UNCLASSIFIED

The department's answers to the two questions that were asked during the private hearing on 15 February are below.

Question One: What proportion of equipment is sourced from overseas companies of concern due to cost pressures?

The department does not have details of the proportion of equipment sourced from overseas companies of concern due to cost pressures. The department understands that providers take into account a range of factors when considering where to source their equipment from. These include cost, speed to market (availability of equipment, expertise and whether retrofitting of other equipment may be required) and longer-term issues such as support costs, staff training and interoperability with other equipment and services. In summary, the department understands that while initial costs are an important factor, having regard to cost impact of other factors, providers do not necessarily go with the cheapest option.

Question Two: What is the number of companies that off-shore metadata?

The department does not have this information as the law does not currently compel telecommunications providers to tell the government where retained data is stored. The data retention legislation includes an obligation on industry to protect and encrypt retained data and companies must also take reasonable steps to secure personal information to meet their obligations under the *Privacy Act 1988*.

The telecommunication sector security reforms are designed to better manage security risks, including risks posed by offshoring, and will provide greater protection not only for Australian metadata stored offshore, but also metadata stored in Australia that can be accessed offshore. The reforms will require providers to protect existing networks and systems and enable the department to obtain information, including on existing offshore arrangements. There is also a further obligation on providers to notify the department of any proposed changes that are likely to create a security risk.