered?

Mr Ward—I believe we have answered three or four questions to the best of our ability.

CHAIR—She does not believe that they have been answered.

Senator ALLISON—This question has not been answered and I have now asked it three times: which other members of parliament were invited to attend? I am happy to read out the answers to those questions but in each case they avoid that question.

Senator SCHACHT—I see!

Mr Ward—My understanding is that they were the only two but I will confirm that.

CHAIR—By 9 April, Mr Ward.

Mr Ward—Yes, certainly.

Senator SCHACHT—By 3 o'clock today?

Mr Ward—I will attempt to do that, Senator.

Senator ALLISON—Can I just go back to two of the answers to the question. Telstra advised that:

Representatives from state and territories who were intending to bid for the 2006 Commonwealth Games were canvassed seeking expressions of interest to attend the games as observers so as to enhance their bids.

That was in answer to my question 698. In answer to question 981, Telstra said:

Each state and territory was assumed to be a potential bidder for future Commonwealth Games, including the 2006 games.

Now those answers would appear, to me, to be contradictory. Can you comment on that?

Mr Ward—I understand what you are saying but I am afraid I cannot clarify that. I will try and clarify that in the same time frame that I just committed to.

Senator ALLISON—If, as these answers suggest, the trip was to enhance the bids, why should the cost have been borne by Telstra?

Mr Ward—I think it is standard commercial practice for corporates to offer hospitality to their key customer base, and state governments are key customers of Telstra. That process, in principle, is very much normal commercial practice. Certainly, it is what our competitors are doing and it is what we have to do to maintain a normal business relationship with our key customers.

Senator ALLISON—Would you then provide the committee with a list of, say, trips, in particular, that have been offered as part of this normal commercial arrangement you have with your clients?

Mr Ward—I would have to take that on notice. I think the Olympics, particularly given the upcoming Sydney Games, would be a fairly unique opportunity to develop relationships with our key customers but I can take the question on notice.

Senator ALLISON—But you said it was normal commercial practice. Does this indicate that—

Mr Ward—To provide hospitality to key customers. I was not saying particularly for that particular form of—

Senator SCHACHT—Is the Northern Territory a key customer of Telstra?

Mr Ward—In various forms and in various quantum, they are all key customers of us.

Senator ALLISON—Has the Northern Territory—this is one of the other questions that I raised with you—at any stage indicated that it would be a potential bidder, as in question number 981, the most recent, for future Commonwealth Games?

Mr Ward—To Telstra?

Senator ALLISON—No. The answer is that the offer was made to each state and territory which was assumed to be a potential bidder for future Commonwealth Games. Would the Northern Territory be assumed to be a potential bidder for the Commonwealth Games?

Mr Ward—I am unaware if they communicated that to us, Senator.

Senator ALLISON—Would you mind looking into that question and judging how reasonable that answer was in relation to the Northern Territory?

Mr Ward—That might not be the only reason we would want to offer hospitality to the Northern Territory government.

Senator ALLISON—What would other reasons be?

Mr Ward—Because they are a key customer, and we develop relationships and maintain relationships with key customers, just as our competitors do.

Senator ALLISON—So a key customer could expect to be sent on an all expenses paid overseas trip by Telstra? Is that what you are saying?

CHAIR—Use your phone more!

Mr Ward—I do not think I am saying that, Senator. I am saying that we would have done a review of our key customers. We would have thought this opportunity was part of a range of issues and initiatives so that we could further our relationship with them. I would not be saying that we invite all our key customers to that particular occasion.

Senator ALLISON—What is the definition of a key customer?

Mr Ward—Key customers are those that we have significant business with.

Senator ALLISON—Significant is like key: what does it mean?

Mr Ward—I cannot give you a dollar—

Senator SCHACHT—But you must have a formula, roughly, in volume of business. What I am interested in, as Senator Allison was raising, is that the Northern Territory is a significant customer geographically—

Mr Ward—Yes.

Senator SCHACHT—I suspect, because of the population of the Northern Territory, it is not your biggest customer.

Mr Ward—No, that would be right.

Senator SCHACHT—Most other state governments would be bigger customers, but they never got invitations. Is the reason that Mr Stone or the Northern Territory and the Victorian government minister were invited because, right at that time, there were critical bids in competition with Optus for telecommunications business for those governments?

Mr Ward—I cannot recall the sequence of those—

Senator SCHACHT—I would ask you to check that.

Mr Ward—I could not answer that—

Senator SCHACHT—Could you take it on notice?

Mr Ward—That could be—

Senator SCHACHT—This formula of how you determine what is significant—

Mr Ward—I think we would have many significant customers—

Senator SCHACHT—Well, why don't they all get invited?

Mr Ward—with different programs of hospitality in building customer relationships. We would not have the same program for all our customers.

Senator ALLISON—Telstra was very reluctant to reveal the names of its other commercial customers that were sent to Atlanta. Why is this?

Mr Ward—We believe that is a matter between Telstra and the customer, and so does the customer.

Senator ALLISON—In July 1996 Telstra was a fully publicly owned body. Do you still maintain that it is appropriate at that time for—

Mr Ward—In competition—in quite heavy competition with other carriers, particularly providing corporate business.

Senator ALLISON—But answerable to the parliament and to the minister.

Mr Ward—Absolutely.

Senator ALLISON—But still you felt that you were unable to reveal the names of those people who had benefited, to the tune of something like \$12,000 each, from a trip to Atlanta. Is this correct?

Mr Ward—We believe it is appropriate, and not in the customers' interests to reveal their names on this occasion. That is our view, and I believe it is shared by our customers.

Senator ALLISON—These customers are not, presumably, private individuals?

Mr Ward—I do not know them. Our business and government area clearly would.

Senator ALLISON—They would be in corporations of some sort? Presumably a key customer is not somebody like myself, who uses a mobile phone a couple of times a day?

Mr Ward—I believe they would typically be those who give significant business to our business and government base.

Senator ALLISON—So they give business?

Mr Ward—Which is more at the corporate end of the market than the small business—

Senator ALLISON—So they are in the position of being able to make decisions which could favour Telstra—that is what you are suggesting?

Mr Ward—Yes, in terms of us developing a business relationship with those customers, or maintaining one.

Senator ALLISON—Are you familiar with Telstra's employee code of conduct?

Mr Ward—I am familiar that it does exist, yes. I am not—

Senator ALLISON—That it does exist?

Mr Ward—I am not saying that I am familiar with it line by line.

Senator ALLISON—Would all employees, and especially those making the decision in this respect, be familiar with this code of practice?

Mr Ward—I believe so, because we have developed quite a communications program around that.

Senator ALLISON—So this is still a current code of practice? It would be familiar to those people who needed to know—

Mr Ward—Yes, I believe so.

Senator ALLISON—It says, under ‘Guidelines for expected behaviour—bribes, pay-offs or kick-backs’:

No bribes, pay-offs, kick-backs or other considerations will be paid or received directly or indirectly. In addition, such payments to domestic or foreign government officials to influence a decision or to gain a benefit either directly or through a third party, are prohibited.

This is understood by you and by other employees?

Mr Ward—Yes.

Senator ALLISON—Would you like to give us a view about these trips to Atlanta and how they relate to expected behaviour in this sense?

Mr Ward—I believe the trips to Atlanta would be very much in the hospitality part of those guidelines and that, given that, they would be covered off by the CEO or GMD delegation—that is, no individual members of the business and government group could make those decisions; it would need to be endorsed by the CEO or by the group managing director, in this case, of business and government.

Senator ALLISON—How does hospitality differ from a consideration or a gift?

Mr Ward—The consideration or a gift at the individual employee level differs from a corporate decision to offer hospitality, whether it be a seat at the ballet or a seat at a corporate box for football or a trip to the games. That is covered under hospitality.

Senator ALLISON—With respect, Mr Ward, a seat at the ballet is quite different from a \$12,000 trip to the Atlanta Games surely.

Mr Ward—Senator, I am quite happy to provide you with our view of the relationship of that hospitality to the guidelines. I believe it is quite consistent, but I am happy to give you a written view if you wish.

Senator ALLISON—Yes. If you could give me the section of the code of behaviour which relates to hospitality and which would permit a gift or consideration of this sort, I would be happy to receive it.

Mr Ward—I am happy to do that, Senator.

Senator ALLISON—On the giving of gifts and prizes of more than token value, I read:

Where the gift or prize is of more than token value, any one gift or prize to a customer or business associate should not exceed \$250 in value at any one time.

Gifts and prizes in aggregate to one person or one organisation should not exceed \$1,000 in value from any one individual over a period of one calendar year.

Would you therefore agree that this consideration to Atlanta was contrary to that code?

Mr Ward—I certainly would not agree, Senator. I believe that part of the guidelines relates to individual employee initiatives, whereas the trip to Atlanta would fit into the category of corporate hospitality, which is covered in another part of the guidelines. As I say, I will give you a written and more detailed explanation of that.

Senator SCHACHT—So are the corporate guidelines basically whatever you want to drive the tank through? You will do whatever you like?

Mr Ward—I think you are not giving a lot of respect there.

Senator SCHACHT—This side is actually giving them a bagful of money.

Mr Ward—That is covered in the guidelines by the important issues of delegation to the CEO and the GMD, who are very senior people running the company and whom the board has picked to run the company. I think the guidelines cover that quite satisfactorily.

Senator ALLISON—Mr Ward, the guide goes on to say:

Normally, gifts and prizes given to customers and business associates should be limited to official Telstra promotional materials of little or nominal value such as pens, pencils, key rings, diaries, etc.

This would appear to make it quite clear. We are talking about business associates; we are talking about what is expected behaviour under the code.

Mr Ward—Senator, I could just draw your attention to the differences that I believe are in those guidelines, which I will clarify further, between individual employee initiatives around gifts and corporate hospitality deemed by the CEO or a group managing director.

Senator ALLISON—Are you suggesting that there is another code for corporate hospitality?

Mr Ward—No. I believe it is covered a bit later in that code.

Senator SCHACHT—It basically says that, if the chief executive says we can give someone a free trip round the world, that is accepted as corporate.

Mr Ward—If the CEO believes that the form of corporate hospitality being recommended by the group managing director is appropriate, he has that delegation.

Senator SCHACHT—So the invitations to people to go to Atlanta, whether they were politicians or corporate, were approved by the CEO.

Mr Ward—I believe they would be approved by the CEO.

Senator ALLISON—What is the process of approval for such arrangements?

Mr Ward—Under items of that significance, there would be a recommendation by the group managing director—in this case, of business and government back in 1996—to the CEO. The CEO would have considered that in the context of our business imperatives.

Senator ALLISON—I would be glad if you could respond to that question of the code of practice for hospitality. I have the full code. I only have certain pages here, but I have read the code. I would be very surprised if you can demonstrate what you have just indicated to us today.

I just come back to this question of the sensitivity of your business customers. You have said that these are not individuals, therefore, I assume that they are people who represent corporations. Since they represent corporations, and since Telstra is a corporation, why is there the need for such secrecy? Why is it a sensitive matter? Could you just explain that in a little more detail than you have already done?

Mr Ward—I can seek further counsel from business and government but it is their belief, and that of their customers, that, in this competitive marketplace, they did not want this to be a public issue. I do not think it is corporate practice to make these things public.

Senator ALLISON—So are you suggesting that if Optus knew that Telstra was sending customers to Atlanta that it would also want to do so?

Mr Ward—That is quite possible. I do not know whether they did but it is quite possible. Certainly, the competitors we are competing with on a global basis, many of whom are associated with corporate players in the US, and other parts of the world, would be doing so.

Senator ALLISON—What difference would it make to the decision making of those individuals to be invited to Atlanta? What is the goodwill or what is the advantage that Telstra would expect?

Mr Ward—It is the maintenance and development of business relationships. The difference it makes is that if we have a well developed ongoing relationship, both at a business level and a personal level, in terms of those who are involved, the better the relationship, the better prospects we have in competition.

Senator ALLISON—So how is that relationship built up? Did you personally go to Atlanta?

Mr Ward—Unfortunately, I was not on the list.

Senator ALLISON—Who from Telstra went?

Mr Ward—I would have to advise you on that.

Senator ALLISON—I am just trying to understand the difference between a gift—

Mr Ward—I think the CEO was there for a short period. I do not think he was there for the totality of the Games.

Senator ALLISON—So how can you argue that the relationship was building up? Surely this is a relationship between individuals within Telstra?

Mr Ward—I am sure our GMD, business and government, would have been there. He would have been the key executive responsible for this part of the business.

Senator ALLISON—And his relationship with these key customers could not have been built up in some other way? It was necessary to—

Mr Ward—I am sure it will have been built up in a variety of ways, and this is only one initiative associated with that. It is part of an ongoing program, and it is a very good opportunity, given the profile of the Olympic Games.

Senator ALLISON—A very expensive opportunity, too, I would suggest.

Mr Ward—And that is a business judgment that I guess the CEO brought to bear.

Senator ALLISON—I asked earlier about whether it would be possible for us to get some sort of a detailed list of these kinds of gifts. The only reason this has come to light is because I think it appeared in the newspaper a year or so ago. Can Telstra produce a list of the gifts of this sort, the considerations and hospitality?

Mr Ward—The sort of hospitality initiatives that we have? Sure.

Senator ALLISON—Especially in relation to parliamentarians and politicians. Could we have some indication of the sum of money involved in these considerations?

Mr Ward—We will do our best to give you an informed answer on that, yes.

Senator ALLISON—Thank you.

Senator COONEY—I put a lot of questions on notice—I mean, I did not want to be oppressive, but if you could—

Senator SCHACHT—I think you should be oppressive. They have clearly been oppressive to an employee of Telstra.

Senator COONEY—That is what I am getting to next. Have you seen this correspondence about an employee in Shepparton, a Mr Neil Renshaw. Did you follow that up at all?

Mr Ward—No, I have not seen that. I have seen your request.

Senator SCHACHT—To make *Hansard* read sensibly, I think you should read the letter from Telstra to this employee.

Senator COONEY—All right.

Mr Ward—From Telstra?

Senator SCHACHT—It is on Telstra letterhead.

Senator COONEY—I will give it to you and I will read it out.

Senator SCHACHT—You had better table it and then read it out.

Senator COONEY—Thank you, Senator Schacht.

Senator SCHACHT—I am just trying to be helpful to my old colleague. You being a lawyer, and I am not a lawyer, I like to occasionally give advice.

CHAIR—You have not been here long enough, Senator Cooney, to know what to do. You are a new senator!

Senator COONEY—I think in contrast to what was being put to you, that you are doing too much for politicians, I have here somebody who is being charged with consorting with politicians. I will just read out this letter to Neil Renshaw.

Senator SCHACHT—He is the employee.

Senator COONEY—Yes. The letter states:

I have been advised that on Tuesday, 27 January 1998, you were involved in discussions on Telstra business matters with political people and possibly the media at Wangaratta.

I was the political person.

Can you explain:

Your involvement in these discussions.

The topics discussed.

Did you seek prior Telstra approval to hold such discussions?

What transport did you use to travel to the discussions?

Why you did not seek prior approval for leave of absence?

Please reply in writing, to the above address, by close of business Monday 2/2/1998.

Senator SCHACHT—That was not actually signed by Himmler, either.

Senator COONEY—It was signed by 'Noel Dealy, Area Field Manager'. I confess that the man was talking to me. I am willing to—

Senator SCHACHT—You are a political person, Senator Cooney.

Senator COONEY—I am. He then gave an explanation around the fact that it was not during Telstra working time that he had taken two hours off. He was doing it at the direction of his union and he was not using the car. He gave an explanation that at least needed some sort of consideration. He then got a reply, which said:

To:

Neil Renshaw.

Neil,

A copy of 'THE TERMS AND CONDITIONS OF THE MOTOR VEHICLE COMMUTER USE AGREEMENT' is attached for your information.

I hereby inform you that under section Seven, approval has been withdrawn and one months notice is given. The final day for this arrangement is close of business (5 pm) 11 March 1997.

Beginning on the 12 March 1998, you will start and finish at the Benalla telephone exchange.

I will just put two points—and I am sure this is not a matter that comes from the command at Telstra, but it is something that has gone wrong in the middle management. It is a concern, as you can well imagine. As a politician, I saw someone in his own time—he had taken two hours off. It is a concern that this sort of penalty should be visited; it is a bit of a worry to me.

I am sure it is not true, but it also indicates that Telstra is intent that their people do not speak to politicians, that, if they are a member of the union, they do their union work in their own time and that, even in their own time, if they do these things, they must explain themselves and give explanations. On this, I think you and I would say, 'Well, that is a matter of privacy; it should not be done'. I thought it was such an issue and such a matter that I ought to raise it at this level. I was wondering what you could do about it.

Mr Ward—Senator, thanks for that. My colleague Geoff Barkla from our industrial relations area is familiar with this exchange of letters.

Mr Barkla—I did follow this matter up in relation to your advice, Senator. The information that I have been given is that Mr Renshaw was working at the Benalla exchange. He left without notice at 11.30. He did not inform his supervisor that he was leaving. In fact, the supervisor did not realise he was gone. He faxed in a leave-without-pay form, which arrived on the normal fax service. He was seen in a Telstra vehicle later on by some other employees in Wangaratta.

There are key issues from our part. Firstly, he gave no notice to his supervisor that he was leaving. There was no opportunity for the work that had been allocated to him for that day to be redistributed and given to someone else. He only has commuter use for driving to and from work: the terms of his employment conditions are that he has a vehicle under our commuter use policy, which allows him to drive it to and from work. The sort of action that has been taken with him is administrative and not disciplinary action, as such. They are the facts as I understand it.

Senator COONEY—Mr Barkla, you can only go on what you have been told. That would seem to be inconsistent with what I was told and inconsistent with the letter that he wrote. I do not know whether you have got the letter that was written—

Mr Barkla—No, I have not. I have only got the details.

Senator COONEY—It was written by Mr Renshaw to Mr Dealy. What you have told me makes it worse. Mr Renshaw set out to Mr Dealy a series of statements, which needed to be examined—on the basis of what you tell me—and clarified. There was no attempt to clarify it with Mr Renshaw, if you look at the correspondence. The sorts of things you say there are statements of allegations and no more, as I understand it, and you can check this. That was never checked by Mr Dealy with Mr Renshaw. If there is a matter of dispute, well and good, that should be clarified. Nobody denies that. But I hope it is not Telstra's philosophy simply to ignore letters. In his letter, he says:

I have been a loyal and proudly committed employee of Telstra for thirty four years. I have always been proud of Telstra's achievements and proud of my own development over the years. I have always been anxious for Telstra to be successful.

He goes on to say:

I do so in my own time, having applied for leave in the usual manner practised by all the staff, having sent notification through to the Acting AFM. I believe they were on leave at the time. I sent two leave forms by fax, the first leave form having not gone through.

What I am saying is that that might or might not be right. But I would think that, if a member of my staff was accused by another member of the staff, I would get them in and try to clarify it. From what you tell me, that was never done. A penalty was imposed on the basis of somebody's allegations, and that does not seem to me to be a very fair approach.

Mr Barkla—To be fair, I do not know if that was the case. I do not know what other investigation—

Senator COONEY—That is the point: you do not know and he did not know.

Mr Barkla—All I am saying is that this is the reply—

Senator SCHACHT—For example, you read out that he was seen in the Telstra car driving around Shepparton.

Mr Barkla—No, Wangaratta.

Senator SCHACHT—Wangaratta—wherever it was. How many Telstra cars are being driven around anywhere in Australia at any one time, for goodness sake? You have got the biggest car fleet in Australia. This is hearsay. He never got that put to him.

Mr Barkla—That is what I do not know—

Senator SCHACHT—There are two things. Firstly, I find the insensitivity in the handling of this issue extraordinary—that anyone in Telstra at a management level would talk about 'political people'. If you were in Iraq you might make those remarks or if you were in a one-party state, and so on. This happens to be a democracy, which Telstra at times forgets. I find it extraordinary that he saw an elected member of parliament from Victoria, namely, Senator Cooney, and was then punished. All right, there were allegations made. It is clear he did not investigate the letter. Two applications were put in for leave. If the situation is going to be that Telstra punishes people for talking to members of parliament, I have to say that I think you are raising the issue of parliamentary privilege here.

Senator COONEY—That is right, actually. Senator O'Chee will tell you about that.

Senator SCHACHT—And if you want to raise this issue as a matter of parliamentary privilege, we will put you before the Privileges Committee and see how you get on there. I have to say that my colleague Senator Robert Ray might be very interested. If you think we are tough, have a go with Robert Ray for a while. You are intimidating somebody for talking to a politician.

CHAIR—I think, Senator Schacht, we have made our point now.

Senator COONEY—I want to say something and then I will go. You understood what Mr Dealy said to you? Why didn't he put that down in his original letter? The accusation is not that he did those things. What he said in his original letter is this:

I have been advised that on Tuesday 27/1/1998 you were involved in discussions on Telstra business matters with political people, and possibly the media at Wangaratta.

That is what he said, Mr Barkla. Now you have come along and told me that is nothing to do with it. But why has he put it down and signed it? Then he said:

Can you explain:

The topics discussed?

Did you seek prior Telstra approval to hold such discussions?

What transport did you use to travel to the discussions?

Why you did not seek prior approval for leave of absence?

They talk about the leave of absence there, but what has Mr Dealy said in that explanation to you about the prime allegation? Mr Dealy stated the prime allegation, which is:

I have been advised that on Tuesday 27/1/1998 you were involved in discussions on Telstra business matters with political people, and possibly the media at Wangaratta.

I will ask you this question and then I will go, because Madam Chair has been very patient with me. Is there, in that explanation you have got, any statement by Mr Dealy or anybody else that the prime reason that this man had his computer use taken away was that he had political discussions? Is there anything in that letter that says that?

Mr Barkla—No.

Senator COONEY—So when that person gave an explanation to you, he gave an absolutely entirely different explanation from the one that he gave Mr Renshaw?

Mr Ward—Senator, can I just suggest there are elements of concern to me coming out of that exchange. I would like to be able to review it and revert to you on that, if I could.

Senator COONEY—I will tell you my thought, Mr Ward. I thought, first of all, that it would not be policy of Telstra to punish somebody who was a unionist and who was talking to their politician. I thought there must be something wrong down in the system and that that system needed correction. What has surprised me is that Mr Barkla has taken the approach he has. I am sure you are trying to be loyal to the particular servant, Mr Barkla, but I must confess that—

Mr Ward—Probably also according to the brief that he has got.

Senator COONEY—Yes. The attitude that you are taking, Mr Ward, seems to be the appropriate one. But if you could follow that through—

Mr Ward—There are elements of concern there.

Senator COONEY—I would very much doubt that in Telstra's lexicon there is a charge 'consorting with politicians'. We have sunk pretty low, but we have not got to the point where—

Mr Ward—I would personally be out of a job actually!

Senator COONEY—Could you take—

CHAIR—I think he got the message, Senator.

Senator COONEY—I was just wondering whether Mr Ward could take a personal sort of interest in it.

Mr Ward—I will—

Senator SCHACHT—I am sure he will take a very big personal interest.

CHAIR—We will be looking to the answer by 9 April, thank you, Mr Ward.

Mr Ward—That date is now—

CHAIR—I am just reminding you, because Telstra is not very good about dates and we are not going to have one late. Don't frown, because we have got some other things coming up where we have got stuff at 6.30 on the closing day, which had been extended once or twice.

Senator SCHACHT—If I could turn to Telstra's half-yearly report, on page whatever it was on the fax you sent to me which is called 'Product revenues', under the heading 'Revenue growth' you have listed a number of areas where—

Mr Ward—Is that the highlights document?

Senator SCHACHT—Yes, I think it is. I got it faxed.

Mr Ward—The one we gave you?

Senator SCHACHT—Yes. I do not know what page it is. Just for the record, what page number do you have on it? I have only got a fax number—

Mr Stanhope—I do not have a page number either. The pages are not numbered, Senator.

Senator SCHACHT—I see. It is under ‘Revenue growth’ and ‘Product revenue’. There are a number of items there listing where the revenue had increased from 1996 to 1997 and the percentage change in the revenue in these areas. For the record, I will read out these areas: basic access, local calls, national long-distance calls, international telephone services, mobile telecommunications services, data and text services, directory services, customer premises equipment, intercarrier services, public pay phones, other sales and services. Then you have got a subtotal, sales revenue, then other revenue, which is footnoted, and then operating revenue. Mr Ward, did every one of those areas listed as product revenues make a profit for Telstra in the six months?

Mr Ward—Could I defer to the director of finance?

Senator SCHACHT—Yes.

Mr Stanhope—Senator, we do not publish our profitability of products, but I can answer your question because it is in fairly general terms. No, not every product has made a profit in that six-month period.

Senator SCHACHT—You publish a profit in total in the annual report—\$1.8 billion, or whatever it was—and put that up in shining lights. I do not blame you for that. But what is the problem in telling us whether you made a profit or not on basic access, or on local calls, or on national long-distance calls?

Mr Stanhope—Our difficulty is like that of most telcos, and it is not common practice. In fact, we went through this whole issue when we were doing our prospectus. The reason is that most of these products use the network, it requires an allocation of the cost of the network to these products and it is done on a fairly arbitrary cost allocation basis—

Senator SCHACHT—Arbitrary!

Mr Stanhope—We have got a whole lot of cost allocation rules. Therefore we try to keep that consistent, year on year, so we can compare profitability and so on. But, at the end of the day, you would not go out and sign a prospectus and say, ‘This is the exact profitability of a particular product,’ because of the cost allocations.

Senator SCHACHT—But if the board asked you to provide not only the revenue but the profit for local calls, you would provide that figure to them?

Mr Stanhope—Yes, we do, with all the codicils that surround what I just said—the allocation process.

Senator SCHACHT—What about private shareholders now who may ultimately have some representation on the board? They would be provided with it, wouldn’t they?

Mr Stanhope—I have just been through a round of investor relations with our minority shareholders. We do not tell them the profitability of our products either, for the same reasons: we do not want it to be misleading; it is an estimate.

Senator SCHACHT—But even if you put a qualification on it in the report, to the effect that: ‘These are our estimations by allocating overheads appropriately,’ and it was footnoted so that you were fairly warned at reading it, then people would make the judgment, ‘Yes, we

understand that there are always problems of attributing overhead costs properly to the various product divisions.' That is not rocket science; that is just simple accounting procedure. As long as it is footnoted, people are warned to understand that there has been some maybe subjective attribution of overhead costs.

Mr Stanhope—All that you have said is true. It is subjective.

Senator SCHACHT—If the ACCC wants to do an investigation into local call resale as a competition issue, the first thing they will say to you, as having almost a near monopoly on local call in the local call area, is 'You can give them the revenue'—you will probably have to give them something—and then they will say, 'Well, what is your profit?' Would you tell the ACCC to go jump?

Mr Stanhope—No. We would tell the ACCC the cost allocation rules. They will ask us, no doubt, what the costs are associated with local call product and we would go through a whole series of how we derive that cost allocation.

Mr Ward—I would add that we do provide, on a regular basis, a set of regulatory accounts by broad product groupings to the ACCC for the purposes of—

Senator SCHACHT—Do you do it on the basis as specific to cover the local call area?

Mr Stanhope—Yes, we do.

Senator SCHACHT—Do you provide them with not only the revenue figure but also an attribution of what the costs are?

Mr Stanhope—Yes, we do.

Mr Ward—We do.

Senator SCHACHT—So that they know what your profit is?

Mr Stanhope—They know product by product. There is an agreed chart of accounts and a cost allocation methodology between the regulator and Telstra and we provide those accounts quarterly.

Senator SCHACHT—The ACCC gets it; minority shareholders do not get it, and majority shareholders—that is, the Australian people—do not get it. Does the minister get it?

Mr Ward—I think, in the quarterly report that we do to the minister, there is some information around product profitability, but it does not go to the detail of the regulatory accounts that we give to the ACCC. It is a more general one.

Senator SCHACHT—But on this simple list that you have in the report here—on this page—if the minister requested information of what the profit was on each of those lines that I read out, you would provide it to him?

Mr Ward—Yes, we would.

Mr Stanhope—We would.

Senator SCHACHT—Because he not only has statutory responsibility; he is the majority shareholder.

Mr Stanhope—He is one of the shareholder representatives.

Senator SCHACHT—But he is a majority shareholder.

Mr Stanhope—Yes, he is.

Senator SCHACHT—He has 66⅔%. He may want to reduce his own shareholding in the future, but at the moment he has 66⅔%. In any company that I know of, if you own 66⅔%, that gives you an absolute right to ask what you like. Isn't that correct?

Mr Ward—And, indeed, the sale act enforces those powers.

Senator SCHACHT—Yes. And if you did not want to give it to him, he could direct you to give it to him under the act.

Mr Ward—Yes.

Mr Stanhope—Correct.

Senator SCHACHT—Are you saying that it is too dangerous to give it to the Senate estimates committee if we asked for it?

Mr Stanhope—We do not make a practice of it being public information because of the difficulties with it that I have mentioned and the allocation—uncertainties, I suppose is the right word.

Senator SCHACHT—It is only an accountancy problem that you are worried about making the thing public?

Mr Stanhope—There is also a competitive sensitivity.

Senator SCHACHT—Competitive sensitivity? You have a monopoly in the area of local calls. How can you have competitive sensitivity when you have a monopoly?

Mr Ward—Across this range of products, Senator.

Senator SCHACHT—I will just take the issue of local calls.

Mr Ward—We are operating in a very open, competitive environment, and there are already providers of local access. It is just going to become increasingly competitive.

Senator SCHACHT—You have got 85 or 90 per cent of the market across the board in telecommunications in Australia and you have got 100 per cent in the local loop.

Mr Ward—No, we do not have 100 per cent.

Senator SCHACHT—What have you got—98 per cent?

Mr Ward—Increasingly, we are unsure of what we have got, given the bypass operations that are occurring.

Senator SCHACHT—There is not another private company in Australia that would not love to have your control of the market at 85 to 90 per cent. Goodness me!

Mr Ward—I was responding to the percentage of the local market.

Senator SCHACHT—What percentage of the local loop do you have, if it is not 100 per cent? You must know—

Mr Ward—It would certainly be in the nineties, but I am saying that it is becoming increasingly difficult to even estimate that, given bypass.

Senator SCHACHT—You are not going to tell me so I have to say that I cannot see the damage it would do to you commercially to give an indication of what the profit margins are. I think the reason you do not want to make it clear is that some people might suggest you are actually gouging profit in some of these areas because of your near monopoly position.

Mr Ward—And the appropriate regulators have the information.

Senator SCHACHT—When we deal with the ACCC from time to time I think we will have to give them a bit of an electric prod to get on with the job of looking at competition in this area.

CHAIR—I am going to give you an electric prod.

Senator SCHACHT—No, you will not give me an electric prod at all. This is a pretty significant issue. In the local call area, it is roughly \$1.3 billion for half a year; that means you would anticipate about \$2.6 billion, give or take \$100 million, for the full year. Is that right?

Mr Stanhope—It is not an exact doubling but it is a reasonable approximation.

Senator SCHACHT—Within \$100 million or \$200 million.

Mr Stanhope—Yes.

Senator SCHACHT—And the local calls, they are all the flat rate 25c calls, right?

Mr Stanhope—And the combination of flexible packages and so on.

Senator SCHACHT—But by and large, to find out the number of local calls made in Australia, with an error range of five or 10 per cent, if I divided 25c per call into \$2.5 billion I would get the number of local phone calls.

Mr Stanhope—You would be reasonably close, yes.

Senator SCHACHT—In national long distance, again, if you double it, it would be about \$2.4 billion to \$2.5 billion, give or take a margin of error. But because the national long distance, that is STD, involves timed calls, varying rates, et cetera, I wondered whether you could provide me with the volume of STD calls or national long distance calls that are made each year.

Mr Stanhope—The number of calls. I do not have that with me but I could take that on notice.

Senator SCHACHT—Could you take that on notice. I know that some calls are charged at different rates for different lengths and so on. I am not worried about the break-up of whether it is 500 kilometres or 1,000 kilometres; all I want is the raw figure of the number of STD calls, just like the raw figure I could get by dividing 25c, approximately, into the number of local calls.

Mr Stanhope—I would point out to you that in national long distance calls, the number is fixed to mobile calls as well.

Senator SCHACHT—Oh, is it?

Mr Stanhope—Yes.

Senator SCHACHT—Fixed to mobile. If it is possible to break that up, I would appreciate that.

Mr Stanhope—Okay.

Senator SCHACHT—The fixed to mobile is charged at a timed rate.

Mr Stanhope—At the mobile rate, yes.

Senator SCHACHT—At the mobile rate for a timed call.

Mr Stanhope—Yes.

Senator SCHACHT—With regard to the international telephone service, the overseas calls, which is about \$700 million, so if you double it that comes to about \$1.4 billion for the year, can you also take on notice to provide me with the raw number of calls made.

Mr Stanhope—Yes.

Senator SCHACHT—When we drop down to mobile telecommunications services, they are the timed calls made from a mobile phone either to another mobile phone or to a fixed call at a timed rate?

Mr Stanhope—That is correct.

Senator SCHACHT—Again, could you take it on notice and provide me with the raw number of those calls made.

Mr Stanhope—Okay.

Senator SCHACHT—Data and text services: are they specifically charged at a different rate, or do they include what you have complained about before, where people use an untimed local call across the city at 25c, untimed forever, and they connect to a computer service and use it. Is that covered in local calls or in data and text?

Mr Frueh—The calls that are charged on the telephone bill, whether they are used for modem or data access or whatever, are considered as telephony calls—in other words, there is no identification of the use. In the data category, there is a wide range of services Telstra has in the needs of specialised markets. So where you see an overall figure there, it actually involves quite a number of different services, so there is not one aggregate number perhaps you can derive in that category as you can in the others.

Senator SCHACHT—Thank you for that information on that product revenue table. I now want to turn to the area of the half-yearly report on capital expenditure which is towards the end. Cash flow from the operations improved to \$2.3 million, an increase of \$550 million. Where is the figure for what you actually spend on capital works? Is that in that section? If it is not in that section, it is somewhere else that I have missed.

Mr Ward—It is earlier, Senator.

Mr Stanhope—It is on the next page, Senator. There is a table there. You will see capital expenditure, \$1.6 billion.

Senator SCHACHT—Yes, \$1.6 billion. That is for the half year?

Mr Stanhope—That is correct.

Senator SCHACHT—So on average it will be, if we get the next half year in—give or take \$100 million—\$3.2 billion as the capital works figure for 1996-97?

Mr Stanhope—No, that is not right. Typically, the capital expenditure tends to lag and the spend in the second half of the year is greater than the spend in the first half of the year. We have, and this is in the prospectus, an expected spend of about \$4.4 billion. We do not expect to have spent all of that, but it will be somewhere around the \$4 billion mark.

Senator SCHACHT—For the 1996-97 year?

Mr Stanhope—For the 1997-98 year.

Senator SCHACHT—Sorry, for the 1997-98 year.

Mr Stanhope—So to double is not too accurate.

Senator SCHACHT—Is it possible to get not a detailed breakdown but something like the product revenue list of those areas on what the capital expenditure would be in the local call area for STD?

Mr Stanhope—It is not possible to break up our capital expenditure in that way because, as you can imagine, it is transmission and switching and so on, but I could give you more detail on the capital—

Senator SCHACHT—Whichever way you do describe the breakdown—I do not want every telephone box listed across Australia—just give us an idea of the flavour of where the expenditure is going. I think you probably have the biggest public capital works expenditure of any company in Australia by far.

Mr Stanhope—I would imagine so, yes.

Senator SCHACHT—And your impact actually is probably not even a micro-economic issue; it is probably getting to be a medium economic issue. Where you spend the dough has a major impact on—

Mr Ward—It is declining.

Senator SCHACHT—If it declines from \$4 billion to \$3 billion you will still be, over a 10-year period, a \$30 billion investment and that cannot be ignored, so it just gives us an idea. Thank you for that.

Mr Stanhope—I can give you a categorisation that we use.

Senator SCHACHT—That would be fine. Can I turn to some other more specific issues? There were changes made to the community call charges recently where, by and large, Telstra announced that this was cheaper and that overall there would be a reduction in price of community call charges—which, for the record, as I understand it, are the STD calls made from fringe metropolitan areas or to the next zone and therefore are at a reduced rate on a time basis from longer distance STD.

It has come to light that, because of the change in policy, in some areas people will pay more for the STD. It has gone from being 25c for three minutes to a flag fall, like a taxi, of I think 12c, and then 10c every minute thereafter. So actually, if you made a call of less than three minutes you would still pay more than the 25c of the old days. So there are some areas where people will pay more. Is that not correct?

Mr Frueh—Perhaps I can clarify that. As you say, the overall effect of the introduction was to reduce the cost to that community spread across Australia by \$1.4 million, about a two per cent overall reduction. So there was a reduction in net terms. Because we moved as we did, if you recall, some years ago from having charging in time blocks to charging per second, the effect is at the edge—if somebody speaks for a few seconds more or less, they no longer get a 25c penalty or bonus, depending on when their call finished.

For most callers, it varies by call, so some calls tend to be cheaper and some more expensive. But on average, as you can see, there is a two per cent reduction. It is basically much the same cost for everyone. There is an element I must mention—that is, short duration calls are significantly cheaper and calls made over a long period would be a more expensive call under that regime. So if somebody repeatedly made long duration calls, they may experience an increase.

Senator SCHACHT—If they made a 2½ minute call they would pay more.

Mr Frueh—I have got an extensive table here that I could show you or table, if you wish, which shows the calls—

Senator SCHACHT—I do not want to take up too much time, but it is true that there are some calls that will cost people more. It may not be the majority under the new scale.

Mr Frueh—Yes.

Senator SCHACHT—Did Telstra consider putting in a charging rate that said, at the very least, no one is going to be worse off, no matter what the length of the call was?

Mr Frueh—It is very difficult to do that in moving to that regime, because if somebody always called for one minute 37 seconds, which was cheaper under the old regime, then that would not be true. For most customers, of course, their call patterns vary between long and short calls and it is a neutral factor for most customers.

Senator SCHACHT—Could you provide me with the information on this local call area. You say there is a saving overall of \$1.3 million to consumers as a group?

Mr Frueh—Yes.

Senator SCHACHT—What is the total revenue of local calls?

Mr Frueh—We can certainly provide that.

Senator SCHACHT—The revenue from the call area?

Mr Frueh—Yes.

Senator SCHACHT—There is \$1.3 million—

Mr Frueh—That was two per cent of the total.

Senator SCHACHT—So \$1.3 million is two per cent?

Mr Frueh—Yes. So if you multiply that by 50, maybe \$70 million or something like that.

Senator SCHACHT—Seventy million dollars is the total revenue of the local call.

Mr Frueh—The community calls, from those customers, yes.

Senator SCHACHT—Is community calls a profitable area of Telstra's operation?

Mr Frueh—We would have to look at that. I guess the same issue that Mr Stanhope covered also applies.

Senator SCHACHT—We will not go over those arguments with Mr Stanhope. Even allowing for accountancy procedures, and you cannot be absolutely definite in every aspect of attribution of other overhead costs, tell me whether it is basically a loss or a profit making area.

Mr Frueh—We will certainly look at that and see whether we can provide that information.

Senator SCHACHT—I cannot imagine Telstra running it at \$70 million and not making a quid out of it, quite frankly.

Mr Frueh—When those calls were introduced, they were introduced, as Mr Ward would know, as a form of providing access to local community, and for shorter distance calls such as those our rates tend to be very much lower than our competitor's.

Senator SCHACHT—I understand the reason they were introduced and it is commendable; they are maybe not as profitable as some other area. Also, you have got consistent political pressure from the community that, if you are in one of those areas on the fringes of a metropolitan area that is not in the local metropolitan call area, they want to get into the local call area, and that is the reason why it was established. If you were dialling half a mile across

a road on the wrong side of the boundary, you got hit for the full STD call. People realised that that was a bit rich.

I now turn to the issue that the government announced in the legislation last year—pricing parity between city and country. I refer to the fact that, if competition drops the local call price in a number of metropolitan areas, that will have to be averaged out and provided to regional areas where there is no competition or ineffective competition.

I put a question on notice last time. The answer the department gave was that they had not reached a determination on what it would be for the calendar year 1997. Can either Telstra or the department tell me if there has been a calculation that there has been competition in enough metropolitan areas to reduce the average cost of local calls into regional local call zones? If that is so, what is it?

Ms Holthuyzen—The determination was made at the end of December last year.

Senator SCHACHT—What is that determination because I asked the question before the end of December?

Ms Holthuyzen—The determination was a change to the price cap determination which was amended. That was gazetted at the end of December. That document will be tabled in the parliament in the next session. The determination says that the weighted average untimed local call price for residential and charity customers in rural Australia in 1998 will not exceed the weighted average local call price for residential and charity customers in metropolitan Australia in 1997. I do not think the calculation for 1997 has been done yet. That is a matter that will be done by the ACCC under the price cap arrangements.

Senator SCHACHT—When will it be announced so that people will know what the call will be? You say the ACCC is going to do it, but has there actually been a drop? At the moment it is 25c in a local call zone in the bush. Telstra's cost for a local call in the city of Wagga is 25c, as I understand it. Because of competition in the metropolitan area in the weighted average, has the determination led to a reduction of what people in Wagga, for example, will pay for local calls?

Mr Ward—We will comply with the determination. It is not a price, it is an average price. It will bite this year. It will come in this year.

Senator SCHACHT—I know that. I just want to find out what the reduction is. Has that been determined yet? We are now two months into 1998. It might be interesting for people in Wagga to know that at some stage during this year they will actually not pay 25c for a local call. They might pay 23½c for a local call because of the weighted average from 1997. But unless they know about it, they are probably not going to get the full benefit of it.

Mr Ward—I am not aware of that calculation having been done.

Senator SCHACHT—Have you not been informed that there has been a calculation that you may have to drop your price?

Mr Ward—I certainly do not have one at hand.

Ms Holthuyzen—I am not sure of the timing. The ACCC obviously has the determination and they have to administer the price cap arrangements. I am not quite sure whether they have made that calculation yet. We can take that on notice.

Senator SCHACHT—But you are already billing people. Do you bill them on a monthly basis for local calls?

Mr Ward—That is true.

Senator SCHACHT—If they pay 25c now in Wagga, and there is a determination, you will have to change your billing and refund it.

Mr Ward—It is not a per day average; it is an average for the year. We will ensure we will comply with that average for the year.

Senator SCHACHT—I know. I am not saying you will not. What I am trying to get at is the time lag taken in determining the average weighted call that will flow through in the intent of the government's legislation so that people in Wagga will only pay 23½c per local call for 1998. I have to say that I would have thought that the government would want to trumpet this with full lights flashing and blaring sound. What I cannot get hold of is: when will the ACCC deliver the figure?

Ms Holthuyzen—We will take that on notice and provide you with the information.

Senator SCHACHT—Could you get back to me pretty quickly on it? I wish this had been reversed and I had the ACCC yesterday or on Wednesday because I could have got into them over this issue. I suspect they are dragging their feet.

Mr Ward—We will try to follow it up this afternoon.

Senator SCHACHT—Could you get back to us with it.

Mr Ward—We will try to.

Senator SCHACHT—Telstra gave me a number of answers last year on notice on the call number display and levels of awareness, et cetera, and I thank you for that information. I think you had spent \$8 million on the awareness program which, if nothing else, has probably made some advertising agency pretty happy.

Mr Ward—According to our obligations and agreements with the ACA.

Senator SCHACHT—Yes, I know about it. Adelaide, my home city, was made the pilot bunny for the operation. What awareness is there in Adelaide now of this call number display operation? Are people aware that they have the right to opt out of the system?

Mr Ward—Ted might know.

Senator SCHACHT—Mr Benjamin, good to see you again.

Mr Benjamin—Thank you.

Senator SCHACHT—So it is not a COT case either—that must make you greatly relieved!

Mr Benjamin—We deal with all with equal importance. There were figures taken to ascertain the level of awareness during the initial introduction of CND. I can get those figures and make them available to you. The figures, from memory, stayed around the same level, that is, that overall there was an 80 per cent plus awareness of CND and the implications of the introduction of the service. The matter has now transferred over to the ACIF processes because, of course, there are many other carriers that also wish to introduce the service or are introducing the service. At the moment, a code is being worked through with the consumers as to what research and monitoring should be done on an ongoing basis. I would expect that code process to be completed fairly soon.

Senator SCHACHT—Have you got any information about what percentage of consumers in Adelaide has opted out?

Mr Benjamin—I do not have it on a percentage basis. There have been requests to opt out nationally, but I would have to get you those figures.

Senator SCHACHT—Either way: both in South Australia, which is your—

Mr Ward—We have those numbers.

Mr Benjamin—We can get those numbers, yes.

Senator SCHACHT—Okay. Apart from the consumer issue of privacy, which has been raised—that is why we have the particular program, the awareness program, et cetera—conversely, have there been any complaints from people who have taken up the call number display service and discovered that it is not working? For example, one complaint I have heard second-hand is that when someone rings in and comes through a switchboard people might actually get the general switchboard number rather than the extension.

Mr Benjamin—Yes, I understand that can happen. I understand, though, that that is dependent on the nature of the switchboard.

Senator SCHACHT—But it means that the person who has paid for the call number display, expecting to get an accurate system, is getting a different number. They are either getting the switchboard number or the wrong extension number. What are you guaranteeing? Will they get the switchboard number for the business that rang in or the actual extension within the PABX system?

Mr Benjamin—Again, I would like to get you some more detail on that. But my understanding is that, depending on the nature of the switchboard, you could get either the switchboard number or the extension. That is the way the technology is.

Senator SCHACHT—But that is a bit loose. Surely you must be able to tell people that, in the system you are providing them with, if they want to have the call display number, that number coming from a large business or government office is actually the person's extension—or it is the switchboard for the whole section or the whole business?

Mr Frueh—I would like to make a comment there. Aside from the technology issue, which is clearly a factor, there is also a policy issue from the privacy side of the business as to whether the business wishes to make that number available. The business may not; it may wish to have only the main exchange number, the switchboard number, available.

Senator SCHACHT—So they can put that exemption in that they would like to opt out? They can partially opt out?

Mr Frueh—They can opt out, yes.

Senator SCHACHT—But your equipment cannot yet guarantee that, if they decide to partially opt out, it is only the switchboard number that is displayed or if they leave the whole show in can they say that they get the extension number?

Mr Frueh—I think all three are possible. In other words, if the PABX has the appropriate technology it may be able to give the extension number, it may be giving the main switchboard number or it may be totally blocked on the request of the business.

Senator SCHACHT—Here in Parliament House every member of parliament has got a different extension number which starts off at 62—

Senator Vanstone—We believe you, Senator Schacht.

Senator SCHACHT—Can I opt out in my office here in Parliament House so that my number will not be displayed if I ring somebody who has got the equipment at the other end or is that only an issue that the President or the Speaker can make on behalf of the whole of Parliament House?

Mr Frueh—We would have to clarify this for sure on notice but my understanding would be that the lessee of the service who has the commercial responsibility is the one who can determine that. Perhaps we should clarify that for sure, subsequently.

Senator SCHACHT—So even though I would not want my Parliament House number on call number display, that is not a decision I can make. I cannot tell you I am opting out, only the President or the Speaker can opt out.

Mr Frueh—This is an issue that is causing business customers to make those decisions, if you like, and obviously they have to balance the benefit of contactability against the misuse that might perhaps occur. Those judgments have to be made by the party who is the contractee with Telstra.

Senator SCHACHT—Do I have the right at my electorate office to opt out or is that a matter for DAS to opt out?

Mr Benjamin—We cannot really go past the fact that it would be the lessee of the service who would make that decision.

Senator SCHACHT—I have put a request in that I want to opt out of the lot: my personal number at home, my electorate office and my parliamentary office. But you are telling me, even though I put that request in, that may not have been accepted by Telstra because my bill is paid under my entitlement by DAS and Parliament House.

Mr Frueh—The relationship is with the lessee. So, in a sense, although you may be the end user of that service and have that provided by the lessee, we have to go by what the lessee says.

Senator SCHACHT—Thank you for warning me about that. That is a fair warning that I think all members of parliament ought to know about because I think some of them are doing what I am doing, opting out, and then finding that we are not actually having that request met. I have to say that when I put my request in, it was accepted by Telstra. You did not tell me that in fact it might not be met. Shouldn't you at least tell us that?

Mr Frueh—Senator, I think we accept the point you are making and it is one that perhaps we should clarify.

Senator SCHACHT—I would appreciate if you could clarify it in some detail.

Mr Frueh—Yes.

CHAIR—I got a letter saying it had been cut off.

Senator SCHACHT—Did you request it?

CHAIR—Yes, and I got a letter back.

Senator SCHACHT—From Telstra?

CHAIR—Yes, I requested it and I got it on one telephone. I have requested it on all of them and the first one I requested it on I have had a letter back to say that it has been activated.

Mr Frueh—If you are the lessee of the particular service then that clearly would be the case. If it was through somebody else, there may be arrangements say with DAS to do that on your behalf.

CHAIR—I was advised what I had to do for that one that is under DAS. I had to give the DAS code and that has been done. I expect that the letter may go back to DAS and not to me.

Mr Frueh—We will confirm that, but that would probably be a standing arrangement between DAS and Telstra.

CHAIR—I think it is an odd situation that we are in but, on my private line, which is my personal line, I got a letter back immediately.

Senator SCHACHT—Here at Parliament House?

CHAIR—No, I have got a personal line at home and I got a letter—

Senator SCHACHT—But what we are really on about is the numbers here at Parliament House.

Mr Frueh—Yes, I understand that.

CHAIR—I actually pay for one of my telephones.

Mr Frueh—We will clarify that.

Senator SCHACHT—Could I turn now to another issue that has had some publicity, including even from the Deputy Prime Minister of Australia, about call reach points in regional Australia for television stations to have access to a point where the nearby transmitter, tower or whatever is such that they can plug in a video tape of some story they filmed that day in that local regional area. I know in Queensland there are about eight or nine of these spots but you have given notice that very shortly they are going to be closed down.

I think people accept the fact that, because of changing technology and demand et cetera, that is a commercial decision that is understandable. The real issue that I have had from people like the ABC is you did it with a pretty quick swing of the axe and this has left it difficult to make alternative arrangements. Can Telstra give a bit more latitude before you swing the axe and cut it all off—which is supposed to be within the next month or so—so that alternative arrangements can be looked at, including new satellite technology or whatever else?

Mr Frueh—Yes, Senator, there has been good progression on that matter. As you indicated, there has been a progressive reduction over some time and as we get to the end of the service, then that becomes a transitional issue for the customers who use it. The resolution we have at the moment is to go through with each of the customers who are using it to identify those areas for which they have alternative arrangements and those for which they do not. We are now extending the timing of the closure to allow 29 points spread across the country in areas which do not have alternative capabilities, going through generally to the June-July period. We believe that working that through with FACTS and with the minister's office will provide a resolution of this matter.

Senator EGGLESTON—What is the situation in Western Australia?

Senator SCHACHT—It is across Australia. I gave the Queensland example.

Senator EGGLESTON—There is a view in rural Western Australia that Telstra has broken its commitment not to disadvantage regional Australia when it was privatised. You are, clearly, withdrawing a service which is important to people in regional Australia by withdrawing this service without satisfactory alternatives being available. Would you like to comment on that?

Mr Frueh—Senator, I understand the point. We recognise that it has been an important service as we have operated it. Increasingly, satellite news gathering and other technologies are providing alternatives to people. That is dependent on the particular locations and—

Senator EGGLESTON—Yes, on the availability of transmission facilities.

Mr Frueh—But our dilemma, if you like, is that these services still use a large proportion of our transmission capability and, in fact, in some cases, prevent us providing services such as ISDN to those locations which provide an alternative. So there has been a program worked through to try to address that.

Senator EGGLESTON—Where, in particular, is it preventing you providing services?

Mr Frueh—That is a general point. I have not got the specifics in front of me, but we could certainly provide that information for you.

Senator EGGLESTON—Can you provide the specifics on those, please?

Mr Frueh—Yes, certainly.

Senator EGGLESTON—And particularly in relation to Western Australia.

Mr Frueh—Yes, I understand.

Senator EGGLESTON—I would be interested.

Senator SCHACHT—What we are trying to sort out here is that you are saying that you cannot hold the spare capacity available and there are other demands like ISDN. But in the end the growth that you would hope of ISDN and other on-line services would mean that even after you take back that spare capacity available for the reach points, as they are called, you will have to put more capacity in to meet a demand way beyond even that for ISDN and other on-line services, won't you?

Mr Frueh—I understand what you are saying, but they are not a one-for-one replacement. In fact, they use wideband capacity to provide the reach service. When we provide ISDN, we use a much smaller component of that. In actual fact it frees up not just replacement capability but also service for other customers as well.

Senator SCHACHT—Okay. What is the growth rate in rural areas on ISDN?

Mr Frueh—It is a bit chicken and egg. They do not have ISDN in these locations because this is using the transmission at the moment.

Senator SCHACHT—On what you expect the demand to be, when will it be that, even when you take this reach points broadband capacity back and use it for ISDN and other on-line services, you would expect that that will fill up and you will have to put more capacity in anyway?

Mr Frueh—Mr Paratz here could provide perhaps more detail on this particular issue. You are getting out of my league. He is the expert, if you wish to pursue it. But it is generally able to be provided in a forward sense. There is really a suppressed demand there as other people have been using other services.

Senator SCHACHT—But as you create the demand, I bet you will have to put more capacity in sooner rather than later if you are successful in the marketplace in convincing more and more people to use ISDN and other broadband services.

Mr Paratz—There are a couple of factors that come into play. One certainly is the ISDN factor. The other one that comes into play is that, apart from the general profitability or lack thereof of the product, in many cases the actual transmission capacity providing these ENGs is now obsolescent. Telstra continues to incur cost to support that transmission and the ENG may in fact be the only thing keeping that transmission alive. As part of the general FMO program, and as part of Telstra looking at its underlying cost base in the interests of improving the profitability and availability of service, including ISDN, into rural areas it creates the situation where it is not a case of continuing the status quo; it would require reinvestment to continue to provide an ENG in its present form.

Senator SCHACHT—If you dropped the prices of ISDN to a more marketable level, you would increase the demand many times over. That is another issue for Telstra—your cost structure for ISDN is far too high for a lot of people to afford, particularly in rural areas. That

is another issue that you are going to have to sort out. Thank you for that. I hope that the negotiations through the rest of this year lead to a reasonable outcome.

Mr Ward, in reply to a question I asked last time about the roll-out of cable in Adelaide—what areas you put on the poles and what areas went underground—you gave a long list of suburbs and I appreciate that description. How was the assessment made of which suburbs got the glory of having the cable on the poles and which suburbs had the advantage of having it put underground? How was that assessment made?

Mr Ward—I could not describe the detail of that assessment.

Senator SCHACHT—I will ask you to get that information for me. I do not want to be suspicious but I think that some of the suburbs which had the advantage of having it put underground are either suburbs where the council had a vigorous campaign against overhead cables or suburbs that seemed to be what one would describe as more salubrious—with a higher socioeconomic background—where the local residents were even more vigorous in denouncing the roll-out of overhead cable. Has my suspicion got some point to it?

Mr Ward—I will undertake to give you the criteria, but my belief would be they concern technical and cost considerations.

Senator SCHACHT—Since you have rolled out the cable in Adelaide, how many Foxtel pay television connections have you made?

Mr Ward—I have no idea.

Senator SCHACHT—Can you find that out?

Mr Ward—Yes.

Senator SCHACHT—How much of the cable that you have rolled out is now available for connection or is it still hanging up there? There was a massive roll-out with a lot of it left hanging and not completed. I think you were going to go back and do it and then Optus pulled out and there was probably not the same demand from your point of view.

Mr Ward—I think we gave you some of that information but maybe it needs updating.

Senator SCHACHT—The only thing you can get through the cable in Adelaide is pay television. Is there any other service you provide through that cable? Any interactive on-line services?

Mr Frueh—I am not absolutely sure. The technical capability to support cable modems is certainly there, but I am not sure that Adelaide was included in the initial release of the cable modem service.

Senator SCHACHT—In Sydney and Melbourne you could get not only pay television but also some other on-line services through that cable?

Mr Frueh—I could find out later today.

Mr Ward—Certainly in Sydney and Melbourne there was a cable modem launched. I do not know whether that launch has been extended to Adelaide.

Senator SCHACHT—If it is not being extended to Adelaide, why is that?

Mr Frueh—I did not say it would not be extended. What I am saying is, I am not sure right at this moment whether it is available yet or it is in the next phase of release.

Senator SCHACHT—Just moving to another subject, in the statement by the chief executive and the finance director when the half yearly results came out, they mentioned that so far 16,000 Telstra employees had been made redundant in the program of 25,000. It was

not clear to me when the target of 25,000 would be reached, but it implied that it would be by the end of this year. Is that correct?

Mr Stanhope—The 25,000 program is to June 2000.

Senator SCHACHT—June 2000!

Mr Stanhope—That is the end date, yes.

Senator SCHACHT—So you have got rid of 16,000 in under 18 months and the last 9,000 will go leading up to June 2000?

Mr Stanhope—That is right, that is our current plan.

Mr Ward—That is the 1997 corporate and business plan. We are now in another cycle of planning, but that is the current plan.

Senator SCHACHT—It is 25,000 people to the year 2000. Are you suggesting that could be speeded up?

Mr Stanhope—We are in another planning round which adds another third year to our plan.

Senator SCHACHT—I see. Could the further planning round lead to further redundancies above the 25,000 being looked at?

Mr Stanhope—It could do.

Mr Ward—It could do.

Senator SCHACHT—As a result of all these redundancies, has Telstra got any idea of when it will reach a level of critical mass so that you actually start destroying the business?

Mr Stanhope—That is why we do the planning every year, to avoid that. As pressure comes on revenue, pressure therefore comes on costs if we are trying to maintain profitability. It is a whole iterative process, the planning process. There is no optimum level. It depends on your business, the business growth and the need for cost containment.

Senator SCHACHT—With the reductions of staff, particularly in regional areas, has there been any blow-out in the time it takes for Telstra to respond to service faults?

Mr Frueh—As a general rule you would not say that over the longer period there has been any degradation of service. However, if you look at the last few months of calendar 1997 and the first few months of 1998 then our service in certain areas has not been as good as it has been. This is due to several factors. Clearly, weather still has a major impact on our external plant and, as you would be aware, in the north we have had very heavy rains and floods.

Senator SCHACHT—I am not going to blame Telstra for floods in Townsville or Katherine—not even I would claim you are that good that you can affect the weather—but because of the major significant reduction, the 16,000 gone, has there been a commensurate increase in overtime to meet the demand for service faults being dealt with, and the only way you can deal with it is for those who remain to have to accept longer hours of overtime?

Mr Frueh—Overtime is one of the flexibility capabilities we use to meet peak demand in certain locations. It is probably true to say that the overtime levels are higher than they were before. Whether you judge that to be significant or to the stage of becoming an issue really depends on particular locations.

Senator SCHACHT—Last month I visited Bendigo, Ballarat, northern Tasmania and Townsville and I had the chance to speak informally to Telstra employees. They all made the case very strongly that they had never worked so much overtime to meet the demand. In Townsville there was rain,—

Mr Frueh—Yes.

Senator SCHACHT—but even before that occurred they were working more overtime. They said there is no limit to the amount of overtime they could work. Whenever they want, they can work overtime. Many of them are working not just a few hours—five, 10 or 15 hours extra a week—they are working up to 70 hours a week and weekends every week of the year. If they want to they can work it because the demand to fix faults is not being able to be dealt with with the reduction of staff.

Mr Frueh—That is anecdotal. That is not the case generally, but—

Senator SCHACHT—That is from your employees, and I do not think they were lying.

Mr Frueh—It is certainly not generally the case. In fact, we will be providing detailed answers to Senator Cooney's questions, which cover several of those locations discussed. That makes it very clear that that is not the case in those locations at least. I understand Townsville but, as I explained to you—

Senator SCHACHT—This was not Townsville just because of the recent rain. They had mentioned that you had flown some extra staff to Townsville to deal with the issue. I think that is good planning. Coincidentally, in the last month I have been to several regional areas in Australia. In each of those places I have spoken informally to staff—on their time, not on yours, so do not take the cars off them for goodness sake—and in every case this overtime issue is there as an indication to them that you are sacking too many people. They are saying that they like the overtime in one sense to get extra income, but in the end they are saying their family life is shot to pieces. If you do not go and do it, the system falls further behind and we get complaints in the local community. You might say that this is anecdotal. It seems to be not one recalcitrant employee. These are long-term quality employees in regional Australia who are actually quite committed in their support for Telstra. I think this is an issue that you are brushing under the table.

Mr Frueh—Senator, I am sure we do not want to do that, and the purpose of these meetings is to explore those issues. We are quite willing to provide information in macro terms that would address that issue so you can form an assessment yourself as to whether it is a widespread issue.

Senator SCHACHT—I want to ask a question about the consolidation of what is called the national operating centre to Melbourne. Is that the right term?

Mr Frueh—The global network operating centre.

Senator SCHACHT—This will replace 20-odd regional operating centres elsewhere in Australia. What was the main reason for putting it in Melbourne other than that it is near the national headquarters? What was the particular reason why Melbourne was chosen?

Mr Ward—Mr Paratz will respond.

Mr Paratz—There are clearly a number of reasons which drove the consolidation of the centre. Amongst those was cost, although equally importantly are questions of the effectiveness of the centre in providing service to customers in our ability to introduce single and uniform processes for managing the network. Ultimately, the rationale for locating that centre came down to issues including the availability of suitable sites and the availability of an effective cold stand-by to provide a level of redundancy to a single centre. Putting these things together, the view taken and the decision taken was the announced one—the Melbourne decision.

Senator SCHACHT—As I would understand the national operating centre, because you have a national ubiquitous telecommunications system, as far as operating the system, it does

not matter where you put it you can still operate the system because that is the nature of modern telecommunications. What was the advantage of the location in Melbourne? Did you have a spare paddock, a spare building? What did you have in Melbourne that you did not have in Adelaide or Brisbane or Sydney or Perth or Wagga Wagga or Bathurst or Bendigo?

Mr Paratz—There are a number of factors that come together, probably none of which is in itself defining but which in aggregate make the Melbourne option attractive. Included in that is that Melbourne is, in fact, in a network sense, located with good connectivity to the balance of the network through a redundancy of transmission, diversity of transmission. It has available a critical mass of skilled and experienced staff to operate the network centre in conjunction with people who might be redeployed in from other areas. That would apply no matter where you put it, but certainly the critical mass is there. In addition, Telstra did have, I guess, what you would loosely call a spare paddock in that we had suitable secure accommodation for the centre. Importantly, we had established an effective—

Senator SCHACHT—It was at Clayton?

Mr Paratz—That is correct, yes.

Senator SCHACHT—What is at Clayton? I know the Telecom laboratories are out there.

Mr Paratz—That is right. The accommodation we are using is associated with the Telstra laboratories.

Senator SCHACHT—But you have spare accommodation all over Australia as you put digital equipment into telephone exchanges. You have empty floors in buildings from Oonagallabi to Melbourne and anywhere else in between.

Mr Paratz—The accommodation at Clayton has a whole series of appropriate characteristics for a network operations centre, which go beyond measuring it with a tape measure.

Senator SCHACHT—But you will have to put new equipment into Clayton, won't you? Whatever the building is, there is going to be a whole host of millions of dollars of new equipment going in. Is that correct?

Mr Paratz—There certainly will be. Another factor in Melbourne is the availability of a cold stand-by. The cold stand-by site will be in Melbourne City.

Senator SCHACHT—That is the existing operating centre?

Mr Paratz—Effectively, yes.

Senator SCHACHT—But you have 21 existing operating centres elsewhere around Australia.

Mr Paratz—Obviously, the cold stand-by has to have a couple of attributes. Firstly, it has to be sufficiently large to act as a stand-by for a national centre. Secondly, it needs to be located within reasonable geographic reach of the primary centre to allow staff to move between the two centres, to staff it up as required and to keep it appropriate. As well, the Clayton centre has the necessary room for expansion and provides an extremely attractive situation for—

Senator SCHACHT—How much room for expansion do you need for an operating centre? These things are getting smaller, not bigger. Are you going to take over Waverley Football Park when they sell that?

Mr Paratz—Being a national centre, the operating centre needs to have the opportunity to grow into the future for a broader range of products. I doubt it will grow to Waverley Football Park size.

Senator SCHACHT—Was one of the considerations the fact that the managers who run this system are basically already in Melbourne and that it was more convenient for them and they would be less agitated than if they had to shift somewhere else?

Mr Paratz—I doubt whether that would be a consideration. I certainly did make the point that we have a critical mass in Melbourne of a current experience base to actually man and operate the centre as opposed to—

Senator SCHACHT—How many did you have in that experience base in Melbourne?

Mr Paratz—Within the Victorian area we have in the order of 500 people who may form part of the base. I do not have those exact figures.

Senator SCHACHT—You have 190 in Adelaide doing theirs. How many did you have in Sydney doing theirs?

Mr Paratz—The Sydney figures would be in a similar range to the Victorian figures.

Senator SCHACHT—How many jobs will go when it is all consolidated into Melbourne?

Mr Paratz—At the moment, I believe that there are around 1,100 employees involved in the various operating centres.

Senator SCHACHT—So 600 will go.

Mr Paratz—I believe that the total staffing of the centre will be somewhere in the range of 850 to 900.

Senator SCHACHT—So 300 will go.

Mr Paratz—It is somewhere within the range of 250 to 300.

Senator SCHACHT—And those who do not shift from Adelaide are made redundant. Is that correct?

Mr Paratz—We will be offering the normal relocation-redundancy provisions, which are pretty well part of business these days. The question as to how many staff from Adelaide ultimately end up being accommodated by any of the options really is something in the future and is certainly not something that Telstra would plan as an objective.

Senator SCHACHT—As you know, most state governments will do extraordinary things to put incentives to companies to shift anything from operating centres to a steelworks or whatever else to their state in this issue of industry development. Did Telstra approach any state government to say, 'Well, actually, we will put it in Adelaide or Brisbane if you pay the relocation costs and pay the costs of the infrastructure establishment'? In my own state of South Australia they have paid extraordinary amounts of money—running into \$10 million, \$20 million or \$30 million a pop—to get a lot less sophisticated operation based in Adelaide than the national operating centre you are talking about in Melbourne. Did you approach any government or put it out to tender to government to say, 'What is your bid?'—which I would have thought would have been a smart thing to do? You would have saved yourself a lot of money.

Mr Paratz—I am certainly aware that there were briefings and discussions. Whether they were at the level of negotiation of particular financial incentives, I do not know. Maybe Mr Ward—

Senator SCHACHT—Mr Ward?

Mr Ward—I do not believe so. I think what you said was exactly right. We briefed all state governments on the exercise.

Senator SCHACHT—On the exercise on the need to consolidate, but you did not brief them on their opportunity, which would have been smart. You would have saved yourself a lot of money.

Mr Ward—Senator, that implies that the only criteria we had to take into account were specific things that each state and government could offer. Mr Paratz has outlined that there are a whole range of criteria. None are defining but all led, in this instance, to a Melbourne-based decision. It would have been inappropriate to mislead state governments. They may have gone to a lot of trouble and not been able to come up with the mix that we need for an optimal solution. I believe it would have been inappropriate for us to go to a tendering process. I think you did raise that at the last estimates.

Senator SCHACHT—I think this is an example of where in many areas Telstra does not accept, even slightly, any other national interest considerations about employment and the impact on regional Australia. When the CEO announced the significant annual half-yearly profit, this was all beers and flags waving. There was not one mention about Telstra's responsibility as the national prime carrier in Australia providing communications to nearly 90 per cent of Australians. That was not even given a consideration in his remarks.

The sacking of people or the redundancies was only seen in the terms of, 'This improves our profit.' There was no consideration given to the impact it has on regional employment. If you wonder why you are not top of the pops in a number of regional areas in Australia, I suggest you go and speak to those people as much as you go and speak to financial analysts in the various merchant banks and stockbroking firms. You might get a bit of a different answer about the standing of your reputation even amongst your own employees.

CHAIR—Senator Schacht, I have been really tolerant, but you are now making statements.

Senator SCHACHT—I said I would make a comment.

CHAIR—Let us just stick to the questions.

Senator SCHACHT—Mr Ward, I am told by staff that, every morning when they get to work and put on their computer screens, there is a message indicating to them what was the overnight Telstra share price and so on. That is useful information. Do you also put on there how many people were sacked in the last month or the last week?

Mr Ward—I am sure we do not.

Senator SCHACHT—Isn't that useful information in balance to employees about what is going on in the company?

Mr Ward—We report the resource usage and staff numbers through the management report quite widely to the company. All of the staff would be aware of the trends in labour and other costs. I will just respond to your other comment because I think I really need to. The half-year results are financial announcements. We have other vehicles, such as our annual report and the launch of our industry plan, where I am quite sure you will find how we are doing a great deal for the good of this country.

Senator SCHACHT—During the hearings on the privatisation of Telstra, I put a question to Mr Rizzo, the financial director, if I have his title correctly.

Mr Ward—The CFO, the chief finance officer,

Senator SCHACHT—He was explaining to me how much more efficient and better managed Telstra would be if it was partially privatised or privatised. Now that you have had

six months at it, can you tell me what decisions you and other senior managers have made that you would not have made if you had not been privatised?

Mr Ward—I think the way Mr Rizzo would have answered your question would have been that, first and foremost, competition is the greatest driver of our performance, operating approach, marketing and cost structure. In addition, I am sure he would have said that privatisation is a global phenomenon. All of our competitors are privatised and telcos all around the world are either privatised or about to be privatised.

The industry structure in which government ownership was set up has changed dramatically. We are no longer just a telephone company; we are operating a very complex set of industries. The immediacy of the response of the market in terms of our operating results, trends and share price that you mentioned, are all real-time indicators back to the company of how it is performing and an incentive to the company to continue to strive for better performance. It is the combination of open competition from last year and privatisation that we believe are both a global reality and the proper spur for us to continue to improve as a company.

Senator SCHACHT—The point I made at the time, and still make, is that that is competition which we fully support.

Mr Ward—That is more than competition.

Senator SCHACHT—We introduced it: initially it was as a duopoly, triopoly, and then there was the commitment to July 1997 last year. No-one has argued that it is not competition—that is why we introduced it. That is a separate issue from ownership. It was made clear at those hearings and people have said, ‘We will be better managers if we’re privatised.’ What better management decisions have you taken now that you are partially privatised that you would not have taken as good managers when you were 100 per cent government owned?

Mr Ward—We have been privatised for three months, not six months. That is the first comment.

Senator SCHACHT—I thought you might be able to find one example to tell me because this is one of the strongest points Mr Rizzo made in that evidence, which I found extraordinary. He basically said, ‘We’d be lazy and indolent if we’re managers in a government-owned organisation. But let us be privatised and we’ll be all zippy and entrepreneurial and flash,’ and so on.

Mr Ward—I do not believe he would have positioned it that way at all.

Senator SCHACHT—No, I paraphrased him—

Senator Newman—Unkindly.

Senator SCHACHT—But that was the bottom line.

Mr Ward—I think we gave quite a lot of evidence, along with other parties, that privatised telcos were performing better than non-privatised telcos. We found no evidence, empirical or otherwise, to the contrary. It also was the view of the professional management team in Telstra, put in place by a board appointed by the government, that this was going to be better for the company in terms of real-time feedback on our performance and better analysis of risk. Mr Stanhope could probably comment on this. We are already quite informed on how analysts the world over are seeing our performance and the areas that they think need greater attention, trends that they are following, et cetera. I think it is happening.

Senator SCHACHT—What about the Australian public—the 16.5 million who did not buy shares in Telstra? What do they think of your performance?

Mr Ward—I do not have any research by that cut. You may, but I do not.

Senator SCHACHT—No, I do not either. All I have is what Mr Stanhope or Mr Frueh said is anecdotal, which is, I have to say, a bit risky in some ways. But I have to say it seems that I am hearing more than many others, including senior management of Telstra, about what is going on at the grassroots level of the organisation.

Mr Ward—I think I have said before that if we do not get our act together on service and get an efficient cost structure, we are going to lose our place in the market. There is no more incentive for anyone, other than us, to ensure that we have got service to our customer base.

Senator SCHACHT—We can go on for hours about this philosophical part, but I will not, because we have not got the time. What is the position of Telstra in negotiating local call resale? This is a competition issue—right?

Mr Ward—Yes, it is. We already supply local call resale to about 400,000 lines in Australia, so we are already providing it.

Senator SCHACHT—I know you supply it, but isn't it true that about a year or so ago you were providing a flat discount rate of about 15 per cent for local recall sale, and now it is down to five per cent?

Mr Ward—We are at the moment providing only local call resale, which is an end to end product, the same retail product that would be provided to you. We are providing that on retail platforms. However, we have always said that we will negotiate with any service provider. In those negotiations, we will recognise volumes, durations and other matters, other costs, that they will take off us—be it directory services billing or other items—and we will recognise that in commercial negotiations. Indeed, we are in commercial negotiations with Optus as we speak.

Senator SCHACHT—Have you successfully negotiated or has someone successfully negotiated with you a local call resale rate that is other than the standard five per cent?

Mr Ward—No, but we are in negotiations with Optus and others to progress that.

Senator SCHACHT—I have asked this question a few times, both formally and informally, and you have been in negotiations all the time. Is it not true that Telstra is dragging its feet as long as it can so that you protect the monopoly in the local loop?

Mr Ward—There are a number of price and non-price considerations in these negotiations. There is quite a rich history of the negotiations, which others are aware of; it is an ongoing issue, and we are still in negotiations. The only comment I would make is on price: we are not going to set a price where we subsidise our competitors, because that is not in the interest of Australians who are represented by the government ownership or of our minority shareholders.

Senator SCHACHT—As you are making a substantial profit on local call numbers at the moment you want to protect that, do you not?

Mr Ward—I would not characterise our profitability on local service as substantial. In fact, if you combined the local call product and the local access product, I certainly would not use that description. Indeed, those areas have been subject to price regulation for as long as I can recall.

Senator SCHACHT—Yet they have been capped, right? CPI minus X arrangements, okay? That is the only cut you have given to the consumer?

Mr Ward—And prior to that, they were ministerially determined prices. They have been regulated for a long time.

Senator SCHACHT—That is the only cut you have given. That is the only price reduction you have given, when the government, either by ministerial decree or by legislation, has given you a CPI minus X. You have not given another minute fraction of a cut in the reduction of the local call number.

Mr Ward—We have introduced a number of flexible pricing plans across that area as well, Senator.

Senator SCHACHT—And, in the end, they still basically come out that people are paying 25c flat rate, untimed call. It has been stuck at that rate, despite the extraordinary improvement in productivity through technology, digitalisation and so on; you have not passed that on to consumers.

Mr Ward—You need to appreciate that the local call areas in Australia are probably the biggest local call areas in the world, and we offer an untimed call.

Senator SCHACHT—Mr Ward, I have used that argument right back to 1975, when I was an adviser to the last Postmaster-General of Australia on this same issue. I agree with all of that. But with the development of fibre and digitalisation there is just a universe of difference in the cost structure compared with copper and analog switching equipment and so on. Yet you are still 25c flat rate, and the only time you reduce it is when the government puts CPI minus X on you—a cap.

Mr Ward—One of the reasons for that, despite the fact that, as I have said, we have also introduced some flexiplans across—

Senator SCHACHT—What do the flexiplans average out at per call?

Mr Ward—I could not provide—

Senator SCHACHT—Well you had better—

Mr Ward—Peter can provide our current plan.

Mr Frueh—We can provide that information.

Mr Ward—Some of the plans are quite substantial. For example, on the easy saver plan that I use personally at home, we do not get a discount on our local calls as Telstra employees and we pay 20c for a local call and pay an increase on the access fee to offset. There are quite a few options that are out there for customers. Customers who are heavy users of local calls can get 20c local calls from Telstra.

Senator SCHACHT—Yes, I know. I discovered, I think 18 months ago, one of those plans that you had introduced to anticipate competition from Optus from their broadband cable telephony, because when you discovered that it did not work you forgot about promoting it. We discovered that all people had to do was ring you up and they would automatically get a reduction. As soon as you found out there was no competition, that Optus's competition was not working, you forgot all about that program. I got quite a good run, around Australia, telling people, 'Just ring up Telstra and you will automatically get a reduction.' You just ran dead on it as soon as you found that the Optus competition did not appear.

CHAIR—Senator Schacht, I think you have made your point.

Senator SCHACHT—This is a major point for about eight million consumers in Australia.

CHAIR—I know, and you have made it, and I think—

Senator SCHACHT—Telstra will not drop the prices, other than what they are forced to by the cap or by, in the end, the ACCC. Until you get some competition on local call resale, at a wholesale rate, not retail, it is all a myth what you are talking about.

Mr Ward—We are more than comfortable in negotiating with those who wish to provide local call resale. We are not going to subsidise it.

Senator SCHACHT—How long have you been negotiating?

Mr Ward—It has been a rich history—

Senator SCHACHT—A rich history?

Mr Ward—and it is not just Telstra that—

Senator SCHACHT—It has been a rich history and you have stalled the negotiations deliberately because you are on a good wicket.

Mr Ward—It is a detailed issue. It is also subject to some litigation at the moment so we need to be a little careful what we say.

Senator SCHACHT—No wonder somebody is trying to sue you because the way you have been going with it—

Senator Newman—Madam Chair, I would have thought that it is not the responsibility of Senator Schacht to get stuck into an official like that. His role is to ask questions, and let those answers lie on the table, not to abuse people.

Senator SCHACHT—It is a robust discussion. If we had the minister here, the real minister, I could lob a couple of these into his lap.

CHAIR—Well, we have not.

Senator Newman—Do not take it out on the officials.

Senator SCHACHT—I must say I have had a good relationship with Mr Ward and officials, both formally and informally. He accepts this as a robust discussion.

Senator Newman—Let us maintain that relationship.

Senator SCHACHT—Of course I will, but we have a difference of opinion about this.

CHAIR—You have made the point and I think we should move on. I have tried to transpose the program we had last night for this portfolio to today and we are now beginning to run over time. We have got an army of people waiting to ask questions.

Senator SCHACHT—I know, but these are significant issues for a lot of Australians.

CHAIR—The people waiting also think they have got significant issues.

Senator SCHACHT—I am coming to a conclusion, you will be pleased to hear.

CHAIR—That is good.

Senator SCHACHT—The government has the option to allow Telstra to charge business at timed rate for data. I do not think it has actually been taken up yet in the local loop. This is with respect to the legislation.

Mr Ward—Okay.

Senator SCHACHT—This is the argument we had at the legislation hearing last year that a business person can take a 25c untimed call and put data down it for ever and a day,

theoretically for an infinite period, at the cost of 25c. You say your exchanges and switching equipment have to bear the cost of all that infrastructure.

Mr Ward—Exactly, it is actually a global issue.

Senator SCHACHT—One thing with this is that you are not Robinson Crusoe—every telco in the world is making these same comments. Have you as yet started to apply a timed data call charge as a result of the government making that available to you?

Mr Ward—I do not believe so.

Mr Frueh—Not in the normal telephone service on the ISD. There is a different charge rate for data calls but that is a completely different service.

Senator SCHACHT—But you have not gone to the government and said, ‘We want to treat fax transmissions in the local loop as a data transmission and therefore it will be timed?’

Mr Frueh—No, I do not believe so. I think the key issue in the legislation was the question of whether provision should be made for that based on the evidence that might emerge over the years.

Senator SCHACHT—All I am saying is that the provision is there and that you have not yet gone to the minister seeking to impose a timed call for data where at the moment it is untimed.

Mr Ward—I think we have that capacity. I am not sure that we have to go to the minister.

Senator SCHACHT—Okay. Of course, it is even worse then. Have you chosen to take—

Mr Ward—Business data, as I understand it, is just one area where we have that flexibility but we have not chosen to exercise it at this point in time. But we are monitoring the marketplace and looking at the technology et cetera—

Senator SCHACHT—Have you had any evidence that your telephone exchanges, because of use of data, are at overcapacity—are clagging up, to use a vernacular phrase?

Mr Ward—Fortuitously, Mr Paratz is still at the table.

Mr Paratz—I guess there are two parts that come into that. The first is that, over time, our traffic data statistics show an increase in usage rate per line on the local call and, as Mr Frueh indicated earlier, mixed in with the local calls is the voice, the fax and the data type transactions.

In addition, we certainly have had in some specific sites, where there is a high concentration or Internet related traffic, a need to augment capacity in what you would regard as an unusual manner related to that traffic intensity. That is more unusual than general at this stage but those indicators are there.

Senator SCHACHT—Which areas, geographically, and which exchanges are finding that upsurge in Internet use is leading to stress in the appropriate telephone exchanges and the switching equipment?

Mr Paratz—I have not got the exchange names in my mind but certainly it is an issue that has been raised with me by my people. I am aware of the general localities rather than the exchange names.

Senator SCHACHT—Could you take that on notice? I would be interested in knowing where Internet uptake is at a higher level than other parts of Australia, which is one indication of that pressure.

Mr Paratz—Yes.

Senator SCHACHT—In those exchanges, although there is an increase in Internet use, you are still making a profit on providing that Internet service?

Mr Paratz—The figures that are available to me are really about usage rather than the underlying profitability of that, and that is a broader question.

Senator SCHACHT—Mr Stanhope, do you have any figures to show, with this area of increased Internet use—though it is putting more stress on the system that is coping with it—that in fact you are still making a profit out of providing that Internet service?

Mr Stanhope—We have not separated Internet out as a product on a product profitability basis; it is lumped in with other products at this stage. Internet is about to be managed in Mr Frueh's area as a product, and a greater focus on its profitability will occur.

Senator SCHACHT—Which one is it here on this list of product revenues?

Mr Stanhope—It is lumped in with other sales and service.

Senator SCHACHT—Other sales and services?

Mr Stanhope—Yes.

Senator SCHACHT—That is the one that went up 58 per cent in revenue.

Mr Stanhope—Internet is in there.

Senator SCHACHT—That is Internet?

Mr Stanhope—It is not just Internet.

Senator SCHACHT—Is Internet the major reason for that significant increase in revenue?

Mr Stanhope—There is asset sales in there, which is a very high percentage of that 58 per cent.

Senator SCHACHT—Could you provide—and I do not want to undermine your commercial-in-confidence and your competitive edge over all those other evil telcos trying to beat you—details of how much of that \$932 million is actually Internet?

Mr Frueh—We can certainly provide that, but perhaps we should clarify here that the usage in Internet has several aspects. One is the carriage component which is feeding in there. The actual calling by the end user is normally picked up, if they are using a normal modem, as a telephone call. That is one factor that is increasing local call usage. Mind you, it works the other way. Because people are on the Internet for long periods in some cases they are not getting local calls they would have got otherwise.

Senator SCHACHT—The way you are at the moment in your structure at Telstra, whichever way it is charged—whether telephone use, et cetera—in the end, you are not losing money on provision of Internet services.

Mr Frueh—I was just pointing out that some of the revenue is in the other stream, but yes.

Senator SCHACHT—Internet is not a loss-making area for Telstra?

Mr Stanhope—As Mr Frueh said, when you put all the—

Senator SCHACHT—All the incremental increases evaluated that come with it in various forms and—

Mr Stanhope—That is a reasonable assessment.

Senator SCHACHT—Is it Internet you make money out of?

Mr Stanhope—Yes.

Mr Frueh—Yes.

Senator SCHACHT—That would mean that if you get increased capacity, if you get stress in capacity, the best thing to do is increase the capacity because you will get more Internet and you will make more profit. Isn't that true?

Mr Frueh—Yes, and as a general rule that is what we are planning to do.

Senator SCHACHT—The scare campaign that you tried last year in these hearings regarding the legislation about the need to overuse, and examples in America, et cetera—

Mr Ward—With respect, we tried to share with you a global issue.

Senator SCHACHT—Yes, but you tried to use it as a global issue to scare us into accepting that there should be a new rate, a new timed business charge for Internet and on-line services because of the over-capacity demand in an area. You are telling me you are making a profit anyway and you can meet the demand. I always felt this would be the case, that your scare campaign last year would not actually work.

Mr Frueh—At this point, Senator, with respect, the issue would be, for example, if people do use these services for very extended periods, the duration is a factor in terms of tying up the circuits.

Senator SCHACHT—What is the duration period? Has that now become a problem?

Mr Frueh—It does become a planning issue. Perhaps Mr Paratz could describe it.

Senator SCHACHT—Even if you planned properly you will still make a profit out of it. This should be something you are cheering on—flags waving, trumpets blaring. The more you get, the more profits you make. It must be very odd that you are worried about it because you are making a quid.

Mr Ward—We have not initiated any timed data calls yet. It is a very embryonic market. It is still a global issue. All we were arguing—and we certainly would not describe it as a scare campaign—is that we not be regulated along a very prescriptive path as we in the world were understanding this phenomenon. That is all we were arguing.

Senator SCHACHT—Can you take on notice to provide me with which telco overseas, that you keep your eye on and have knowledge of, has run into problems with the Internet and on-line services that have led to outages, breakdowns in the switching equipment and exchanges, et cetera?

Mr Ward—We will certainly share our—

Senator SCHACHT—I will give you a chance to put a big document to me. I can imagine what it will look like. It will state what is going to happen to Australia. The biggest thing since the death of the dinosaurs or something will be how it will be written up. Nevertheless, you will give it to me.

Mr Ward—Your line of questioning is suggesting that we were asking that timed calls be mandated. We were not doing that. We were arguing for flexibility and that untimed calls not be mandated.

Senator SCHACHT—The track record has been every time you give someone a chance to jack their price up or change the price structure in their favour in the business that you are in and similar businesses they take the opportunity. The fact is that you know that you are not doing it at the moment because the political pressure, the public outcry about it, would be so much that you would do yourself a lot of damage.

Senator Newman—Senator, are you going to make speeches or are you going to ask questions?

Senator SCHACHT—These are questions and comments. We are having a good dialogue here, Minister.

Senator Newman—But that is not the purpose of estimates. You can take him aside, give him a coffee after—

Senator SCHACHT—In this case it is a very useful discussion because these are issues that are alive and hot out in the community. This is the only chance we get to put them to Telstra.

Senator Newman—All I ask is that you ask questions.

CHAIR—How are we going?

Senator SCHACHT—We are going very well.

CHAIR—You said you were finishing.

Senator SCHACHT—That just keeps you interested.

CHAIR—I have been just thrilled for two days, Senator Schacht, listening to you. I could not think of anything I would want to do more.

Senator SCHACHT—The advantage of being in government is that you get to chair one of these. I will swap you any day you like—I am more than happy to swap. You have already replied to a letter I sent to you about the zoning of this goddamn piece of land in Western Australia that has been zoned non-residential because it is a satellite facility. You sent me material about it, which I thank you for. Is your position that that is it or is it that if the council does want to change the zoning, you will accept it and have to therefore—

Mr Ward—My understanding is that it is still in process. I think the council was seeking the rezoning. I think one of the planning authorities in WA had appealed against that and that is still in process, as far as I am aware.

Senator SCHACHT—So you do not accept the argument that if you want to keep the land as open space for your facility that in fact you should buy it rather than have other people who own it bear the cost of their asset being locked up to advantage you? If you want to use it as open space for your facility, why do you not buy it off them?

Mr Ward—We have invested a lot in that facility over the years which has brought a lot of benefits to communications in Australia. We have argued, along with others, that the zoning should not be changed.

Senator SCHACHT—That is still your position?

Mr Ward—Yes.

Senator SCHACHT—But if the council changes it, what will you do?

Mr Ward—If the planning process—

Senator SCHACHT—Yes, but if the planning process leads to a change, will that mean you will have to shift the facility?

Mr Ward—I do not know what all of the operational implications would be.

Senator SCHACHT—If the planning process changes the zoning what will that mean? You can take that on notice. Will your facility have to be shifted to a vacant lot somewhere else?

Mr Paratz—I think we should take the detailed question on notice, but there certainly are implications.

Senator SCHACHT—You can take that on notice. I have finished that topic.

Senator O'CHEE—Mr Ward, it is nice to see you. Let us see whether we can get this solved as quickly as we possibly can. You are aware that Mr Wynack, who has been chairing the working party, has requested that the terms of reference be extended for a further eight weeks? Are you agreeable to this?

Mr Ward—I will ask Mr Benjamin who is managing this process, who optimistically left the table a little while ago. Perhaps he could take this up. We are aware of Mr Wynack's letter, which we received only yesterday. I do not think he had prior consultation with us before he wrote that letter. Perhaps Mr Benjamin could take up our response.

Mr Benjamin—To follow Mr Ward's comments, I would see no objection in principle to what Mr Wynack is proposing. But I would like to make some observations about that. As I say, these are made in the context that we only got the letter yesterday.

We have had a pilot run, if you like, of us responding to a set of submissions from Mr Plowman. I was a bit surprised at Mr Wynack's suggestion at this point in time because in his report Mr Wynack said he did not have a conclusive view of the effectiveness of that step and he was still investigating that. He may have waited until he had done that but apparently he chose not to do so.

As to the question of responding, as he set out in that letter to Mrs Garms's and Mr Schorer's submissions, it would take us a lot longer than the period of time suggested and would run us into costs in excess of \$1 million. If we have to do that, we will do that. A way which might guarantee success in a shorter period of time might have been to, first of all, do the review of the Plowman exercise. We have maintained to Mr Wynack that the responses we have put in to date cover in one form or another the information sought in Mrs Garms's and Mr Schorer's submissions. Mr Wynack does not agree with that but we thought it may well shorten the exercise if Mr Wynack initially was to review the information we have put in against those submissions and identify the gaps which we would then fill. On that basis, we might have a much shorter exercise. They are the observations I would make.

Senator O'CHEE—Mr Benjamin, do you believe that you have fully complied in terms of Mr Plowman's case?

Mr Benjamin—We believe so. We do not have a response from Mr Wynack yet as to whether he agrees with that.

Senator O'CHEE—I have just provided to you a copy of document 5472, which is a photocopy of a diary entry that was requested by Mr Plowman. You will find that various bits and pieces have been deleted. We can leave the deletions to one side. I will just read to you a portion of the second paragraph of this diary note. It says that the person that the diarist was talking to said:

He wouldn't go near the place. He had been abused.

Do you see that? I think it is about three or four lines up from the bottom. I will give you a copy of Telstra document 5730. You will see that it looks like it is the same document from the same diary page. It said:

He wouldn't go near the place. He was a FP.

Mr Benjamin—I am aware of this document. There were two sweeps done and between one sweep and another the document had been altered. Obviously, the offensive remarks in

that diary are something that we do not condone and believe that an apology would be due to Mr Plowman for them. I cannot explain why the change was made between one sweep and another. One would assume that whoever did it also may have been concerned about the offensive nature of the remarks. But, it is true, they were changed. The initial remarks contained were offensive in the extreme and should never have been made.

Senator O'CHEE—Do you also accept the fact that changing those documents which were provided in the course of a claim in a legal matter can, of course, be a very serious offence in itself?

Mr Benjamin—Yes, I understand that. I am not sure of the circumstances in which these diary entries were changed; all I know is that there were two sweeps done. The diary obviously contains notes of a number of different events and we would photocopy one page of that diary. In between two sweeps that change had occurred.

Senator O'CHEE—If the altered document was supplied in the course of court proceedings then it is a serious offence to alter a document which is required in the process of court proceedings, isn't it?

Mr Benjamin—Yes, I agree with that.

Senator O'CHEE—And if the document was requested under FOI and the document is altered, then that is also an offence under the FOI Act.

Mr Benjamin—I am not sure of the legal status of that, I am not a legal person. I understand the seriousness of the matter. I do make the point that both copies were made available.

Senator O'CHEE—I am not going to ask you to give me a legal opinion. I think you accept the fact that the matter is very serious.

Mr Benjamin—Certainly.

Senator O'CHEE—What is more serious as far as I am concerned is the response that Telstra gave two weeks ago in relation to the working party and the request for both documents. You will be aware that Mr Plowman's request via the working party was to supply the original extract references for 5730 and 5472, which are the two documents there, to identify the writer of the diary notes which appear to have been altered. When I gave you 5472 I folded it over, so if you flip it over you will see Telstra's response. It is:

Document No. 005472 has already been provided as Annexure 1 to the statutory declaration of Mr Hurford.

So, an altered document has been provided as an annexure to a statutory declaration.

That is a copy of the original diary extract and, as is stated in paragraph 13 of Mr Hurford's statutory declaration, the author is Mr Ian MacFarlane. Document no. 005730 is identical to document no. 005472, save that the reference to an unconnected third party has been deleted.

The comment is:

This is an untrue statement . . .

Mr Benjamin—On the face of what we have got here that would seem to be an incorrect statement.

Senator O'CHEE—In other words, the working party as late as two weeks ago was provided with what you have conceded here to be an incorrect statement?

Mr Benjamin—That could have been an understandable human error in the sense that the person looking at the two documents may not have seen these words which are in an

abbreviated form. Somebody may not have picked it up when comparing the two documents. I do not think there was a deliberate attempt there to mislead.

Senator O'CHEE—Hold on. One document has the words 'He had been abused' put in over the top. You cannot say that they had deleted, or forgotten to delete, certain letters. The document has been altered. Telstra said:

Document no. 005730 is identical to document no. 005472, save that the reference to an unconnected third party has been deleted.

It has not. The document has been altered.

Mr Benjamin—'He had been abused' is in both of them. I would have to—

Senator O'CHEE—'He had been abused' is in both of them? Where?

Mr Benjamin—It is in the middle of—

Senator O'CHEE—'Hes a FP' is what is in that line and in the other document it says 'He had been abused'.

Mr Benjamin—Yes, but 'He had been abused' is also further up in the other document.

Senator O'CHEE—Mr Benjamin, you know and I know that the whole response related to that second paragraph. We have already established the fact that we now have a misleading answer. We now have a very serious matter about alteration of documents. In the context of all of that, do you believe that Telstra has satisfactorily, totally and accurately complied with the requirements of the working party, or do you accept the fact that there may well still be some shortcomings in what you have done?

Mr Benjamin—All I can say is that, on our best endeavours, given the size of this task, we have done our best to ensure that it is accurate and in no way misleading. I cannot guarantee that there are not errors in what we have done. The size of the task is so large that there is no way I could guarantee that human error does not come into play. Nevertheless, in responding to the submissions of Mr Plowman, which we provided to Mr Wynack, we have not received a response at this point in time from Mr Wynack as to whether he considers our response complete and satisfactory. If he identified shortcomings, gaps, or matters he wanted further clarified, we would certainly do that.

Senator O'CHEE—Mr Benjamin, that sounds, at face value, like a very conciliatory response. Can I get it very clearly on the record: are you willing to comply with any request by Mr Wynack in relation to the extension of the terms of reference of the working party? If you are happy, and you want to give that undertaking now, then I need not ask you any more questions today.

Mr Benjamin—Yes, I am, Senator O'Chee. But I make the point that in his letter he talks about a two-month exercise. The submissions from Mrs Garms and Mr Schorer, but not the others, are massive. To avoid the very problems that you have identified here today means careful sifting through hundreds of thousands of documents by people who can do that sort of work, and the possibility of human error, of course, must exist. We do not believe that we can do that in a two-month time period.

What I suggested to you at the outset as an observation was a process which might enable the essence of the objective to be attained within the time period that has been spoken of. If you alter the time period, then we could certainly guarantee that. My advice, on the basis of the letter that I got yesterday, is that, given the size of the submissions which go to inches thick, an examination to the standards that you rightfully would expect cannot be done in the two-month period.

Senator O'CHEE—Mr Benjamin, one of the complaints that the other parties have had is that Telstra took a long time replying the first time around. My understanding is that Telstra's response to Mr Plowman's requests was not received until 4 p.m. on that Friday afternoon.

Mr Benjamin—Yes.

Senator O'CHEE—At what time did the mediation start?

Mr Benjamin—The mediation started soon after.

Senator O'CHEE—Didn't the mediation start at 10 a.m.?

Mr Benjamin—But the two were not directly connected, in the sense that one set of documents was provided to Mr Wynack for one exercise, and the mediation was a separate exercise. But we did, as Mr Plowman's own letter indicates, make an offer to defer the mediation to give Mr Plowman time to go through those documents if he so wished.

Senator O'CHEE—The offer was, in fact—

Mr Benjamin—Sorry, I am told he had the submission on 30 February, actually.

Senator O'CHEE—You were told what?

Mr Benjamin—My attention has been drawn to a letter to Mr Wynack that we responded to submissions from Mr Plowman under cover of its letter to Mr Wynack of 13 February. But I still make the point that the times were close. I am not disagreeing with that, but there was an anxiousness on all parts, I think, for the mediation to be held to see if it could reach a resolution. We were happy for the mediation to be postponed for a short time for Mr Plowman to properly evaluate those documents.

Senator O'CHEE—Your recollection is different from the letter that I have received from Mr Plowman. You have not seen a copy of the letter I have received from Mr Plowman; but, for your benefit, I will read it. It says:

The Senate working party had endeavoured to get 96 documents that Telstra had said they would provide to me before this mediation which started at 10.00 a.m. on Friday 20 February 1998.

From that it is obvious you did understand there was a direct connection between the 96 documents and the mediation. The letter goes on to say:

For seven weeks Telstra stated to the working party that they were preparing these documents. The documents were handed to my solicitor at around 4.00 p.m. on Friday.

That does not tie up with your understanding of events. I am not saying that you are trying to mislead me or the Senate committee. But can I just indicate to you that Mr Plowman's version of events written on 24 February, which would have been the following Tuesday and therefore much closer to the events than you, and he was directly involved in it, indicates that Telstra had promised the documents before the mediation and that they did not come along until 4 p.m. on the afternoon of the mediation.

Mr Benjamin—Do you mind if I ask Ms Laver to respond to that level of detail, because I think she is in a better position to do so than I am.

Senator O'CHEE—Certainly, Mr Benjamin.

Ms Laver—There are two different items being discussed: firstly, Telstra's response to the submissions made by Mr Plowman in relation to documents and, secondly, Telstra's provision of documents exempted under the FOI Act to Mr Plowman. It is the documents exempted under the FOI Act which have been reviewed and now provided to Mr Plowman which were provided to him in the mediation on 20 February.

The reason it took Telstra a period of time to obtain those documents and review them is that, at the same time, Telstra had also provided to Mr Plowman a list of documents reviewed by Telstra in preparing its defence to the arbitration, a list of the files reviewed by Telstra in responding to the FOI requests, a list of documents exempted pursuant to those FOI requests, network diagrams and a table setting out sources within Telstra where various documents might be located. That was being done at the same time as reviewing the FOI documents and responding to providing the various lists mentioned to each of the other COT members.

Senator O'CHEE—Ms Laver, we have already ascertained in the past that Telstra had a pretty good list of documents. One of the reasons why we went down the working party process is that Telstra had in every one of these cases a very good list of documents; but they were not all handed over to the people who were concerned. That is in part why we set up the working party. So, with respect, it does not matter how many lists you may have had. Telstra knew these documents were there. Telstra knew that they were relevant to the mediation. Telstra knew that, if you wanted to have a good mediation, all the cards had to be on the table. Even assuming your recollection of facts is correct, you would accept the fact that if they were only handed over during the course of the mediation there would be no opportunity for the other party to look at those documents and get some advice so that they could go to the mediation in the hope of getting an agreement there and then. You would accept that, wouldn't you?

Mr Benjamin—I can understand the slant being put on it, and I say that in a straightforward way. We would have liked to have got those documents across earlier. Physically we could not do that because of the amount of work involved, and Ms Laver has itemised to you the tasks that were going on all at the same time. We did offer—and we consulted with the mediator, Sir Laurence Street—to have the mediation deferred if they so wished, and we would have had no objection to that, so as to allow time to look at those documents. The decision to proceed with the mediation was a mutual one.

Senator O'Chee—Is it true you made Sir Laurence Street sign a confidentiality agreement?

Mr Benjamin—Yes. Sir Laurence himself was agreeable to that and I can explain that. Sir Laurence Street had his own protocols for mediation, which included certain confidentiality provisions in respect of the mediation. The reason Sir Laurence was asked to sign the confidentiality agreement was so that all matters that had gone through the arbitration could be made available to Sir Laurence.

Senator O'CHEE—My understanding of the situation that occurred at the mediation is not the same as what you have told me and I will get on to that in a minute. I would like Ms Laver to answer my question. You would accept the fact that if Mr Plowman only got the documents during the mediation that he would not have the opportunity, prior to the mediation, to get advice and maybe be in a position to get a satisfactory agreement.

Ms Laver—That is correct and that is why an adjournment was offered to him.

Senator O'CHEE—Is it not the fact that Mr Plowman's solicitor was of the view that further delay added to his costs and was it not the case that Mr Plowman's solicitor indicated to Sir Laurence Street his dissatisfaction with the further delay, given that these things were supposed to have been completed before the mediation?

Mr Benjamin—I said—

Senator O'CHEE—Mr Benjamin, I am not trying to be difficult but I have just put a very simple question of fact to Ms Laver. You suggested Ms Laver was the best person to answer these questions of fact.

Mr Benjamin—Yes, the detail. What I am going to say to you may short circuit that. If Mr Plowman feels he is being disadvantaged by that and he wants the mediation reconvened, with all the documents now in his possession, I am not opposed to that.

Senator O'CHEE—Yes, but the whole point is that Mr Plowman went through the process in good faith, turned up for a mediation which was, as your own solicitor concedes, difficult to do properly because Telstra did not provide the documents in advance. She has just said it and she is sitting next to you.

Mr Benjamin—Yes, but the facts were known to Mr Plowman. An offer was made to him on that basis, recognising the points you are bringing forward, which are legitimate points, to defer the mediation to a later date so that that position could be rectified.

Senator O'CHEE—Is it not true, Mr Benjamin, that at the time Telstra also indicated to Mr Plowman's lawyers that there would be no further reimbursement of his costs because the pool of money that had been put with the TIO would be exhausted and there would be no top-up by Telstra? So, if Mr Plowman accepted the offer of a deferral or an adjournment or a reopening, he knew that all of those costs would be borne by him—he had already incurred the costs for this mediation—and that all of the costs for the subsequent mediation would be borne by him because Telstra had indicated to his lawyers that they would not top up the TIO legal expenses fund.

Mr Benjamin—We paid the cost of the mediation including the cost, as I understand it—I am sorry, he bore the cost of his lawyer for the day.

Senator O'CHEE—Exactly, and his preparation for that mediation.

Mr Benjamin—Yes.

Senator O'CHEE—It was not just the lawyer turning up on the day. He had done a bit of work, hadn't he?

Mr Benjamin—Yes.

Senator O'CHEE—About this much work?

Mr Benjamin—That much work in respect of what?

Senator O'CHEE—He had done a lot of preparation. The lawyer had done a lot of work and it was not just for the day.

Mr Benjamin—No. The TIO—the Telecommunications Industry Ombudsman—had announced a sum of money which he had proposed as reimbursement to Mr Plowman for his incurred costs.

Senator O'CHEE—Is it not true, though, that Telstra had indicated that there would be no top-up of the fund and that—let me just get the figures right here—they made an offer of costs of around \$150,000; that when Mr Plowman's barrister indicated that that really left him basically no better off, that that, plus the amount of money on offer, would only cover his legal expenses and would not actually meet any of the losses incurred by Mr Plowman, is it not the case that Telstra's lawyers indicated there were no funds left in the account held by the TIO to pay claimants and that Telstra would not be topping this fund up—implying that if he did not accept the settlement he would get no further costs in the future? Is that not the case?

Mr Benjamin—I do not know the answer to that. I would have to check.

Senator O'CHEE—Does Ms Laver know the case?

Ms Laver—No.

Mr Benjamin—I would have to check that.

Senator O'CHEE—Let me put a proposition. If that was the case, you would understand why Mr Plowman would be unwilling to go along to yet another mediation, given that the whole reason to have to delay the process was that Telstra did not give him the documents on time.

Mr Benjamin—But on that basis there may be an argument that way, but it could have been taken further, and, as I say, I do not know what was said in respect of costs. But just looked at from another point of view, of course, if Mr Plowman was under the impression that cost would be reimbursed ad infinitum no matter what processes took place, then you would accept, would you not, that that would also be an unsatisfactory situation?

Senator O'CHEE—I do not think that was ever Mr Plowman's understanding of the situation. Mr Plowman's understanding of the situation, Mr Benjamin, was that Telstra, pursuant to the undertakings given to this committee last year, were going to fully, frankly, honestly and fairly deal with the COT case people; that this mediation process would be put in place to solve it quickly, and the working party would exist to ensure that people had the full information to push on with their cases. That, I understand, was Mr Plowman's understanding of it. I cannot talk for him. But you would accept the fact that it is a bit rich for Mr Plowman to be expected to cough up all these extra costs when he was not in the wrong. Telstra just did not give him the documents.

Mr Benjamin—I am not sure what discussions took place in respect of that issue. But, if we are looking at moving this matter forward, as I have said to you before, if Mr Plowman feels that he needed those documents to properly complete the mediation, I am not opposed to the mediation being reconvened, and the question of costs would be easily resolved.

Senator O'CHEE—How would the question of costs be easily resolved?

Mr Benjamin—We, as always, made fair offers in respect of the costs of running a mediation. As I said to you—

Senator O'CHEE—What is your fair offer right now?

Mr Benjamin—We, as we did previously, would bear the cost of the mediation.

Senator O'CHEE—Yes, that is the cost of the mediation. But what about his costs for the extra day of mediation because you people did not give him the documents that you promised him prior to the last mediation? That is all I am asking you.

Mr Benjamin—The Telecommunication Industry Ombudsman has been assigned the task of determining costs. It is open to Mr Plowman to put that argument to the TIO. If the TIO picks up that argument and agrees with it, then we would pay those costs.

Senator O'CHEE—Hold on, Mr Benjamin. You said that you would be happy to come to a fair arrangement on that situation. I am asking you now what you think a fair arrangement of the situation is—not what the TIO might say. If you are going to be fair and open and honest, then what is your fair assessment of what ought to be done to ensure that Mr Plowman can push on with this in a satisfactory manner? Are you willing to pay his costs for going to the extra day of mediation? It is a simple question.

Mr Benjamin—Yes.

Senator O'CHEE—You are. Good. Thank you. So we have now got an undertaking that you are happy to comply with Mr Wynack's request.

Mr Benjamin—With the qualifications I have made in respect of time, noting that I have suggested that there could be a way in which that time period could be shortened. But I am saying right up-front, Senator, that, given the massive size of the submissions of Mrs Garms and Mr Schorer, we will not be able to meet the two-month deadline. If someone wants to go through that in detail with us and have a look at the processes—if you, for example, want to double-check that—I am quite happy to provide that facility to you. But the situation is that the time limit of two months is unreal.

Senator O'CHEE—Mr Benjamin, if you are saying now that you will not be able to comply with the working party request in the two months, doesn't that make the whole process rather meaningless? You already have had, what, three months?

Mr Benjamin—Which were on a number of other tasks. The way the working party was structured and the process that was agreed was that, because of the immense amount of work involved and question marks over its materiality to the solution of the dispute, Mr Plowman's submissions were done as a pilot for that assessment to be made—an assessment as to its value to the end objective. Mr Wynack, as far as I am aware at this point of time, has not made that assessment. What I am suggesting, perhaps to shorten the process, is that Mr Wynack could look at the submissions and the material we have already put in, compare that to the submissions that Mrs Garms and Mr Schorer made, and perhaps identify gaps which we would be quite willing to fill.

Senator O'CHEE—I am not trying to be argumentative, but can I say that we have just resolved the Plowman issue. Let us concentrate on the Garms-Schorer issues. The whole point of the working party was to ensure that all of the documentary requirements would be satisfied quickly. Now you are saying that, even if there is a two-month extension, you will not have resolved the documentary requests in, for example, the Garms or the Schorer cases?

Mr Benjamin—The submissions that are referred to cover much more than just documents.

Senator O'CHEE—Mrs Garms wants the tape recordings, I understand, of the tapped telephone conversations. She wants to know what you listened into.

Mr Benjamin—I understand she wrote a letter to Mr Wynack to that effect. I do not know what Mr Wynack's response was to that. I do not believe there is one.

Senator O'CHEE—Let us just leave the telephone taps off to the side. My understanding of the documents you have been referring to, Mr Benjamin, is that you had to review these documents anyway to prepare your defence, didn't you?

Mr Benjamin—We reviewed some of them, but the information being sought is extremely wide. They are massive requests.

Ms Laver—What we have provided is a list of all of the documents we reviewed in preparing our defences. That allows Mrs Garms and Mr Schorer to then identify which of those documents we have listed they would like. That has progressed it significantly. The problem with the remainder of the submissions from Mrs Garms and Mr Schorer is that they are very wide; they would take a massive amount of time to respond to on each point. We are looking at at least three months for each of the submissions of Mrs Garms and Mr Schorer, and probably an additional two months for the remaining two submissions. Over half a million dollars has been spent to date, and the task is enormous.

Senator O'CHEE—I think that the CoT case people have spent not quite as much as you but certainly a substantial amount of money. They are not in a process, I understand, of wanting to spend one cent more. The whole reason why they are here with a complaint against you is they are already out-of-pocket. Telstra already accepts, to varying degrees, that they have been put out-of-pocket. I do not think that these people want to get irrelevant documents because they know that it is going to cost them money to look at every one of these documents. They are trying to get documents that Telstra agreed here last year should have been provided to them before.

Mr Benjamin—There are lots of documents provided that we would not have regarded as being relevant, but we provided them nevertheless. As Ms Laver said, this goes further than that. It is a wide-ranging lot of information that has been sought, and I can only repeat that the exercise is a massive one. Whether it is material to the final resolution of the dispute is probably in some doubt. We do not have Mr Wynack's view on that as yet in respect of the Plowman pilot.

Senator O'CHEE—Mr Wynack's view, I understand, is that he could not form a view because he got the documents from Telstra so damned late.

Mr Benjamin—He got the documents as soon as we were physically able to provide them, but he has not yet provided a view as to their usefulness. It may be that he finds some of it is and some of it is not, and we could apply those findings to these other exercises and perhaps shortcut them.

CHAIR—Could I just ask a question? Mr Wynack has said in his letter that he believes he can comply with the revised terms of reference within two months, provided Telstra can quickly provide a response to the party's submissions made in December 1997. Is that what you are talking about in terms of that?

Mr Benjamin—Yes.

CHAIR—Are you saying you cannot do that?

Mr Benjamin—No, we are saying we can do that, but it is a question of time.

CHAIR—I am actually a very patient person and my patience is running out with Telstra and the way this has been dealt with. Every time we have excuses. There must be some way in which you can come to an agreement with Mr Wynack to provide him with appropriate information that will answer his questions. I would like you to go back to Mr Wynack and discuss with him the amount of information he needs to answer the questions and whether you can supply the information to help him achieve that. He says he can do it in two months. We are not going to get any further doing it here. That is what I want to know. I want you to go and ask Mr Wynack that. We will then approach Mr Wynack and ask him whether you have come to some agreement about whether you can provide it in a form which is of use to him and will answer all the questions in the party's submissions.

The working party visited the site on 5 February and 6 February. He said that there were questions asked there and he has not had any information. Were there questions there that you cannot answer without six months lead time?

Mr Benjamin—No, those questions will be answered—

CHAIR—Why hasn't he got the answer to those?

Mr Benjamin—They were asked right at the end of the session.

CHAIR—On 5 February and 6 February.

Mr Benjamin—Yes, but some of those questions were historical and had some complexity. We are answering those in the next few days, I understand.

CHAIR—Will they be answered by 20 March?

Mr Benjamin—Well before the 20th.

CHAIR—What date will they be answered by?

Senator Newman—In 14 days from now, so it will be into the five weeks.

CHAIR—What date can Mr Wynack expect? He has a program. He has to try and get an answer.

Mr Benjamin—Sure, but some of these questions relate to complex matters going back over 10 years.

CHAIR—Yes, but it has been going on for years and, like the Sistine Chapel roof, it has to be finished.

Senator SCHACHT—Mr Benjamin, I just make this point. The committee has not formally done it, but I think our sympathy is to give Mr Wynack an extension of time for another couple of months. This is his second extension. If he reports back to this committee saying, 'I cannot complete my work because I have not received the documentation I have requested from Telstra that I think is reasonable,' then I am going to tell you that you are in big strife. You will end up with a full-fledged Senate inquiry because we are fed up. If you want to go for a full-fledged Senate inquiry and have that go for two years, then you are really bonkers. We will go bonkers too doing it. If he writes back as the independent chairman of the committee and says, 'I am not satisfied with what has been provided by Telstra,' I suspect this committee unanimously will then say, 'It's your fault.' I think then you have a really big problem.

CHAIR—I am going to make another point, as chairman, that it takes two to tango. On the public record, I would expect the parties to be reasonable in their requests. It has to be a two-way thing. This has to be completed. It is wasting the time of the Senate when we should be doing a lot of other things. I know what can happen. I have been involved in a large organisation with an individual where the matter went on for seven years. I was representing him as a psychologist. People can get hooked into and it is difficult. Psychologically you end up trying to get every bit of information.

I am asking the parties, on the public record—and I know some of them are here as witnesses today—to be reasonable. But I am also asking Telstra to be honest and reasonable back. It has to be finished. I said that last time we had that dreadful argy-bargy—a committee hearing I have never seen the like of before. I said it had to be finished and people had to be reasonable.

I am now asking for people to act with reason, and the parties to the submission—the CoT people—to stand back and make sure that they are asking for reasonable things. We will be contacting Mr Wynack to see if he can find a way with you to get information that is satisfactory to him in a form that you can actually provide in the time.

The committee has discussed it and will agree to the extension, but after the extension we will assess whether both parties have been reasonable and both parties will be held to account—both the CoT and Telstra—and it must be finished. We have got to get this thing off the books. It has gone on for far too long. I do not know how you are going to do it. It is going to take a lot of mediation on your part and on the part of the CoT people, but I would ask the CoT people too to try and bring down battlements and approach it and be reasonable,

and I ask Telstra to be honest and reasonable as well. That is the best I can do as chairman of this committee. I do not want to see a full inquiry. I do not want to see the Senate's resources dissipated on that when there are a lot of other issues about people in lots of other situations. I am saying that our patience is wearing thin.

The extension will be granted till the 20th. I expect the answers to the questions from 5 and 6 February to be in by Tuesday 16th, which is the day after the public holiday in Canberra. I expect you to discuss with Mr Wynack the issue that we discussed before about the response to the parties to try and get them in a form that he can actually deal with it.

Any other comments? Mr Ward.

Mr Ward—I was just going to say that I thought that was a very fair summary of where things are at. We fully support trying to support the committee process. We have put, as Mr Benjamin said, a lot of resource into it. We will work with Mr Wynack and the parties to deliver as you just described.

CHAIR—Mr Ward, I have heard that now ever since I have been chairman of this committee. What I am saying is now, I have finished listening to it.

Mr Ward—I understand.

CHAIR—And I want you to put as many resources as you can—at senior level or whatever—to get this thing resolved. It is doing the Senate no good to have our resources being chewed up with this, nor is it in your interest or in the interests of the other parties. Looking at you straight now, the people who are here as witnesses, I say that you have a responsibility too to be reasonable. Sometimes we can become unreasonable because we get so involved. As I said, I have been in that situation with a young man for seven years against a major corporation in Victoria, and I know we got a bit caught up and we had to step back and be reasonable. That is all I have to say. I think the questions on the CoT cases ought to stop now.

Any other questions for Telstra?

Senator SCHACHT—Does Telstra have any costings done on what it may cost to extend the GSM mobile network to make sure it gives the same coverage as the existing analog network in regional areas?

Mr Ward—I will ask Mr Bundrock to join us; he is responsible for that work. By way of introduction, there are many scenarios of the way this could play out with the ACA study et cetera. Perhaps Mr Bundrock could take up the story.

Mr Bundrock—The quick answer is that we really do not know, within the context of this ACA review, what would be required. As we understand the review, it is a question of first of all identifying areas where there is comparable coverage with GSM and AMPS and putting them to one side. That would not incur a cost to Telstra. For the remaining areas, it is to be decided whether AMPS should continue. For those sites there would not be a cost. Then we are left with the remaining areas, where we would attempt to, as I understand, have obligations which would require us to extend GSM.

Senator SCHACHT—Do you have any estimation of how many extra, say, towers you would need in regional Australia to give you the same coverage of GSM as you have got with analog? When I say towers, that is transmitting.

Mr Bundrock—We would first of all like to understand the number of areas we need to extend and then we could do that estimate.

Senator SCHACHT—Say that again.

Mr Bundrock—As I understand the ACA process, it is to identify towers where there is an obligation to extend coverage for GSM. Once we know those areas, we can then do that estimate that you are requesting.

Senator SCHACHT—Do you have any generic information that, if an area is reasonably flat, in the western plains of New South Wales, for example, the devices on the existing AMPS system tower—100-foot high or 80-foot high or something—can cover a radius out for 30 kilometres or 50 kilometres, whereas a GSM similar height tower in a similar location is only going to go out 15 kilometres—with the same power, the same design. Do you have any generic information about that?

Mr Bundrock—In the situation that you outlined where there is a kind of circular coverage and if the intent is to duplicate all of that circular coverage, it would probably be about four extra towers.

Senator SCHACHT—Four extra towers.

Mr Bundrock—In fact, four towers to the one.

Senator SCHACHT—I have not heard that information before. That is useful. Do you have any generic information of what the cost of the tower would be for the GSM?

Mr Bundrock—It depends a lot on the civil engineering works and the cost of getting power in, so that does become location specific.

Senator SCHACHT—I see. Separate from the location, getting the power in and so on, the transmitting device—

Mr Bundrock—For rural sites, you tend to look at about \$250,000 to \$300,000 as a good round number.

Senator SCHACHT—So you are looking at \$1 million for four—

Mr Bundrock—You could be.

Senator SCHACHT—Compared with \$200,000 for one. Is the AMPS equipment more expensive than the GSM—this is the transmitting equipment and reception equipment—or is it about the same price, irrespective of the tower?

Mr Bundrock—For a voice channel, it is about the same.

Senator SCHACHT—So you are looking at \$250,000 for the AMPS compared with \$1 million all up for the four extra.

Mr Bundrock—Yes. I just might add that, when we were starting to look at this, there are not many sites that are so simple as that single tower—

Senator SCHACHT—Because of hills and everything else.

Mr Bundrock—Yes, that is right.

Senator SCHACHT—I understand. I am just trying to get a comparison of apples. Do you have any idea yet how many of those extra towers you would need? I know you cannot compare apples with oranges, et cetera. Are you looking at another 300, 200 or 100?

Mr Bundrock—From what we see, there is a whole range of possible outcomes from the review. We are not too sure exactly where we are going to land within there, so we can get pretty speculative. We are not too sure how much is our cost.

Senator SCHACHT—You know from your own maps that this is what AMPS is doing now and that is what the local consumer has got used to using. To replicate that with GSM you could be looking at another couple of hundred towers, couldn't you?

Mr Bundrock—That is possible, if that was the extreme outcome that everything had to be duplicated or matched.

Senator SCHACHT—Which is a couple of hundred million dollars.

Mr Bundrock—It is really dependent on how much of residual AMPS is kept going. Obviously, that is going to have a big impact on the final outcome.

Senator SCHACHT—If you just say that AMPS is gone completely—we are going to stick to the GSM, even though we know it is going to have a big impact on infrastructure cost to get it up to the same level of geographic coverage as AMPS and then after 2000 AMPS is all gone—we are looking at an extra cost here running at \$200 million or \$300 million, aren't we?

Mr Bundrock—Yes. If Telstra was bearing the whole cost.

Senator SCHACHT—I am not holding you to that.

Mr Bundrock—I do not know whether \$300 million is realistic, but \$200 million. I am not too sure—

Senator SCHACHT—That is actually stamp money for the budget of Telstra, isn't it, Mr Ward? You could do that in an afternoon.

Mr Ward—I could not agree with that, Senator.

Senator SCHACHT—You might have heard me earlier raise with the department that this might be a legitimate USO extension. Do you have a view about that?

Mr Ward—I guess we will, as one part of the industry, participate in the review of the standards of service.

Senator SCHACHT—That means everyone in the industry shares proportionately the cost of this extra infrastructure.

Mr Ward—And it also depends on the way those costs are shared.

Senator SCHACHT—Yes, of course. But the main point of it is that the whole industry comes in proportionate to their percentage of the market et cetera, rather than just being lumped all onto you.

Mr Ward—I would say, Senator, it is a large step in USO and STS considerations. It was considered last year.

Senator SCHACHT—I had to leave before I could hear the speech of Professor Coutts but he was going to raise this issue at the conference earlier this week. I do not have his paper yet.

Mr Bundrock—Unfortunately, I did not hear the presentation of the paper, but I have read it. I think he has a satellite component as one of the factors.

Senator SCHACHT—Satellite?

Mr Bundrock—Yes.

Senator SCHACHT—We went through that before. I just think that in the end a fairer way to cover the cost might be the USO arrangement. Professor Coutts said that Optus and Vodafone might not sue the government for such a large amount of money if they think they

are being hard done by on having analog continue. Thank you for that information; it is most useful.

Mr Ward, yesterday I raised questions with the minister about networking the nation and the first range of applications which were approved at the end of last year. One of them is for Telstra and Optus for remote area broadcasting scheme conversion. You got \$4 million, Optus got \$4 million and the government is putting in a further \$3.2 million on top of that. If you did not get that \$4 million, you would not have provided this scheme. Is that correct?

Mr Ward—I am afraid I do not know whether that is an accurate statement. As I understand it, it is to be used as a cross-subsidy on the set top units.

Senator SCHACHT—This is the description and what I am going on. It says:

Conversion of consumer equipment, at DTH households and selected retransmission sites, for retention of access to services under the Remote Area Broadcasting Services (RABS) scheme. Assistance will be provided directly to RABS users. Total assistance expected to be provided for this purpose is \$11.2m (including an additional \$3.2m provided by the Government). For the purposes of this table the remaining \$8m has been split between Telstra and Optus.

Is this overwhelmingly in Western Australia?

Mr Ward—That is my understanding.

Mr Stevens—It is a subsidy to consumers for the replacement of the set top box. I think we are using Optus and Telstra as the agents for passing it.

Senator SCHACHT—The agent is AC? That is not made clear in this description.

Mr Stevens—No, but that is my understanding of the situation.

Senator SCHACHT—Is this the one the minister used to calm Mr Hendy Cowan down a little bit in Western Australia, isn't it, Mr Stevens?

Mr Stevens—It has been an issue in a number of regional areas right around Australia, not just Western Australia.

Senator SCHACHT—Is this money only for Western Australia or for wherever the RABS users are all around Australia? Does anyone know?

Mr Stevens—Yes. My understanding is it is right around Australia, but I would have to check that. I will have to take that on notice.

Senator SCHACHT—But I think predominantly it is in Western Australia, isn't it?

Mr Stevens—I think Western Australia was the first area affected by the digital conversion and most people are there.

Senator SCHACHT—If you are acting as the agents, I will temper my remark of yesterday saying that you were getting your hands in the little honey jar.

Mr Ward—Yes, I did react a little bit.

Senator SCHACHT—I saw you getting a bit agitated, Mr Ward. Did you make any other applications? Did you get approached to do this as an agency thing?

Mr Ward—I cannot answer that.

Senator SCHACHT—Could you take that on notice?

Mr Ward—Yes.

Senator SCHACHT—The other thing is that there is now a new set of applications, new expressions of opinion, which I think close in March some time. Has Telstra put an application in under networking the nation?

Mr Ward—I will take that on notice too.

Senator SCHACHT—If you do have a play would you just give us some details of it?

Mr Ward—Sure.

Senator SCHACHT—Mr Stanhope, when you give me that list of the breakdown of capital works, would that break down into areas, where appropriate, of what is spent in regional Australia non-metropolitan in capital works?

Mr Stanhope—No, we do not tend to break our capital program up that way. We break it up more into technology types like switching equipment, radio equipment and transmission equipment.

Senator SCHACHT—I might come back to you later after I get the list because I think it might be useful, even for Telstra, if you show in your capital works how much you are spending outside of metropolitan areas of Australia.

Mr Stanhope—Okay.

Senator SCHACHT—I suspect you are one of the biggest spenders in that area.

Mr Ward—Yes.

Senator SCHACHT—And that creates jobs, employment and infrastructure. I think that you might be better off in your own interest to explain that you are not just taking jobs out of the bush, you are actually spending some dough.

Mr Stanhope—I will have a look at how difficult it is.

Senator SCHACHT—I know that disaggregating things is often difficult.

Mr Ward—I will see what we can do.

Senator SCHACHT—That is all I have for Telstra, but I will put further questions on notice in the next couple of days to you.

Mr Ward—Fine.

CHAIR—Just a reminder, so it is indelibly marked on your mind, Mr Ward. All those questions need to be answered by 9 April,

Mr Ward—It is there.

CHAIR—And I am sure you are going to ring me up soon and tell me that, ‘We have got the other issue well under way.’ I want it, as you do, finished.

Mr Ward—It is a phone call I would love to make, Senator.

CHAIR—Good. You work hard at making it. I do not want the alternative, I can you tell you. Nor do you. Thank you, very much. I thank the officers from Telstra. There was a delay yesterday and that was difficult, but we did have a spillover day today and you should have anticipated that.

Proceedings suspended from 12.46 p.m. to 1.32 p.m.

Subprogram 4.4—Australian Communications Authority

CHAIR—Welcome, Senator Vanstone.

Senator SCHACHT—Mr Shaw, I understand that you are conducting the review of the analog issue for the ACA. Is that right?

Mr Shaw—That is right, Senator.

Senator SCHACHT—This morning I raised it with the department. Some of these questions flow backwards and forwards between you and the department and so on. There is a speculation in the press that maybe only Optus and Telstra would be bidding for new spectrum allocation because of the uncertainty of what happens with analog or AMPS if your review is not completed on 30 June. Have you had any of that evidence put to you?

Mr Shaw—As Mr Stevens indicated before, really the level of interest will not be known until 13 March, when applications close. We are aware of people who are interested, but precisely who will bid remains to be seen.

Senator SCHACHT—I presume you have a process of calling for submissions so that people can put submissions to you about the issue?

Mr Shaw—The actual formal issue of material in relation to the auction has already—

Senator SCHACHT—No, about your review for AMPS being maintained past 2000; the review you are doing for the minister?

Mr Shaw—We have put out several press releases which you possibly have seen.

Senator SCHACHT—But I presume you are getting submissions from people?

Mr Shaw—We have not formally asked for submissions, but we have indicated that we would of course consider all material that is put to us.

Senator SCHACHT—Has anybody put submissions to you expressing concern that it is a bit hard for them to bid in the spectrum auction with the uncertainty of whether there is going to be AMPS past 2000 or not?

Mr Shaw—I am not aware of any formal submissions that have been put to us. But of course, during discussion over a long period of time now, there have been questions raised as to what precisely might happen to the AMPS network. Clearly, for people who are interested in bidding, that would affect some of their bidding strategies and indeed possibly the price they are prepared to pay.

Senator SCHACHT—I accept that Mr Stevens has assured me that he expects others to bid, and we all hope he is right about that; he probably will be right. But, if the two existing major carriers who are already operating—one of them already in analog, of course, in AMPS and the other the major mobile phone operator—were the only two bidding, would you see that as a competition issue of concern or an issue of concern to the ACA generally about the operation of mobile phones?

Mr Shaw—I think the issue here is that clearly the more players there are in providing mobile services then arguably the more competitive the market might be. Other things being equal, obviously from a competition policy perspective the most vigorous competitor would be the most desirable outcome as a result of these auctions. The extent to which a person or people are interested in taking a position in this market, I guess, really depends on how profitable they see the services being.

Senator SCHACHT—With the anticipated growth in mobile phones and with several million more services being connected in mobile phones over the next five or six years, other than this auction for spectrum, do you expect more demand for more spectrum to be available to be auctioned to meet the increasing demand for mobile phones over the next five or six years?

Mr Shaw—That obviously depends on the way in which the market develops. Certainly the 800 and 1.8 gigahertz spectrum that is being released as part of this current auction we

have under way will, we think, satisfy the demand for the immediate future. Precisely what is required after that would have to be assessed. We do have a forward program of spectrum sales and we would consider releasing more spectrum if there was a concern on that matter.

Senator SCHACHT—If these 800 and 1,800 now up for auction were all taken up and were all put into the marketplace, how many more mobile phone services approximately would that be able to provide—if all the auctioned spectrum was put into the marketplace?

Mr Shaw—I think the key really to spectrum usage is particularly the high density use areas. It is not possible to talk about the total number of services; it is more how services can operate in a particular location like the CBD of Sydney and Melbourne. That is the question.

Senator SCHACHT—I accept that, but the capacity gets overloaded and you cannot get a connection. It gets engaged or there is overloading and they say, ‘Ring back in five minutes.’ It occasionally happens now for obvious reasons. When you reach the stage where you have five or six million mobile phones out there and the spectrum can only comfortably handle four million, there will be a big problem.

Mr Shaw—That would only be in a particular cell at any one time, and then in that cell it would—

Senator SCHACHT—In the Sydney CBD you have a heavy concentration of mobile phone usage, right?

Mr Shaw—But again it would depend on the particular carrier and what capacity that particular carrier has, as opposed to the total spectrum that is available for mobile phones.

Senator SCHACHT—You cannot provide an answer, because I am asking the wrong question.

Mr Shaw—Perhaps my colleague, Dr Horton, can provide a response to that.

Senator SCHACHT—Do not be afraid to tell me I am a dill and I have asked the wrong question. It would not be the first time it has happened to me in life, but then I just take the chance.

Dr Horton—Before we accuse you of anything like that, could I at least explore what I think your question is? There is a certain amount of spectrum which is being auctioned. For instance, at 800 megahertz it is 20 megahertz of spectrum. The number of systems that can be provided within that 20 megahertz is what you are getting at.

Senator SCHACHT—Yes.

Dr Horton—If it is a CDMA system, it could be maybe 2½ megahertz of bandwidth that will be required. If it is another GSM system, then maybe another five megahertz would be required. We are looking at a handful of systems in a metropolitan area which may be capable of being further supported. Some of those systems could also be at 1.8 gigahertz, where there is a lot more spectrum. So we are certainly looking at the potential for systems within metropolitan areas of maybe a dozen or so systems. There could be niche areas, too, in regional areas which would be other applications. Is that the question you wanted answered?

Senator SCHACHT—Yes. But to make it even more simple, you do not think that any of the spectrum that you now have going to auction may be available to be called up for further allocation to be auctioned in years hence. On all the anticipated demand, even at the most generous estimations of demand for mobile phone services, do we have enough spectrum allocation in one form or another to meet all of that anticipated generous demand?

Dr Horton—My answer would be, yes, to serve the population. Now in terms of the number of players, there may be not enough spectrum for all those who may want it.

Senator SCHACHT—As a consumer.

Dr Horton—Yes.

Senator SCHACHT—He or she may only be able to choose between three or four carriers and we might like to have six carriers for more competition. That is a different issue. The thing is that the consumer can buy a phone and know that by and large, unless there are freak accidents, it will connect into a cell?

Dr Horton—Yes. It depends on the system too, of course.

Senator SCHACHT—Yes, I understand.

Dr Horton—Could I add another thing? The internationally agreed bands for personal communication services are agreed worldwide and they are the bands that we are auctioning. You mentioned future auctions. What we see as future spectrum auctions, for instance the next one at 28 gigahertz, would be for typically different applications. It could be video or interactive data services, for instance.

Senator SCHACHT—That is at 28 gigahertz. Back to the issue of the review you are conducting, which is to report by 30 June. Are you confident that you will be able to make a definitive answer based on the known technology we have, or will you be told—as is often the case in this telecommunications industry—‘Oh well, if you just wait another six months further technological development will overcome the problem of sorting out whether you can have AMPS and digital’ or ‘AMPS can go, because digital is being improved with their distance, their transmission power, et cetera’? Will you be able to make a definitive decision or recommendation, do you think?

Mr Shaw—There are really two parts of the exercise that we are doing as part of that review. The first is to compare the analog AMPS and GSM areas to identify which areas are not covered by both services. In other words, where there is overlap and where there is not.

The second part is to look at what equivalent types of services might be available in those areas where there is not an overlap. To the extent that those types of equivalent services may depend on types of satellite or other services that have not yet been delivered in Australia, there will be some subjectivity about when those types of services will be available.

The extent to which that might influence the government’s decisions on the retention of AMPS networks would be a matter for the minister and the government. All we can advise on is our views on what technologies there might be and what equivalent services there might be available.

Senator SCHACHT—Did you hear the evidence this morning just before lunch from Telstra about what they thought would be the extra cost to get the GSM cellular network up to the same geographical coverage of the present AMPS system?

Mr Shaw—Yes. I was here then.

Senator SCHACHT—I forget the name of the gentleman from Telstra who spoke on it.

Mr Shaw—Tony Bundrock was his name.

Senator SCHACHT—I appreciate the fact that Mr Bundrock was quite willing to chance his arm on some estimations. Do you think that he is roughly in the ballpark from what you have seen in the information so far about \$200 million extra cost? If everything else is flat

and even and everything else is the same, you are looking at four extra transmitters and GSM to cover the same area of an AMPS transmitter?

Mr Shaw—I would not want to chance my arm on that at this point, because we really do not know what degree of overlap there is between the different types of systems.

Senator SCHACHT—If it comes up to that sort of figure—and he thought \$300 million was probably the higher figure—\$200 million is not an inconsiderable sum. Would your review look at ways in which that could be funded?

Mr Shaw—That is not part of the terms of reference.

Senator SCHACHT—That is not part of it?

Mr Shaw—No. We would just report on those two aspects I described before.

Senator SCHACHT—Could your recommendations be affected, though, by whether you know that funding would be available in a certain way or not?

Mr Shaw—We can report to the government. The government then needs to decide the extent to which the AMPS services in some areas might be retained or, as the government's policy stands, whether carriers might be required to roll out GSM networks to those areas. That is a matter that the government would have to decide before you could move to that question.

Senator SCHACHT—Dr Horton, is there evidence that technological development with GSM itself can overcome some of these range problems? Will there be improvement in that technology so that you will not need possibly up to four transmitters to cover the same area as an AMPS?

Dr Horton—No, it probably will go the other way.

Senator SCHACHT—It will go the other way?

Dr Horton—Yes. The extension of the GSM standard, for instance into the 1.8 gigahertz band, means shorter range systems at higher frequencies, but is very useful for dense metropolitan areas and also lower power.

Senator SCHACHT—Is it too late to mandate that only the 800 GSM would be used in the bush rather than 1800? I presume the 800 GSM would have a longer range or bigger range than the 1800.

Dr Horton—As part of our task, we are asked to comment on the developments in technology which are coming in. That could be part of the summary, as we see it, from consultants. Just what is mandated from that point is beyond our reach.

Senator SCHACHT—If there is a recommendation in one form or another that the AMPS system continues in regional areas, will the ACA have to make some recommendation that other carriers be given access to Telstra's AMPS coverage in that area so that competition is maintained?

Mr Shaw—As I think was described earlier today, there is a licence condition in draft form that relates to some access arrangements that might occur prior to 2000 for people who would be successful bidders for the 800 MHz spectrum. But, in general, questions of roaming would be dealt with by the ACCC, except that the ACA would be providing advice to the ACCC on some of that material, but it is an ACCC function.

Senator SCHACHT—Yes. Your advice would be on the technical side, I presume.

Mr Shaw—That is correct.

Senator SCHACHT—And there is no technical reason why the roaming arrangements could not be introduced?

Dr Horton—It depends on the systems between which roaming is anticipated, and the handsets involved. There may be a need for a dual mode handset, for instance, to roam from one system to another. If you have an analog handset, you cannot roam onto a GSM system because it does not interact with our system.

Senator SCHACHT—So the punter is up for an increase—although, I was told today that the cost of a dual handset is not that much greater than the existing handsets, if you have a bit of a market for them. I do not know whether that is right.

Dr Horton—In the longer term that may be true because what is involved is an additional RF chip for a different system and maybe some base band circuitry on another chip. So, in terms of manufacturing, there is not much difference.

Senator SCHACHT—Is number preselection an issue for ACA?

Mr Shaw—Yes.

Senator SCHACHT—I see some press comments from some people who are new carriers, potential carriers saying that in the mobile area, until you get proper number preselection, the competition is going to still be limited. Do you have a view about that?

Mr Shaw—We now have made a determination about preselection from fixed services for a basket of other services, which is a mandatory requirement on carriage service providers. We have also agreed with the industry to look at a number of other preselection issues, particularly fixed to mobile services, and also segregating the basket of services for domestic and international.

Senator SCHACHT—You are doing that at the moment?

Mr Shaw—We are doing that at the moment.

Senator SCHACHT—When will that be completed?

Mr Shaw—A lot of that work also relies on the industry providing us with information about the technical feasibility of some of those types of preselection—

Senator SCHACHT—I do not think he would mind me mentioning this but the chief executive of Primus was giving me a bit of a working over about the need to have number preselection within the mobile system from fixed to mobile and mobile to fixed, et cetera. He said that, until that occurs, their ability as a new carrier will be limited to provide really competitive prices.

Mr Shaw—Certainly that is an issue that we will be looking at. The process that I just described in relation to preselection for those other types of services has been accorded high priority through our industry consultation process, which is why we are putting our initial efforts into that area.

Senator SCHACHT—Do you have as much trouble with preselection as we and the Liberal Party do with our preselection processes?

Dr Horton—We know what the result is going to be though!

Senator Vanstone—A bit of wishful thinking on your part there, isn't it?

Senator SCHACHT—We have all got problems from time to time, Amanda. I am always bemused by the term 'preselection' in telecommunications. I keep getting confused about who

stacked the branch and who stacked the switching equipment or something. Sorry for the diversion.

So the arguments that Primus makes that they could make more genuine competition if preselection was available, is valid?

Mr Shaw—That would have to be looked at on its merits. Just as we are looking at the other forms of preselection. You need to look at the technical feasibility and whether there are any impediments. Under the act, there are other criteria which would include the ACA looking at the extent to which it would benefit end users for those types of—

Senator SCHACHT—I presume the main technical inhibitions are what Telstra tell you they have as an inhibition.

Dr Horton—There are three mobile carriers, Senator.

Senator SCHACHT—But in preselection, because Telstra has got the domination of the local loop and so on, if you are making a fixed call and are in and out between a mobile and a fixed service, Telstra is still in a dominant position.

Dr Horton—If the issue you are referring to is the one reported in the press this week, that was for mobile originating preselection. No, there is no dominance in mobiles. There are three carriers which provide originating mobile services. The preselection through those accesses is what is being spoken of.

Senator SCHACHT—I hope I am going to be corrected, but certainly Primus as a new carrier believe they are disadvantaged because of the lack of preselection—

Dr Horton—Yes. The logic behind it is that I, as a mobile subscriber, would preselect my services after accessing through a mobile to Primus for my long-distance connection or international connection, whereas at the moment, by default, it goes to somebody else.

Senator SCHACHT—To someone else, but overwhelmingly it is to Telstra.

Dr Horton—Correct.

Senator SCHACHT—And that means that, in any discussion about this, there is no great reason why Telstra would hurry along on this, is there, because they are getting an advantage on income.

Dr Horton—Yes, but the provision of the preselection in the network which you first access is available from three carriers; you access through one of three networks. It is an industry issue, which needs to be resolved by industry.

Senator SCHACHT—The thing is: when do you complete the review in this area of preselection, Mr Shaw?

Mr Shaw—As I said earlier, Senator, we have some other high priorities in this area, particularly looking at fixed to mobile and the potential separation of international and domestic. That work priority has been agreed with the industry, which is why they are working down that path.

Senator SCHACHT—I turn now to another matter, which probably flows partly across into the department. I asked this last time and I must say that the detail in the answer I got was very useful. Who is responsible for the planning arrangements with the states over the new telecommunications regime? Is that the department or ACA? I always get this one a bit confused.

Mr Shaw—It is the department.

Senator SCHACHT—If Mr Shaw will just excuse me, I will ask the department: you gave me a very good update in the answer in January that came in on my question on notice about what the planning arrangements were at 1 July and where you were at on 31 December with regard to the developments in the states. As I recollect it, at 31 December no state, or maybe just one, had actually completed the process of putting into place their planning arrangements. Has there been any further advance in the last two months as to which states have moved forward on this area?

Mr Stevens—We can certainly get you that information. We are going to have a meeting with state and territory representatives on 26 March to talk about this issue. That will give us the opportunity to have a complete update on where particular states are. Someone may know more than I in terms of what is happening.

Ms Holthuyzen—That is correct.

Senator SCHACHT—I think that, in the answer you gave me in early January, by the end of last year there had been no difficulties so far with the system with an appeal or complaint. Has there been any development where either a carrier or a community has complained that, because of the lack of state finality and clarity on the planning arrangements, there has been a hold-up or a dispute that has not been able to be resolved at the local level?

Mr Stevens—We are not aware of any such complaint, no.

Senator SCHACHT—Have any of the carriers tried to move on since the deadlines and the cut-off dates last year about cable roll-out, building new mobile towers, and so on, which are a non-low impact facility? Have any of the carriers continued to do that sort of work, as far as you are aware?

Mr Stevens—Do you mean under different planning arrangements?

Senator SCHACHT—Yes, under the new planning arrangements. They had from 31 July to 30 September to complete the cable roll-out and they had until 31 December to complete tower construction, if it had already been started and was under way in some form or another by 1 July. Since then have you received no evidence that carriers who want to build further new towers and have started planning have run into problems?

Mr Stevens—We have had no evidence that problems have been emerging.

Senator SCHACHT—Have you had any complaint from local government in South Australia that one of the carriers, Optus, is in dispute with councils over paying their rental fee for the catenary wire which they hung all over Adelaide and then never hung the cable on? Councils are saying, ‘That’s your bad luck. You have put a wire up, so you still owe us the rent.’ Optus, I understand, are disputing that because they have not completed it. Has that issue come to the fore?

Mr Stevens—I have not seen any formal representation from a South Australian council on it, but I am happy to check and take it on notice.

Senator SCHACHT—If you would not mind checking. The councils probably feel they have a strong enough case to deal with Optus anyway. If that catenary wire just stays there, because it is not an actual communication cable, will it still be able to be covered by planning arrangements? It is just like a clothes line hanging all over Adelaide. It is the most expensive one in history, of course, but that is Optus’s problem.

Mr Stevens—I have to take that on notice, Senator.

Senator SCHACHT—I did raise this question about this time last year when we were having the deregulatory committee. If a carrier goes broke, who is responsible for pulling down the cable if it does not work and they wind themselves up and disappear into the sunset? Are there any obligations that they have to put aside money so that, if it cannot be sold, it could be pulled down for at least scrap?

Mr Stevens—My recollection is that we said we would be surprised if the assets were not purchased by another carrier and the situation just—

Senator SCHACHT—Another carrier at a greatly discounted price.

Mr Stevens—That is the market working.

Senator SCHACHT—Do you know whether Hills Hoist in South Australia would be interested in buying the washing line hanging all over Adelaide?

Mr Stevens—We have had no formal representation on that, Senator.

Senator SCHACHT—I have not suggested yet to Optus that there is a possible buyer out there. I have just one other matter on planning on this issue of cable, which is in your area, Mr Stevens. You are chairing that working party which has a cast of about 20-plus or something about the issue of undergrounding, which came out of the debate in the Senate this time last year. I asked you about six months ago for a bit of a progress report and you said it was moving reasonably well. How has it gone in the last six months and will you be able to report by the deadline, which I think was the middle or the end of this year?

Mr Stevens—I am not sure there is an actual deadline on the reporting, Senator. The work though is progressing quite well. In fact, we are having a meeting next week to review progress over the last couple of months. I think at that stage we will know a bit more about timetables from there to completion. But I have been very pleased with the cooperation we have received from all parties.

Senator SCHACHT—Have the telecommunications carriers been up to the mark in their cooperation?

Mr Stevens—Yes, not just the telecommunication carriers but also the electricity authorities.

Senator SCHACHT—Have the electricity carriers not treated it as something that is a bit of a joke?

Mr Stevens—No, I think they are taking it quite seriously. It is quite a major exercise for them, given the extent of electricity wires around Australia. We have been very pleased with the cooperation from both the carriers.

Senator SCHACHT—Has there been any difference of attitude from the electricity carriers among those who are government owned and those who are already privatised?

Mr Stevens—Much of the input has been done through the association, which includes both government owned carriers and private carriers, so, no, not really. The association has provided the input into the working parties so, because that covers both private and public, the issue does not arise.

Senator SCHACHT—That is all I have for the ACA.

Mr Stevens—Senator, you asked some questions earlier about the determination on city-country—the city-country price issue. I have an answer for you, if you would like to hear it.

Senator SCHACHT—Good.

Mr Stevens—The guidelines produced by the ACCC require Telstra to inform the ACCC of their calculations by the end of this March.

Senator SCHACHT—I see. For this year, the calculation for 1998, they have until 31 March 1998?

Mr Stevens—What they are currently doing is calculating average price for their 1997 charges in metropolitan areas. That calculation has to be given to the ACCC by the end of March 1998 and, of course, they then need to comply in 1998 with that particular price.

Senator SCHACHT—So if there is a reduction in the local loop, as it is called, in the country areas, that would be retrospectively paid from the beginning of January?

Mr Stevens—I think that would be up to Telstra as to how they met the requirement, because there is an average price over the 12-month period.

Senator SCHACHT—If, for example, it turns out that the average is 23.5 cents, based on the calculation for 1997, that would then apply for the whole of calendar year 1998?

Mr Stevens—Yes, that is correct.

Senator SCHACHT—So, if there was a reduction, the consumer who for the first couple of months was still being charged at the previous rate would get a discount paid back to them?

Mr Stevens—Or there may be a greater reduction in the second half of the year to take account of it, because it is an average price over the 12-month period.

Senator SCHACHT—Is there any information on how long after Telstra completes that calculation that it would become a public announcement?

Mr Stevens—I would have to take that on notice; I do not know.

Senator SCHACHT—I would appreciate that.

CHAIR—Have you finished, Senator?

Senator SCHACHT—Yes.

CHAIR—I would like to thank the officers from ACA. We will now move to program 3, Broadcasting, online and information services.

[2.07 p.m.]

Program 3—Broadcasting, online and information services

Subprogram 3.1—Broadcasting, online and information policy

Mr Lloyd James—Brian Johns sends his apologies; he has been called back to Sydney again for some commitments today which he could not avoid. He was here yesterday evening. His intention was, with the committee's approval, to read an introductory statement, which I am happy to either table or read.

Senator SCHACHT—How long is it?

Mr Lloyd James—Seven pages. Would you like me to table it?

CHAIR—Yes. Could you speak to it for a few minutes? We can skim it and see what we want to ask.

Senator SCHACHT—Can we photocopy it and circulate it and all have a quick skim through it between deep breaths and see where we are at.

CHAIR—I was told on the phone it was a brief statement.

Senator SCHACHT—In ABC terms that is very brief.

Mr Lloyd James—It is double spaced.

CHAIR—Brief to us when we do interviews with them means 10 seconds; for them it means seven pages.

Senator SCHACHT—One thing I was going to ask Mr Johns, Mr Lloyd James, as chief executive and non-voting member of the board, is what is the position of board members having access to the employment contracts of individual ABC staff members?

Ms Clayton—Under normal circumstances board members would not have access to contracts. During my time at the ABC I am not aware of any time where such a contract has needed to be drawn to the attention of the board.

Senator SCHACHT—So the employment contracts for staff, whether they be a local technician or some high flying presenter, are a matter for management and not for the board?

Ms Clayton—That is correct. The highest delegation for employment contracts lies with the managing director.

Senator SCHACHT—And only his contract is a matter for the board?

Ms Clayton—That is correct.

Senator SCHACHT—And his is the only one that is a matter for the board?

Ms Clayton—That is correct.

Senator SCHACHT—And in your time you are not aware of any ABC board member requesting specific information on an employment contract for any staff member.

Ms Clayton—No, Senator.

Senator SCHACHT—Has Mr Kroger attended a board meeting since his appointment?

Mr Lloyd James—He has attended one, Senator, the last board meeting in Perth.

Senator SCHACHT—And Mr Kroger, from what Ms Clayton has said, has made no request for information on employment contracts inside the ABC so far?

Mr Lloyd James—Not to my knowledge, Senator.

Ms Clayton—Not to my knowledge.

Senator SCHACHT—And if he did request it he, like all other board members, would be told what the policy is?

Ms Clayton—In my time we have never had any instance of that fact. But employment contracts are generally regarded in industry as a matter between the employee and the delegate.

Senator SCHACHT—That is a board policy, quite rightly, and the board can always, by majority, choose to change that policy. That is correct, isn't it? There is nothing in the articles of association of the company to say that they cannot. In fact, with due diligence, they should—

Ms Clayton—I would not like to comment on what the board would do. It is a highly speculative question.

Senator SCHACHT—I understand that. I am pleased to hear that that is the board policy and I am pleased to hear that, to your knowledge, no-one from the board has attempted to use their position in that way.

Mr Lloyd James, a brief press comment was made only a few days ago that, in the restructuring of what I think is called 'One ABC', an accusation was made, perhaps by the staff association, that although a lot of ordinary staff are being made redundant, there is an increase in the number of managers at the very senior executive level—it is going from three

to eight, or something. What is the true situation? Could you clarify that for us. If there is an increase in the number of executives at a senior level, what is the purpose of it?

Mr Lloyd James—The numbers have actually decreased, but I will ask Mr Balding to give you the detail.

Mr Balding—Since July 1996, our senior executive numbers have gone down by some 58, and that is about a 19 per cent reduction in SES.

Senator SCHACHT—Okay.

Mr Balding—That is across the corporation.

Senator SCHACHT—Have any new executive positions been created that did not exist before the One ABC reorganisation took place?

Mr Balding—Under the restructure and implementation of the new One ABC, a number of new senior executive positions have been created.

Senator SCHACHT—How many?

Mr Balding—I do not have those numbers at hand. I could take that on notice.

Senator SCHACHT—I think what people are getting at is that there has been a significant reduction at the lower level of senior management, but at the higher level of the senior management—maybe at your level, Mr Balding, or at Mr Lloyd James's level or thereabouts—there are more now than there were before One ABC turned up.

Mr Lloyd James—There are actually fewer, I think, at all levels.

Senator SCHACHT—Do you think the press speculation I saw last week is completely off beam?

Mr Lloyd James—I think it was associated with the restructure of marketing, which has actually been restructured out of a whole lot of activities that were carried out in the ABC to form one particular area.

Senator SCHACHT—You actually jumped ahead of me into that particular matter. There were some strange things written about the way in which marketing people were interviewed, including those who were to be eligible to reapply going through some imaginative arrangements and ideas, and so on. They may be perfectly acceptable. I will give management a chance to clarify that matter, and perhaps make the rather lurid way that was written in one of the stories I read seem less lurid.

Ms Clayton—The restructuring of our marketing area is probably one of the most significant restructures that are happening under One ABC. Previously, marketing was within the television and radio divisions. We are now pulling together an ABC-wide marketing division which, in addition to the operational activities of publicity and promotion, will be looking at a strategic overview of the corporation's marketing.

In doing so, positions which have been scattered across the corporation are being abolished and new positions are being created which are cross-media functional positions and which have new functions in terms of strategic marketing—brand marketing. The senior executives concerned were being selected for new positions in that structure. It was a professional selection process, which is common practice within industry. There was a detailed assessment of people's professional qualifications. The resulting appointments have been made with the fullest possible consideration of management, as well as technical and craft, skills. It is not an unusual for anyone within industry today to be going through such an exercise.

Senator SCHACHT—But it is unusual in the ABC.

Ms Clayton—It is perhaps unusual in the ABC, which is why it has created comment.

Senator SCHACHT—I thought that would be the answer you would give me. It seems quite reasonable in some senses, but it did sound a bit lurid. I hope they do not ever do it in politics. If we had to go through a sample employment discussion like that, I suspect most of us would fail. We can win elections but I am not sure we could win that process.

Can I just go to the restructuring of management. Since the government's \$55 million cuts this budget year and the \$28 million cuts the previous year, what have been the total redundancies in the ABC since March 1996?

Mr Balding—I will give the answer from July 1996. Over the two financial years we had 345 redundancies in the last financial year—

Senator SCHACHT—That is 1996-1997?

Mr Balding—That is correct. Currently in this financial year some 365 people have either accepted voluntary redundancy or have already separated through voluntary redundancy.

Senator SCHACHT—So far this year?

Mr Balding—Yes, so far this year.

Senator SCHACHT—By the end of 1997-1998 will there be further increases on the 365?

Mr Balding—There will be. To date, included in that 365 we have identified some 520 positions that will separate from the organisation so far.

Senator SCHACHT—This adds up to 710 over the two years.

Mr Balding—Yes. We have a target this year to downsize through voluntary redundancies and non-filling of positions and things like that of about 700 for this financial year.

Senator SCHACHT—For 1997-1998?

Mr Balding—In 1997-1998.

Senator SCHACHT—Well, you have got 365 so far.

Mr Balding—That is correct.

Senator SCHACHT—You have got another 360 to go.

Mr Balding—No. Of that 700, we have identified 520. The 365 have already separated or accepted redundancy. We have initiatives in place now to identify further positions and positions to separate.

Senator SCHACHT—How many positions between now and the end of 1997-1998 have you identified to go, or you hope to go, or are planning to go?

Mr Balding—Between now and then there will be another 340-odd positions.

Senator SCHACHT—That is what I am arguing. You say it is 365, so when there is another 340, it will get up to 705.

Mr Balding—Yes. On top of the 365, we have identified another 160 in the process as far as downsizing is concerned.

Senator SCHACHT—Another 160?

Mr Balding—Yes. It is going through the process now. The 365 are people who have either separated or—

Senator SCHACHT—I understand that, but there is another 340 you expect to go by the end of this financial year to bring it to 700?

Mr Balding—Correct.

Senator SCHACHT—What is this other 150 you have found?

Mr Balding—Of the 340 extra, we have identified 160 of those already.

Senator SCHACHT—Oh, already. I see. I misunderstood that.

Mr Balding—So to date we have identified 520 positions for this financial year.

Senator SCHACHT—Five hundred and twenty of the 705?

Mr Balding—Correct. Of which 365 have already separated.

Senator SCHACHT—So between now and the end of the year, you have to find another approximately 200 positions?

Mr Balding—Correct.

Senator SCHACHT—Are you confident that you will find them?

Mr Balding—Yes, we are confident. We are still working through the numbers.

Senator SCHACHT—Will they all be voluntary?

Mr Balding—At the moment all separations have been voluntary.

Senator SCHACHT—But do you think this last 200 for this year will all be voluntary?

Mr Balding—There could be pockets. There will be minor involuntary redundancies.

Senator SCHACHT—And they will be the first involuntary ones you will have had to carry through?

Mr Balding—Yes. The first involuntary ones have already commenced. They were predominantly in Radio Australia.

Senator SCHACHT—You could not offer them jobs elsewhere because you were downsizing and they did not want to go, I presume, because they could not find a job elsewhere.

Mr Balding—Or they chose not to. They did not wish to leave the ABC, so they have been through the involuntary process. Some 10 of those positions from Radio Australia would separate through involuntary.

Senator SCHACHT—Within the staffing arrangements, do you have an independent appeal process for those who do not want to accept voluntary redundancy?

Mr Balding—There is a redeployment process which is in accordance with the award conditions.

Senator SCHACHT—But you told these people at Radio Australia who did not want to go, ‘You have to go. Therefore, this is the package that you get paid.’ Do they have the right to appeal to anybody within the ABC to say that they are being harshly done by, or is there somewhere in their award where it says they can do that through the industrial court?

Mr Balding—I would have to take those particular details on notice.

Senator SCHACHT—Thank you. When you get up to the 700 for the financial year—if you achieve all of that—do you have any indicative targets for further redundancies for 1998-99?

Mr Balding—There would be some further redundancies, but they would be much fewer in number. But they have already been identified as a result of our re-engineering and the new

financial management systems we are putting in. Those positions will become excess to our requirements with the rollout of new technology.

Senator SCHACHT—Do you have any idea of how many that is going to be?

Mr Balding—That could be in the order of another 50.

Senator SCHACHT—Would you say that they are not the result of the government cuts, but the result of technology change?

Mr Balding—They are a result of management initiative and technology changes.

Senator SCHACHT—I want to ask a couple of questions about Radio Australia. The government is saving itself transmission costs by closing down Cox Peninsula. That means that the Radio Australia signal now cannot get in to some of the previous client areas of Asia, in particular. As a result of that, how many jobs have been cut or made redundant in the programming side of Radio Australia because they cannot get the signal that is relevant to making programs because no-one can hear it as there is no way to get it up there?

Mr Lloyd James—When Radio Australia was reshaped, a range of language groups was lost at that point, and we have discussed those here before. Since then, the board, having decided that the organisation would continue to broadcast in Indonesian, Pidgin, Khmer, Vietnamese and Chinese, has been monitoring that situation, but nobody has actually lost a position in any of those language groups during that time.

Senator SCHACHT—So, at the moment, we might well be broadcasting, but no-one can hear it?

Mr Lloyd James—We are getting some reception in broadcast areas, but it is minimal compared with the signals out of Cox. We are looking at the moment at relays, rebroadcasts, transcription services and, as you know, the build-up of education services. But, as I say, we are monitoring the effectiveness of those language groups right now.

Senator SCHACHT—You might tell me if the answer to this question has already been provided: did you provide us with information as to how much was saved in the winding back of the program side?

Mr Lloyd James—Yes. I am sure we did.

Senator SCHACHT—Will you just refresh my memory, if you can remember it?

Mr Lloyd James—I think it was about 50 per cent.

Senator SCHACHT—On the program side.

Mr Lloyd James—I will take it on notice and get it to you.

Senator SCHACHT—Yes. If you find you already have, will you just remind me of what the question and answer were?

Mr Lloyd James—Yes.

Senator SCHACHT—The transmission costs are a matter for my good friend Mr Vic Jones over there from the NTA?

Mr Lloyd James—Yes.

Senator SCHACHT—At the end of last year, you put to the government a proposal on the issue of digitisation, which you made public, that you needed \$30 million to \$50 million over five years for digitisation. Has the government responded yet to your proposal?

Ms Clayton—The government has not yet responded to our proposal. It is under consideration at the moment.

Senator SCHACHT—Under their consideration?

Ms Clayton—Yes.

Senator SCHACHT—Have you been able to be a bit more definite over the range of between \$30 and \$50 million over five years? It is a pretty big sort of margin of error, so to speak. Have we got it closer to \$40 million, down to \$32 million or up to \$48 million?

Ms Clayton—There are two factors which go to the uncertainty in the funding: firstly, the cost of equipment. At the moment we are predicting costs of equipment which may not even be on the market at the moment. The second factor is: the amount of funds that the ABC will be able to contribute, particularly through its property rationalisation. We are working through the latter point in detail with property consultants to try to pinpoint that. On the cost side, we still have to make estimates.

Senator SCHACHT—In view of the minister's previous remarks from time to time, and growing out of the Mansfield, that the digitisation program—not the capital program but mainly that one—is dependent upon outsourcing of program production, is that still an issue that the ABC has a dispute with the government over?

Mr Lloyd James—Our view is that outsourcing is not going to make a significant difference to the cost of digitisation.

Senator SCHACHT—I know that, but they are saying, 'If you do not go to outsourcing as an ideological issue, we might not give you as much for digitisation as a capital works program.' That is the way I clearly interpret the remarks of the minister on several occasions.

Mr Stevens—I think we indicated to you yesterday that the government still had to consider the digital submission from the ABC and to respond to it.

Senator SCHACHT—I know that. I am saying that the minister has made remarks that, unless there was substantial outsourcing, the ABC could probably whistle in the wind.

Mr Lloyd James—I am not conscious of that.

Ms Clayton—The minister has raised the level of production facilities that we would be maintaining within our property strategy as well as needing to upgrade in our digitisation. We have addressed that within our submission and it is under consideration.

Senator SCHACHT—While we are on digitisation, let us go to SBS. Have you lodged your bid with the government for the digitisation?

Ms Crowe—We have estimated that the cost of digitisation in the first stage, the production stage, would be around about \$22 million. Of that, we believe we will be able to find an amount which would leave a shortfall for us of around \$17 million over a five-year period.

Senator SCHACHT—Are you, like the ABC, forced into real estate sales to try to raise some of the money?

Ms Crowe—We would appreciate it if we had that luxury. No, we have actually offered up—

Senator SCHACHT—The minister or Mr Mansfield might say that you are very lucky not to have real estate.

Ms Crowe—Indeed. We actually have offered up the one piece of real estate that we own, which is a property in Victoria in Craigieburn. The problem with that is that it has a National

Transmission Agency tower on it, which is our radio broadcaster in Melbourne. We would be quite happy to contribute that, but that again then is tied up with the National Transmission Agency sale.

Senator SCHACHT—It cost you \$22 million; the ABC \$30 million to \$50 million. Are you both in the same league of using the same sort of equipment or are you a bit more gold plated down at the SBS in your demand? Are they are a bit more threadbare up at the ABC?

Mr Stevens—Those figures are not comparable figures. The ABC will obviously speak for themselves, but the \$30 million to \$50 million is a net figure rather than a gross figure, whereas the SBS figure is—

Senator SCHACHT—The two net figures are \$17 million to \$30 million, aren't they?

Mr Stevens—Yes, but net figure depends very much on what the offsets are. I think the only fair way of looking at it is as a gross figure in terms of the cost of digitisation to each network.

Senator SCHACHT—Is it a comparable figure then—\$22 million to \$50 million?

Ms Clayton—For us the figure is in the production phase which, as Maureen has indicated, is about \$110 million.

Mr Lloyd James—The \$30 million to \$50 million is the sum which the ABC is seeking assistance for from the federal government.

Senator SCHACHT—So you are looking at \$110 million for the ABC?

Mr Lloyd James—Correct.

Senator SCHACHT—You are right, I remember that figure.

CHAIR—You have not had time, but I have to read it. On page 6 of the statement it says: It will cost in the vicinity of \$100 million over the next three to five years preferring digital broadcasting. We can cover about half these costs from our current capital allocations.

Senator SCHACHT—That was for the SBS and the ABC. Another area of digitalisation is on the broadcasting side. There is debate at the moment as to allocation of digital on the spectrum to broadcast. Publicly, it looks like the commercial free to air believe that the equivalent of their existing analog signal should be given over to them holus-bolus in a digital form so that they can get up to four to six different signals. They would be very happy with that, with no licence fees and nothing to change for 15 years. First of all, what is the ABC ask on digital broadcasting as far as the bandwidth and the use of the signal?

Mr Lloyd James—The ABC is seeking the full seven megahertz channel capacity.

Senator SCHACHT—What will you use it for? I will be most interested to hear about this.

Mr Lloyd James—Again, you will find it in Brian's opening address.

Senator SCHACHT—Which page is that on? Page 3?

Mr Lloyd James—Yes. We will use it predominantly to deliver a national and regional service, which straddles both HDTV and multi-channel use.

Senator SCHACHT—You actually want to be a cluster of different channels going out with different programs?

Mr Lloyd James—At different times of the day, Senator, what we would actually be doing is weaving from multi-channel into single channel or 1½ channel mode. HDTV uses up an enormous amount.

Senator SCHACHT—You do accept that, going to HDTV, that that would only be broadcast in the evening?

Mr Lloyd James—Or for children's programs because they use animation—

Senator SCHACHT—And when it was not being used, you would then split it up?

Mr Lloyd James—Correct.

Senator SCHACHT—How would SBS use their seven megahertz channel?

Ms Crowe—Like the free to air and the ABC, we are seeking to have the seven megahertz channel made available to us. Some of our programs would go out on HDTV—for example, soccer, I guess, would be the most obvious—but we would also argue that, for other programs, such as some documentaries—

Senator SCHACHT—I could say that I hope you do that with the volleyball program, but then that is a self-interest issue.

Ms Crowe—I am not sure we have volleyball.

Senator SCHACHT—Don't you watch it? It is 4 o'clock every Sunday afternoon.

Ms Crowe—No, Senator.

Senator SCHACHT—What is going on down there? I am distraught at this news. I hope you are not in charge of programming, Maureen.

Ms Crowe—No, I am not, Senator.

Senator SCHACHT—Thank goodness for that!

CHAIR—I think we should call officers by their surnames.

Senator SCHACHT—I am sorry. I am just trying to be friendly. I am just distraught to hear that volleyball has been wiped off, but never mind.

Senator Vanstone—Madam Chair, I do not want to introduce a sour note—

Senator SCHACHT—You always do, so don't stop yourself now.

Senator Vanstone—Thank you, yes, I will continue. Some people, in the comfort of having themselves on a flight, indulge themselves up until that time with things that are vaguely amusing—but not to those who have not got a flight and are here purely for someone's self-indulgence. Estimates are here to give detailed answers and, if I have to be here, then the least Senator Schacht can do is use the estimates for that which they are intended.

Senator SCHACHT—I can't help it if you can't make your own bookings on planes.

Senator Vanstone—Last minute arrangements.

Senator SCHACHT—It was always clear that we were leaving and catching the 4.20 p.m.

CHAIR—Senator Schacht, I do not think—

Senator SCHACHT—Going back to digital television, both of you would have HDTV a part of the day, and when you did not you would go back to split it up into three or four channels?

Ms Crowe—That is right.

Senator SCHACHT—What technical advice have you got that you need the whole seven megahertz for HDTV?

Mr Knowles—We have been extensively studying work going on in both the USA and in Europe and, for broadcast quality HDTV, there is no option but to use the seven megahertz for live production.

Senator SCHACHT—For live production?

Mr Knowles—Yes. It is possible to actually do slightly less than that if it is film based material. But, if you want live sport, for example, there is nobody in the world who is actually proposing that you do HDTV at less than that. That is what is required to do it.

Senator SCHACHT—Less than seven megahertz?

Mr Knowles—You can do it at six megahertz if you use one particular system but, in fact, you compromise it as well. There are differences around the world.

Senator SCHACHT—Which system is that—the European or the American?

Mr Knowles—There are differences around the world to the extent that the Europeans have an eight megahertz spaced system and, therefore, have planned their systems to fit into that space. We have a seven megahertz spaced system and the Americans have a six megahertz spaced system. Each of those systems is able to adapt to fit into the space available and, therefore, you get the benefits from it.

Senator SCHACHT—Is there any suggestion that over the next few years, with further development of digital compression technology, you actually will be able to deliver quality HDTV, at the level of live sport, at less than seven megahertz—say, at five—and still have one channel left over?

Mr Knowles—In all of these things, the world does move on. At some point a decision has to be made on the standard at which the receivers perform, and they tend to be things which limit the ultimate capacity.

Senator SCHACHT—It would be in the interests of you and the commercial broadcasters to say that you want the whole seven megahertz, because that is all that HDTV will need, and therefore the flexibility for government, even after HDTV is available, to have another channel available for some new entrant no longer becomes available. One needs to be a little suspicious of self-interest here.

Mr Knowles—The current standard for HDTV internationally which has been accepted is a picture which comprises 1,080 lines of 1,920 pixels per line.

Senator SCHACHT—How many pixels?

Mr Knowles—Of 1,920. That system cannot be transmitted at a full frame rate—50 frames per second—in the best possible viewing arrangement of HDTV which would be progressive scanning—in other words, like a computer scan. There is a compromise necessary at the moment to even transmit that. You can transmit film at the full rate, but not live production. If compression improvements occur, what we will see is the capacity to actually show that in the full rate, but we are looking at at least a 50 per cent improvement in compression to do that.

Senator SCHACHT—When you need it in particular areas for HDTV, you need the whole seven megahertz; but when you go back to have just digital broadcasting without HDTV, there is nothing to stop it if the government chooses to have a policy to make some of those other signals available to broadcasters other than yourself. Is that correct?

Mr Knowles—The managing director's statement actually points out that the ABC has a view that we have program material which could be very valuably made available, either recycled or otherwise, to the consumers by using some multichannel capacity at those times.

Senator SCHACHT—Yes, but that is your broadcast. Some people argue that it might well be better to let other, new players in to the signal so that you get more diversity, rather than the ABC-SBS public monopoly on the national broadcasting side.

Mr Knowles—I think that is a question for the minister and the government to resolve, rather than the ABC.

Senator SCHACHT—Your bid is for your monopoly to continue, just as it is for channels 9, 7 and 10 for their monopoly to continue. I am always a bit cautious about monopolies.

Mr Lloyd James—I should point out, though, that we have been as clear as we possibly can be about the likely uses to which we would put that spectrum which are specifically for regional as well as national purposes, for delivering the regions to the regions across the media. The ABC has a capacity to do that which no other broadcaster could conceivably match.

Senator SCHACHT—But you will be providing HDTV to the region, won't you?

Mr Lloyd James—We will be providing HDTV to the regions, but in a multichannel mix. You can provide local interest material into local parts of Australia, you can reflect regions to themselves or to the national network, and vice versa.

Senator SCHACHT—I understand that. I just think there is a policy issue here that, as I said earlier in the day to Mr Stevens, is between a rock and a hard place in sorting out the balance between new entrants and more diversity, which I think most people favour. You might have more diverse programs, but they are your programs and you are the single broadcaster choosing which of those programs go to air. It is not another body. At least there is competition between you and SBS, but then I notice that SBS has the same view. I presume you have the same view as the ABC—that it is all sticks with you?

Ms Crowe—Our view is that we would be able to use this capacity not only for HDTV but for a range of services which would further enhance our charter. For example, one of the areas that would be useful to us would be the capacity to be able to have different audio channels being run, so that if we are putting a program to air in a particular language it can simultaneously go to air in another language which means that more people would be able to access the particular program we are putting to air.

Senator SCHACHT—So, when you dial around the switch on the four different channels, one channel will have the movie in the original language of Polish, the next one will have the subtitles in English and the next one the subtitles in French. Is that right?

Ms Crowe—Exactly, something of that sort.

Senator SCHACHT—It is a lot of channels to take up.

CHAIR—Senator Schacht, since we have left one hour exactly, to the second—

Senator SCHACHT—Yes. This is the first time this information has become available, and I appreciate the statement was only just made available. Would SBS like to put a statement on the record about their views on digitalisation in some detail, as the ABC has?

Ms Crowe—Absolutely, we will provide that.

Senator SCHACHT—I would appreciate that.

CHAIR—Do you have any examples of digitalisation that you could demonstrate to senators and members? I saw a film at Sony World called ‘Fish Faces’ or something, doing digitalisation. It is really very interesting for those people who have not seen—

Mr Knowles—There have been a number of demonstrations conducted in Australia. Unfortunately, at the moment the supply of receivers that can really show this is somewhat limited. They will not become available as consumer products until the end of this year in the US and later in Europe, so we are really constrained to being able to demonstrate material. When the proponents of those systems are able to actually bring equipment here which will allow us to properly demonstrate—

CHAIR—So you have not got equipment—

Mr Knowles—We do not physically have equipment which can properly demonstrate what this really means in true terms.

CHAIR—I suggest that as soon as you do, it might be useful to have a demonstration here during sitting time. It is easy to talk about it, but until you see it you do not realise how good it is. You think colour television is good until you see the digitalised television. It would be very useful for members of parliament, as soon as you have access to it, for them to have a demonstration. If it does not cost you a lot of money you can do it when you have got some equipment around.

Mr Knowles—Certainly.

Ms Clayton—If I could just explain the ABC’s position in response to Senator Schacht’s remarks about public policy in terms of allowing access to the spectrum to other players. That is an important public policy issue, and the ABC recognises it, but the public policy which lies behind national broadcast is also a significant public policy. As you know, in radio it is limited, but the analog spectrum has been able to allow us to split our services into a number of channels catering to a number of specialist interests. With analog, television has confined us to a single channel.

The ABC, unlike the commercial broadcasters, has a charter which gives us a role in special interest programming. Digital television will allow us to fulfil that charter in a much more comprehensive way in areas which are important, like the distribution of education programming, distribution of arts programming and children’s programming. While public policy issues are important, there is a large public policy issue on the other side.

Senator SCHACHT—You are a good advocate. The issue, if you raise it that way, is that that will be used by the commercial sector to justify why they keep all the spectrum for themselves, for commercial purposes, and the profit that comes with it. The commercial sector does not want to commit to HDTV, they just want four extra channels. That then means the issue of diversity is really under stress.

The angles in here are innumerable. I said this yesterday to the minister quite openly, he is between a rock and a hard place, as we all are, trying to sort out a policy of public interest with all the pressure and interests. You are no different. I accept the fact that as national broadcasters you can claim altruism at a higher level than maybe the commercial sector can.

Can I ask quickly, because time is running out, has the ABC completed negotiations with the government over the compact, if the privatisation of the NTA is completed, about what your money is?

Mr Balding—Those negotiations are still continuing.

Senator SCHACHT—This committee is about to report in the Senate in two weeks time on the privatisation legislation. Is that right? Is it this committee or the other committee? Which one is it?

CHAIRMAN—The other.

Senator SCHACHT—I think some of us were hoping that if we could see what you are actually being promised by the government then that would help us to a clearer understanding about the long-term funding for the ABC for its transmission costs. We have to report within about 12 days. Will you complete the discussion in that time frame?

Mr Stevens—When the committee took evidence on this issue from the department, we may have undertaken to try to provide the committee with as much information as we could on that compact. My advice is that we are currently talking to various sale advisers on how much information we can give as quickly as we can.

Senator SCHACHT—I presume it is the same with SBS—that is, that discussions are continuing?

Ms Crowe—The discussions are continuing. I would support what Mr Stevens has said. I would think that certain elements of that compact would be freely available to the committee. It is just in that draft stage at this point.

Senator SCHACHT—I have a matter for clarification. There was a story the other day in the press about Penny Chapman, who used to be head of television or is the head of television—whatever the description of her title is. Someone was complaining that she was giving herself an inside running to future joint programming arrangements with the ABC. That is a reasonably harsh accusation to make. Mr Lloyd James, you may care to use this opportunity to put the record straight, if it needs to be set straight, on this.

Mr Lloyd James—Thanks, Senator. I negotiated the arrangement with Penny Chapman who is the general manager of network television. She had first raised with me her desire to return to the independent industry to work as an independent producer. She was leaving her contract early. She has a very significant record as a drama producer, both inside the ABC and outside the ABC. When we had negotiated the terms on which she would be departing from the ABC, she raised with me a range of potential productions to talk through for the future. She raised one particular Australian literary work. Given that we were now clear of the actual process of her departing, I talked through—

Senator SCHACHT—So that had already been completed?

Mr Lloyd James—That was cleared away in its own right. I talked with her about the potential for the ABC to join her company in developing, not producing, the first stages of that project. I then talked to the commissioning editor for drama, who is actually responsible for that area, who was delighted with the project. It is an extremely good project. It will go through all of the normal checks and balances that development processes go through. We were absolutely transparent in the process. I wrote to the CPSU and explained all of those issues and I have not heard since.

Senator SCHACHT—I do not have any more questions, but I may want to put questions on notice as a result of the statement and other—

Mr Lloyd James—I understand.

Senator SCHACHT—I have to say, that you provided me with a lot of information in the last round, which was all very useful, that may lead me to ask a few more questions on that

area. I also found very useful the material you gave me about programs that have been cut and so on.

CHAIR—When you say you are thinking about putting them on notice, when—

Senator SCHACHT—We usually say that you get 24 or 48 hours to do that. What I want to say is that—

CHAIR—Yes, they have to be in by close of business next Tuesday because the replies have to be in by 9 April. There are some questions on notice from Senator Eggleston. I just have one question, which is out of left field, but it has caused consciousness raising. 1999 is the International Year of Older Persons and I am chairing the conference for older Australians. I hope you are beginning to think about what the ABC and SBS are going to be doing to celebrate the year to improve attitudes towards older people and also maybe think about some sort of programming.

The Prime Minister has written to every minister to ask all departments to address this, but you fall out of that because you are not really a department. I will be knocking on your door. I thought it would be nice if you actually started thinking about it because it is a great opportunity for you to do something. I hope you will take it on board and respond to it. It is the United Nations year.

Mr Lloyd James—It is actually an issue we are very conscious of having been to considerable lengths to try to attract a youth audience, but, at the same time, maintain other audiences. I think, certainly, the documentary makers and some of our drama people are highly conscious of that whole growing consciousness in the community about aging, the process of aging and the role of older people in society.

CHAIR—I am sure that this is a great opportunity we can all use. We are starting consultations around the country. Both Labor and Liberal members are nominating people from their electorates—and encouragingly in a bipartisan way—to actually look at issues that can be addressed. The thing that has already come up in the consultations is the fact that older people need to be valued for the contribution that they still make rather than being seen as a burden. I think both of you have a huge role that you can play in that year.

Senator LUNDY—I have a few questions for you to take on notice but I will read them into the record rather than put them on notice. With respect to your Internet and web sites, can you provide a description of the variety of sites that you are now maintaining, the resources that are required to maintain that and also the hit levels that you are achieving on some of your quite remarkable web sites.

Mr Lloyd James—On the last question, I can tell you that in the last week that we fully measured, there were, I think, 960,000-odd accesses, not hits—they were proper accesses where people were seeking further interaction. But I will get the rest of it for you.

CHAIR—A couple of estimates ago we talked about streaming, and you were trialling it. Has that gone any further?

Mr Lloyd James—I will have to take that one on notice. The trials were going on—

Mr Knowles—We are in the process of implementing a full-time streaming service in the next month or so, as we move on to a new communications link and moving the equipment into mainstream production from the developmental period. So that is actually happening over the next couple of months. Streaming is available now on an ongoing basis.

CHAIR—I think that is another thing you could do a demonstration of. It would be very useful for senators and members who are not familiar with it to actually see that.

Mr Knowles—That could certainly be done without any difficulty.

CHAIR—But when you do it, it would be interesting for the committee to be advised when it is on, so we can actually have a go at doing it. We have got to download some sort of software, haven't we, to get it?

Mr Knowles—Not necessarily. Most of the browser software now readily available actually incorporates the necessary software to read streaming broadcasting.

CHAIR—I have done it, but not on my computer. That would be interesting. We will look forward to that.

Mr Knowles—It is something we might be able to set up through the library here.

Senator SCHACHT—Could I ask SBS: with regard to your new CEO, Mr Nigel Milan—we have had an opportunity to meet since his appointment—I would hope that at some stage he makes an appearance at one of our estimates hearings through the year.

Ms Crowe—Mr Milan has only been with us for about three weeks.

Senator SCHACHT—I understand that.

Ms Crowe—He actually has been quite unwell and is unable to fly at the moment and has sent his apologies via Senator Alston's office. He is looking forward to joining us.

Senator SCHACHT—In the last six months have there been any increase in complaints to the SBS about the content of programs on SBS in terms of their being too adult, the language being a bit rich, or there being too much violence or nudity?

Ms Crowe—There has been no increase. In fact, in the last 12 months there have been fewer complaints than we have had in the previous 12 months. We do not get large numbers of complaints, anyway.

Senator SCHACHT—I know that. I just put that on the record because there are a few maniacs around the place who think this is the end of civilisation as we know it, because you and the ABC might show something that they find a bit awkward when, in fact, 99.9 per cent of the population are more than happy to either watch it or, if they do not like it, turn it off, which is their choice.

CHAIR—I would like to thank the officers from the ABC and SBS. I will look forward at the next estimates hearings to asking you what we are doing for IYOP.

[2.59 p.m.]

Subprogram 3.5—Australian Broadcasting Authority

Senator SCHACHT—With regard to the ongoing debate which we are partly having with the ABC about digitalisation of broadcasting, spectrum and so on, the ABA produced a report which was made public last year, which is fine. Have you had any further consultations with the government, provided further advice or been asked to provide further advice to the government on the development of policy for the final policy outcome as to how digitalisation should be made available to the free to air broadcasters, including national?

Mr Tanner—Since the ABA put in its recommendations to the government late last year, we have had no approach or contact from the government requesting further information. As the ABA has a large body of technical expertise in planning, we will liaise closely with the department if any work is done inside the bureaucracy.

Senator SCHACHT—Because of your technical expertise, you may have heard the ABC say that you definitely need seven megahertz for HDTV. It is all or nothing; if you do not have that, there is no other bid on their side. Do you accept that that is the situation technically?

Mr Tanner—My understanding is that you will need much of the 20 or 21 megabits per second to carry an HDTV signal. I do not have the detailed knowledge of particular types—

Senator SCHACHT—I heard that it was about 16 megabits of that 21, which could leave a bit left over for another signal?

Mr Tanner—I would certainly expect that a typical HDTV signal is not always going to need the full 20 or 21, so there is going to be something left over at some times, no matter what they are using it for.

Senator SCHACHT—Do you have, as I put to the ABC witnesses, any evidence that further technological development with digital compression techniques may improve that opportunity?

Mr Tanner—I am not aware of that work.

Senator SCHACHT—Could you take it on notice—because, as I say, I accept that you have got technical expertise—to check what monitoring there should be and whether your technical people have a view about that. We could make it a policy now or in the next year or so of allocating a whack of spectrum, et cetera, for HDTV and then find in three years time that technology has wiped out that decision and we have accidentally given somebody access to many more channels. I think that is an issue about which it is difficult to predict the outcome, but any information would be useful.

The other issue I wanted to raise with the ABA is: are you satisfied with the arrangements that Canwest have made to divest and float Channel 10—divest their shareholding back down as required, and that the float arrangements are satisfactory?

Mr Tanner—The ABA's only concern at this stage is that the divestiture occur within the time frame of the second notice for compliance with the act which the ABA has given, which I understand is 4 April.

Senator SCHACHT—Do you understand that Canwest will comply with that?

Mr Tanner—I have not heard anything to the contrary.

Senator SCHACHT—Very well put. There was an article in yesterday's *Financial Review* by Ivor Ries about the way in which Mr Asper has very successfully ducked, weaved and negotiated his position over the several years since he was allowed to take a minority voting issue in Channel 10 and have a substantial economic interest. One of the things the article suggested was that the only alternative for the ABA and the government—government of any persuasion—would be to take the shares off him and sell them yourselves—conscript the shares—and that that was the way to force him to divest, because he has done very well out of this. He has got real value added and has made hundreds of millions of dollars on those shares that he bought and which now, in a sense, he has been forced to sell, but in the float he will do very well. Yet the article said he will still have very effective control over the company that runs Channel 10.

Is that issue one that the ABA is concerned about? Is your only alternative to take the shares off him? That is a big sledgehammer—it is all or nothing. You either hit him over the head in a big way or you actually say, 'Well, get on with the divestiture. Float the company. We'll leave you in control. You have made lots of dough out of it, so be it.'

Mr Tanner—I am aware of the article in the *Financial Review*. I am not sure that your description exactly tallies with my idea of the ABA's powers in this situation. The Broadcasting Services Act is certainly clear that in setting periods for divestiture of control the ABA is not to take into account the financial damage that a person might suffer. So we are not entitled to set long periods for compliance simply because it will give the transgressor of the rules the opportunity to make a bigger killing. I understand that Canwest's arguments for quite lengthy periods of divest have to do with a particular company structure—I believe it is a proprietary company structure rather than a public one—and they have been moving into a position where they can divest.

You may be aware that the ABA did impose a somewhat shorter period than the full six-month period on the second notice, and the Federal Court found a small natural justice problem with the procedure the ABA took in reaching that decision. The ABA has now decided to give the full six months, and really, substantively, there seems to be little at stake there—only a few weeks.

On the issue of whether or not Asper or Canwest is actually in a position to exercise control of 10 in the terms of the Broadcasting Services Act, that remains a live issue. By not taking action, the ABA does not mandate that anybody is not in control. If it comes across any evidence or a persuasive submission that there is a problem, it will proceed to investigate again.

Senator SCHACHT—The article made it clear that, in that writer's view, although Mr Asper has got minority voting rights, he has effective control of the company, even with the float.

Mr Tanner—The ABA has heard numerous allegations and claims over several years that Canwest controls 10. The ABA has conducted several investigations. Following the acquisition by Canwest of the further economic interests, the ABA itself found that they did confer control under the terms of the act. The ABA is now, albeit after a lengthy period in which two notices are going to run out, compelling divestiture. The consequences for Canwest if it does not divest are potentially quite severe under the Broadcasting Services Act. I do not think there is much doubt that Canwest is very influential at 10, but the test is one of control.

Senator SCHACHT—I think the article made it clear that, in that writer's view, it was not influential; that Mr Asper had been extremely successful in putting a structure together with the law's requirements for a minority position. But, in effect, he has been very clever in establishing control, even though he has done it in a way that meets the requirements that you asked him to meet and the rules and the law of Australia. Would the ABA make a response to those allegations in that article? There is a clear difference.

In practice, Mr Reece's article is suggesting Mr Asper has control. For example, he can sell his future shares in that company to whoever he likes without reference to the ABA, et cetera, and this puts him in a very powerful position. Again, I do not want to say anything to suggest you should breach your own role, rules and regulations, but I thought that article raised a number of issues that the regulator, the ABA, might care to comment about.

Mr Tanner—At this stage I do not have any view from the ABA members on whether or not they propose to comment. In general, when it is exercising its quasi judicial investigation and enforcement functions, I would be inclined to recommend discretion in expressing views. As I say, a number of people have over time expressed views that there is a control situation within the terms of our law, and it is our job to keep our hands clean when we find some reason to take the proper steps and compel divestiture or seek to punish in the courts, whatever

is appropriate. The ABA has not yet communicated with me about that particular article which does raise some quite serious allegations.

Senator SCHACHT—I would keep that under review because I suspect at the next hearing of the estimates in the May/June period, after the float has been completed, I would be interested to see—

Mr Tanner—As with digital, it is an issue which we actually are closely monitoring, and we would be happy to take that on notice.

Senator SCHACHT—The other issue that I asked about last time—I trust you are still monitoring it—is the establishment of that, for want of a better name, and using my description, trust arrangement that Mr Packer established to put his 15 per cent shares or thereabouts from Fairfax into warehousing arrangements but always sitting there as an interest indirectly. I think the ABA said that they are monitoring the role of that and whether there is a breach. Is that monitoring still continuing?

Mr Tanner—Certainly. The ABA has also promulgated the view that the deemed voting interest under the Broadcasting Services Act remains unchanged at just under the trigger level. An early concern that was voiced publicly about the trust—that it would enable the trust to move to a much larger economic holding while remaining under the 15 per cent—the ABA believes to be untrue.

Senator SCHACHT—While the trust stays at 15 per cent or just below, that is fine but if a trust buys more shares to take it over that level—

Mr Tanner—That would require an investigation and action. In essence, the situation now is the same as if PBL or Mr Packer had retained direct ownership of the shares. He is just under the threshold and we do not have any other evidence to suggest control in the terms of our law.

CHAIR—That concludes that subprogram. I thank the officers.

[3.13 p.m.]

Subprogram 3.2—National Transmission Agency

Senator SCHACHT—Mr Jones, most of the issues I have questions on relate to privatisation, et cetera. We will wait to see the committee report come back and all of that. I am not going to deal with those issues here. I want to deal with the Cox Peninsula. Reading the budget papers last year, it said that the savings to the government through the non-transmission or the close down at Cox Peninsula is about \$1.7 million in 1996-97. Have I got that figure roughly correct?

Mr Jones—That is the savings in power costs once we were not transmitting power.

Senator SCHACHT—I noticed in the outlay savings that in the following years it goes up to \$2 million, \$2½ million or \$3 million in the second and third out-year. Why are the savings greater in the second and the third year?

Mr Jones—The total cost of running that facility within round figures was \$4 million a year. But the only savings that you could realise immediately were the power costs because that is the only thing that stopped immediately when you stopped transmitting. There was a need to, first of all, negotiate an arrangement with the operations and maintenance contractor for them to cease maintaining the facility.

In relation to the costs in the out years, the savings increased as the cost of still running the facility decreased. But, of course, they were estimates; we did not know what they would be.

In practice, in the first year there was a significant cost in buying out the contract and for paying for that part of the contract that they continued, and then there were the mothballing costs that added to that as well.

Senator SCHACHT—But that is not in the \$1.7 million?

Mr Jones—It was \$1.6 million. That was the electricity cost. That was returned in the first year and, of course, in the second and all the other years. But added to that were the savings. We were then not paying the operations and maintenance contract—

Senator SCHACHT—Putting it around the other way: if the Cox Peninsula facility were to be reactivated to its former glory as of nearly 12 months ago, in the next 12 months the main increase in cost to do it would be paying for the power, the \$1.6 million?

Mr Jones—Yes.

Senator SCHACHT—But, if it were closed down for two or three years in the winding down phase, to reactivate it in, say, three years time would cost \$1.6 million not only for the electricity but also to re-establish the maintenance contracts et cetera?

Mr Jones—Yes, and the capital cost of whatever work had to be done to start the station. Even now there will be a capital cost in starting it again. What we have done with the mothballing is to totally preserve the internal plant—the transmitters, the airconditioners and all of that stuff; that is in pristine condition. But there was no way that we could maintain the outdoor equipment—that is, the towers and the antennas—in operating condition. So there will be a capital cost and a time delay of at least a couple of months, perhaps three months, to put the outdoor equipment back in fully operational condition.

Senator SCHACHT—After one year of this mothballing process, what would it cost to get that outside equipment up to—

Mr Jones—I have not got a precise figure, obviously; but it would be somewhere between a couple of hundred thousand dollars and perhaps half a million.

Senator SCHACHT—Between \$250,000 to half a million dollars. And another year down the track it would be even higher for other things to be—

Mr Jones—Eventually we would have to replace the antennas, for example. At the moment they are stored.

Senator SCHACHT—Replace the antennas?

Mr Jones—Yes. The type of antennas that are used for high frequency broadcasting are large wire arrangements which are held up in the air between the towers. There are eight very large towers.

Senator SCHACHT—You mean the wire between would have to be replaced, not the—

Mr Jones—Yes, the insulators and things like that.

Senator SCHACHT—Not the actual scaffold tower?

Mr Jones—No.

Senator SCHACHT—I see. I just wanted to get that straight. I did not think it would rust away so quickly. In the reduction of the ABC's role with Radio Australia, was there any reduction for Brandon and Shepparton?

Mr Jones—No, they are still running at full capacity.

Senator SCHACHT—Absolutely the same?

Mr Jones—Yes. I will just clarify that answer. Cost-wise it is the same and technically all of the same transmitters are working, but the antennas that they are using down there are now different because they are addressing different targets. We have had to re-activate what is called the J group, which was initially used to address Japan but is now addressing various areas to the north to cover the Cox Peninsula not being available.

Senator SCHACHT—I see. That is all I have. Thank you, Mr Jones.

CHAIR—Thank you very much. Thank you, Mr Jones. I now call on the National Office for the Information Economy. We have about just under half an hour.

[3.18 p.m.]

Subprogram 3.6—National Office for the Information Economy

Senator SCHACHT—Dr Badger, are you still the acting head of whatever it is?

Dr Badger—Just.

Senator LUNDY—What stage are the range of appointments for staff of NOIE at, Dr Badger?

Dr Badger—The CEO has been appointed, as you probably know, and a number of staff who undertook functions in the department which have been taken over by the national office have been identified and transferred to the office. A number of advertisements have been placed for the rest of the staff within the national office and there has been some preliminary discussion with the CEO about short-listing et cetera.

Senator LUNDY—Can you provide some details of the date the new CEO is due to start? Who is that again, by the way?

Dr Badger—Dr Paul Toomey. His appointment was approved by the Governor-General on, I think, 4 February. He has been involved in working with me and the other members of staff and with the board on a range of practical things about the office. He is at the moment finalising his affairs in Europe, where he was appointed from. We expect him to be back on 10 or 12 March, and from then on he will be here full time.

Senator LUNDY—From 10 March.

Dr Badger—Maybe the 12th, but it is something of the order.

Senator LUNDY—Can you describe NOIE's position within the department and the classification, if you like, of Dr Toomey? I am just trying to get a better feel of NOIE's status within the department.

Mr Stevens—NOIE is in fact a separate office outside the department. It is within the portfolio but not within the department.

Senator LUNDY—So the position of CEO for NOIE is the equivalent of departmental head.

Mr Stevens—It is a head of agency position.

Senator LUNDY—Right. You will have to assist me here, Mr Stevens. In terms of a separate agency in that regard, what are the processes relating to the appointment of the various positions, that is, the CEO and the staff attached to that agency?

Mr Stevens—The staff are appointed under the Public Service Act in the normal way. The salary of the CEO's position was determined by the Remuneration Tribunal and it was a cabinet appointment and a Governor-General in council appointment.

Dr Badger—Section 67 under the constitution appointment, similar to the appointments for the Office of Asset Sales and the Office of Government Information Technology heads.

Senator LUNDY—And are all other appointments associated with that agency dealt with under the Public Service Act?

Mr Stevens—They will be Public Service Act appointments.

Senator LUNDY—How many positions are there to be filled through departmental transfers or advertised? What is the total number of employees envisaged for NOIE?

Dr Badger—As you would understand, it would be up to the CEO to make his assessment of the way he would deploy the resources he has got and the particular money and the relationship between staff et cetera. But, by the sort of planning that has taken place so far, I would expect there would probably be a total staffing contingent of 25-30. I think at the moment the number being transferred from the department is somewhere around 10.

Senator LUNDY—How have those transfers been organised, given that Dr Toomey is not on deck yet? How have they been managed?

Mr Stevens—Because it was a set of functions that were going, we asked for expressions of interest across the department from people who wished to transfer to NOIE, and by and large the people who have gone have been the people who have been undertaking the functions that are being transferred. On the point of Dr Toomey, he has been consulted about the actual staff that are going and he has had a chance to look at who they are et cetera. So he has approved—or agreed with, I think you would say—the transfer.

Senator LUNDY—But he has not technically started yet. I guess what I am getting at is that he has involved himself so far out of the goodness of his heart, or has he been remunerated?

Dr Badger—His appointment dates from when the Governor-General agreed to it. He is still finishing off some work for Austrade, so the formal process is that a secondment is taking place, just to cope with the formal things about who pays him and that sort of thing. But he has been available for one recent board meeting and he has also been here for a number of discussions with us.

Senator LUNDY—Has any cost associated with that liaison work been covered by NOIE's budget?

Dr Badger—Effectively, while Dr Toomey has been working on NOIE matters he has been paid for by us. It is almost a day-to-day arrangement. I think for the time he is with Austrade they will meet the salary arrangements. As you would imagine, it is not huge for that short time.

Senator LUNDY—In the interests of time, you could take a few questions on notice with respect to NOIE's structure and provide some more detail on the classifications that exist under NOIE and the associated salary budgets that go with those classifications and terms of appointment and employment.

Dr Badger—We can certainly provide you with the information about the people who have been in the department in time for the timetable for replying to the questions. The rest of the structure will obviously require a business plan and assessment by the CEO. That may take a little longer.

Senator LUNDY—On the business plan and getting the staff in place, when was the government's original decision taken to establish NOIE?

Dr Badger—I think it was at the end of September or October last year.

Mr Stevens—I can give you the exact date.

Senator LUNDY—How has it taken so long?

Dr Badger—To appoint a CEO?

Senator LUNDY—To appoint a CEO and to actually employ staff.

Mr Stevens—Staff have been working on the issues for some time. They should be aware that the department was working on these issues. There has been no hiatus from the appointment of NOIE. The departmental officers have continued to work on the issues as they had previously. Indeed, additional work had been undertaken by some of those officers. The work itself has been undertaken in an informal way. The appointment of a CEO always takes a little time to get the right person.

Senator LUNDY—Mr Stevens, has that work been progressing within your department?

Mr Stevens—With Dr Badger but within my department. Dr Badger says that some of the people who were working in the department have now been transferred to NOIE.

Senator LUNDY—Was that work proceeding under your direction or under Dr Badger's direction?

Mr Stevens—There has been a board appointed to NOIE for some time. Therefore, they have had input into the work program for some time. Dr Badger has attended those board meetings and has taken a day-to-day responsibility for determining that work.

Senator LUNDY—That did not really answer my question as to who is directing that work.

Mr Stevens—Dr Badger.

Senator LUNDY—What is the relationship between the board and yourself and Dr Badger, given that Dr Badger from NOIE is directing work within your department? Can you explain the role that the board has had in that administrative process?

Mr Stevens—Dr Badger has been the interim CEO charged with establishing NOIE. He has also had the day-to-day responsibility for many of the functions that continue from the department. He has obviously interacted with the board and the chairman on a range of issues, including establishment issues and policy issues.

Senator LUNDY—Also, he has been fulfilling the wishes of the board, working under the direction of the board with your imprimatur.

Mr Stevens—Yes. He has not been working to me. He has been full-time acting CEO.

Senator LUNDY—But you have been providing the resources within your department.

Mr Stevens—That is correct.

Senator LUNDY—Have you added up what that is worth? Is that any budget imposition on you?

Mr Stevens—It is not really an imposition on me because the functions were always part of the department. In fact, those resources will be transferred from the department to NOIE in a formal sense. There is no additional burden on the department.

Senator LUNDY—Perhaps, Dr Badger, you could answer the question why, if you are working to the direction of the board, it seemed to take so long for you to be in a position to actually start facilitating the transfer of staff from the department to NOIE. Was that entirely contingent on the appointment of a CEO, or were there other reasons?

Dr Badger—The objective was twofold. One was that the issues that needed to be addressed would continue to be addressed by the staff that had been addressing them. The other one was

to work with the board to appoint the CEO, and to allow the CEO to take full responsibility for the operation of the total NOIE operation. And that is what we have done.

Senator LUNDY—Is it possible to get minutes of NOIE board meetings? Can they be provided to the committee?

Mr Stevens—We would have to take that on notice, Senator.

Senator LUNDY—Thank you. With respect to the actual issues being progressed, I was wondering if you could, for the benefit of the committee, run through the specific areas that are currently being worked upon by the National Office for the Information Economy.

Dr Badger—I might ask Mr Stewart to go through them.

Mr Stewart—We were actively involved in the drafting and the preparatory work for the Prime Minister's statement last year, *Investing for growth*, in particular chapter 8, which was the information economy chapter. In that chapter there were a number of initiatives and a broad strategy outlined by the Prime Minister for the government's approach to the information economy. It involved a number of things the government is doing to take leadership; it involved a number of things the government is doing on the broad regulatory and the legal front to encourage business and consumer confidence; it involved a number of things the government is doing to encourage Australia to get on line, both through its own activities and through the activities of the community at large and the business community at large; and it also included some initiatives to do with encouraging information industries.

Those latter initiatives, on information industries, are more within the purview of the Minister for Industry, Science and Tourism. We have been focusing particularly on the first three elements. We are in the process of setting up a ministerial council, which Senator Alston will chair and which involves a number of Commonwealth ministers, to coordinate policy. In NOIE we are performing a secretariat role for that ministerial council.

Senator LUNDY—What is that ministerial council called?

Mr Stewart—It is a ministerial council announced in the Prime Minister's press release back in September as a ministerial council focusing on issues to do with the information economy. We can provide you with a copy of the Prime Minister's press release, if you would find that helpful.

That ministerial council involves Senator Alston, the Treasurer, the Minister for Finance, the Minister for Trade, the Attorney-General, the Minister for Employment, Education, Training and Youth Affairs—and I think there is one other I have forgotten off the top of my head. That is going to be the focal point for Commonwealth coordination of information economy issues across the government. We perform the secretariat services for that.

We are actively involved in a range of regulatory issues which are detailed in the Prime Minister's statement, ranging from security, privacy, content and authentication through to tax and those sorts of issues, some where NOIE will have prime carriage and some where NOIE will have a broad coordination function in conjunction with the primary carriage agencies.

We have a couple of programs that we are particularly focusing on, including a community awareness and access program and a disability access program, which is an extension of the previous OPAI, the public access initiative. We are working quite closely with OGIT on its initiatives to get government services on line, in line with the Prime Minister's statement, including having all the appropriate government services on line by the year 2001. We are also working quite closely with the states on a range of Commonwealth-state issues, and we support the Commonwealth-state ministerial Online Council, as we have in the past. So it is

a combination of awareness raising issues, regulatory issues, leadership issues and coordination issues.

Senator LUNDY—With regard to the ministerial council secretariat function, how many meetings has that council had?

Mr Stewart—We are working towards the first meeting now.

Senator LUNDY—You have not met yet? When did the Prime Minister announce that?

Mr Stewart—The Prime Minister announced that back in September but it had to wait until the Prime Minister's statement, because a lot of the policy consideration initially occurred in the context of *Investing for growth*, which was the Prime Minister's statement. The ministerial council was really, basically, taking up from there.

One of the first initiatives which the ministerial council will need to consider is an overarching strategy for legal and regulatory issues. The Prime Minister's statement made a commitment for that and the ministerial council will consider that by the end of April. That requires a number of separate preparatory exercises to be completed which are only happening by the end of March, so there was little point in holding a meeting prior to the end of March.

In particular, Senator Alston has convened a working party looking at a national authentication framework, and the Attorney-General, Mr Williams, has appointed an expert group looking at the legal dimensions of electronic commerce. Both those exercises will be completed by the end of March. They will provide the grist for the mill for the ministerial council to get its teeth into the commission for the Prime Minister on the overarching legal and regulatory framework.

Senator LUNDY—So we might see its first meeting six months after it was announced, if we are lucky.

Mr Stewart—It will certainly occur quite a short time after the Prime Minister's initial statement.

Senator LUNDY—I do not think six months is a very short time. I am trying to explore why there has been a huge lead time. I appreciate that the appointment of the CEO is an issue in that, but with all these critical issues and work progressing within the departments, I still do not understand why it has taken so long for NOIE to get its act together. It should be progressing the agenda with its own staff and doing what seems to be its core function, which is providing secretariat support to the ministerial council and liaising with departments on various issues relating to IT.

Dr Badger, can you give me an insight into what is going on here? For the issue of public accountability, I think it is important to find out whether or not there was any directive from the minister himself not to progress these issues more rapidly.

Mr Stevens—As I said earlier, the issues have been progressed throughout this period. What is happening now is that, with the appointment of a CEO, we are formalising some of the staff transfers. There has been no reduction in effort on these initiatives at all, and there has certainly been no suggestion from the minister that we should not be doing anything but going full-steam ahead on these issues.

Senator LUNDY—It just seems that, the government having been so bold as to badge NOIE as the be-all and end-all saviour of their finally having an understanding of the potential of the IT sector, an awful lot has been hung on NOIE and very little has actually occurred.

Mr Stevens—Mr Stewart has already explained that a great deal has occurred in the last six months. There have been a number of major policy announcements in regard to the information economy—

Senator LUNDY—But there is not a lot of activity backing that.

CHAIR—Please let Mr Stevens finish.

Mr Stevens—There have been a number of policy announcements in regard to the information economy since the announcement of NOIE, and they have been progressed full-steam ahead.

Senator LUNDY—They are the ones that Mr Stewart just ran through.

Mr Stevens—Yes.

Senator LUNDY—Let us have a look at this. The ministerial council secretariat has not met yet. It is still waiting on a number of working party groups. You mentioned the access programs which are improving community access to online facilities. Can you describe or elaborate on what that is all about?

Mr Stewart—The government previously had a program—the online public access initiative—which was a \$2 million program which gave out grants to a number of organisations. In the Prime Minister's 8 December statement he announced that there would be an extension of that program, with \$3 million over the next two financial years. It would extend that program, but with it targeted towards the disabled community.

That program is in full swing. It should be a relatively straightforward program as we have done the exercise before—we are just changing the targeted group. A fair amount of consultation is required with other government agencies which work with the disabled and with the disabled community at large to ensure that we are devising a program which is targeted towards their actual needs.

Senator LUNDY—So you are going through a grants application process?

Mr Stewart—We are going through a very similar sort of process. We are very much advanced in the scoping study, and my officers this week are talking with the disabled community and making sure that we specify program guidelines which are in accordance with the needs, requirements and expectations of the disabled community. We are going through a three-stage process. We have had a reasonably quick consultation with the community to make sure we have a good understanding. We brought out some discussion papers which will give them some idea of our thinking, and then we will have some quite detailed and comprehensive consultation with the community. The funds will be available in the 1998-99 financial year, so we are trying to ensure that we are in a position to put out program guidelines late this financial year so we can commence the grants program by next year. This is quite advanced.

Senator LUNDY—Does the \$3 million for that program start in the 1998-99 financial year?

Mr Stewart—Funds should be appropriated in time for 1 July 1998.

Senator LUNDY—Would the \$2 million previously allocated to that program have been fully expended by then?

Mr Stewart—It was fully committed. Programs are being paid out of the milestone. I would need to check the precise pay-out figure at this stage.

Senator LUNDY—So you have a grants program. Are there any other elements of those access programs that you are working on at the moment?

Mr Stewart—In terms of access, the main program is the networking the nation program which was discussed in some detail last night. In addition, the Prime Minister announced a \$3 million program for NOIE, which is the public awareness program, over the next two years. This is a slightly more complex program because it is a new program. It has to be very carefully integrated with the functions of NOIE because the NOIE function is to talk up with the business community and the community at large the whole concept of information economy. There is quite a lot happening out there. The state governments are doing quite a lot—there are a lot of other government activities in this area—and the business community is doing quite a lot.

Senator LUNDY—With that particular initiative, is there a strategy document that provides a description of that project?

Mr Stewart—The best description of that project at this stage would be that included in the Prime Minister's statement. We are involved in a similar scoping exercise, but it is a more complex project. We have only a limited amount of money and it is a very large exercise.

Senator LUNDY—How much money?

Mr Stewart—Three million dollars over two years.

Senator LUNDY—Is it an information campaign?

Mr Stewart—It is an awareness raising campaign.

Senator LUNDY—Who is it targeting?

Mr Stewart—It is targeting the community at large. It is designed to complement a similar program announced in the Prime Minister's statement and which is going to be run by DIST—the Australian business on-line program—and which is targeting business and especially SMEs. This program run by NOIE was complemented by targeting the community at large. It is based loosely around a similar program the UK government is running quite successfully called IT for all.

Senator LUNDY—On the Commonwealth-state initiatives that you are involved in, what are the actual forums around the work that NOIE is doing in that area? Do you meet regularly with the state IT counterparts? What is the process?

Mr Stewart—We have two forums: the on-line council, which Senator Alston chairs, has been meeting twice a year and there are a series of officials meetings.

Senator LUNDY—So you will provide the secretariat with that too?

Mr Stewart—Yes, we will. There are a series of officials meetings between councils and we also prefer to practise what we preach and tend to operate quite actively on-line in terms of our Commonwealth-state interaction. In addition, OGIT runs a group called the Government Telecommunications and Technology Conference, GTTC, which is about government own use and we are also represented on that. That meets roughly once a quarter. We work with OGIT very much providing a strategic perspective to the Commonwealth-state cooperation on government own use.

Senator LUNDY—So your relationship with OGIT extends across the Commonwealth-state issues. You also mentioned before that you were talking with OGIT about the government presence on-line in terms of delivery and service. Can you describe that area?

Mr Stewart—I can give you very brief detail. It may be something you would prefer to take up in more detail with the OGIT representatives. The Prime Minister announced a number of initiatives to get government services on-line. He announced an initiative to get all

appropriate services on the Internet by the year 2001. He announced a program of Commonwealth information centres. He announced an initiative for a secure Commonwealth Intranet. OGIT have set up an interagency steering committee to oversee those and a series of working parties to progress those.

Senator LUNDY—Is that Fedlink?

Mr Stewart—Fedlink is the secure Intranet facility, yes. We are represented on the interagency steering committee and on all the working parties, once again to provide a broad strategic perspective to what is happening.

Senator LUNDY—In what you have described—and I will stop there, I know there are probably some more—could you take on notice putting the budget allocations alongside each of those individual initiatives within NOIE's budget structure. Also, can you describe how the NOIE administration interacts with the board, given that the strength of your presence in all of this blend of different forums is the strategic advice role? Can you tell me what the NOIE administration brings to those things in their own right, but also, given that it is a strategic advice body and much news was made about the high profile board that oversees and runs NOIE, how do they actually feed in their input? What are the mechanisms within the agency to allow that to happen?

Dr Badger—The board has regular meetings. It has had five since it was created. It has focused its role on looking at those things that NOIE will do in addition to the things that are already under way; in other words, to create an environment where NOIE, as the government intended it to be, is a new organisation with a new role with additional resources to take over in addition to some of the things we have talked about.

Senator LUNDY—But the resources seem to be sort of secretariat-style, supportive, liaison ones.

Dr Badger—No. There is a range of roles that NOIE has to undertake. NOIE has two sources of resources: when it was announced, it got a new amount of money of \$3 million a year, plus it was to take up some existing functions that were within the department. So, in addition to things that have been under way, the reasons are there to set up a higher level of coordination, understanding and raising awareness on these issues. The board has met and discussed those sorts of issues for NOIE and has looked at the charter the Prime Minister has given us in terms of looking at a national strategy, and that is the sort of focus now.

The NOIE board has the opportunity to discuss issues and, through its CEO, to give advice on, in effect, the operations of NOIE and to advise the minister on particular policy issues. In the short time that the board has been in operation it has actually met five times.

CHAIR—Senator Lundy, it is after a quarter to four and we were to finish at a quarter to four. I am on a plane, and I am going.

Senator LUNDY—What time?

CHAIR—I am going now. The committee is going to close.

Senator LUNDY—Four more minutes?

CHAIR—No, I cannot; I am sorry.

Senator LUNDY—Can I just put a few more things on notice?

CHAIR—Yes, put your questions on notice.

Senator LUNDY—Yes. I was just wanting some more detail about the actual mechanisms by which NOIE expresses a point of view, and perhaps this could be passed on to the minister

or Mr Stevens: why it was determined that a more effective way of managing it was progressing the views of the board through an administrative structure and a CEO as opposed to each of those board members, who are active on many government boards and in many representative capacities, not just getting out there into all of these different sectors and doing the work themselves.

Mr Stevens—I think you will find that they will, as individuals, get out in the community and talk about the issues both generally and specifically.

Senator LUNDY—Not in the community; I mean in the actual forums that you have described—with OGIT and with the Commonwealth-states meeting. It is an issue going to the actual structure itself and the efficiencies.

Mr Stevens—The Commonwealth-states meeting at the moment just consists of a Commonwealth minister and a state minister, so there is not that sort of forum where you have a lot of outsiders.

Senator LUNDY—But will the CEO be able to attend?

CHAIR—I am sorry, Senator Lundy; there is still a quorum but when I leave this seat there will not be a quorum—I forgot that you were a member of the committee. There will not be a quorum, and I am leaving because I am going to catch a plane. I have been here for two days—for that length of time—so if you would put questions on notice—

Senator LUNDY—Can I just put one comment on the record? The last time we had estimates there was not enough time for the National Office of the Information Economy. They were held up and held up and then it ran off the end of the agenda. This time, because of their position on the program, the same thing has happened. They have had 40 minutes for questioning, and I have indicated twice through two estimates sessions that I have required at least two hours. So can I thank you for your time but put on notice now that I will be insisting on at least a decent amount of time next time we meet.

CHAIR—Senator Lundy, you can insist, and the people you have to negotiate with are your people because they have asked all the questions. So you negotiate with them, and good luck. Thank you very much.

I would like to thank the officers for their attendance. I would like to thank the staff of the committee for their support and assistance during the last two days and also to *Hansard*: thank you very much. I declare the committee closed.

Committee adjourned at 3.49 p.m.