



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE ON PUBLIC WORKS

**Reference: Australian Broadcasting Corporation Sydney accommodation project,  
Ultimo**

WEDNESDAY, 2 FEBRUARY 2000

SYDNEY

BY AUTHORITY OF THE PARLIAMENT

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**JOINT COMMITTEE ON PUBLIC WORKS**

**Wednesday, 2 February 2000**

**Members:** Mrs Moylan (*Chair*), Senators Calvert, Ferguson and Murphy and Mrs Crosio, Mr Forrest, Mr Hollis, Mr Lindsay and Mr Ripoll

**Senators and members in attendance:** Senators Calvert and Ferguson and Mr Forrest, Mr Hollis, Mr Lindsay, Mrs Moylan and Mr Ripoll

**Terms of reference for the inquiry:**

Australian Broadcasting Corporation Sydney accommodation project, Ultimo

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Committee met at 1.58 p.m.

**CHAIR**—I declare open this public hearing into the proposed ABC Sydney accommodation project. This project was referred to the Public Works Committee for consideration and report to parliament by the House of Representatives on 14 October 1999 with an estimated budget of \$109.5 million. In accordance with subsection 17(3) of the Public Works Committee Act 1969:

- (3) In considering and reporting on a public work, the Committee shall have regard to –
  - (a) the stated purpose of the work and its suitability for that purpose;
  - (b) the necessity for, or the advisability of, carrying out the work;
  - (c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
  - (d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
  - (e) the present and prospective public value of the work.

Earlier this morning the committee received a briefing and inspected the site of the proposed works. Today the committee will hear evidence from the Australian Broadcasting Corporation, the Community and Public Sector Union together with Mr Quentin Dempster and Mr David Salter and the Olympic Roads and Traffic Authority. Tomorrow the committee will hear evidence from Natural Allies, the University of Technology Sydney, the Sydney Institute together with Mr Jeremy Dawkins and the Screen Producers Association of Australia.

**BALDING, Mr Russell Stephen, Head, Finance and Business Services, Australian Broadcasting Corporation**

**KNOWLES, Mr Colin John, Head, Technology Strategy and Development, Australian Broadcasting Corporation**

**LLOYD JAMES, Mr Andrew, Head, National Networks, Australian Broadcasting Corporation**

**MARHININ, Mr Alexander, Project Director, Sydney Accommodation Project, Australian Broadcasting Corporation**

**RICHARDSON, Mr Peter John, Director, Cox Richardson Architects and Planners**

**SHORT, Mr Lindsay John, Director, Project Directors Pty Ltd**

**WILLIAMS, Mr Paul Elsom, Head, News and Current Affairs, Australian Broadcasting Corporation**

**CHAIR**—I now call the representatives from the Australian Broadcasting Corporation. On behalf of the committee, I welcome you. The committee has received a submission from the Australian Broadcasting Corporation, dated August 1999. Do you wish to propose any amendments?

**Mr Balding**—I do, Madam Chair. There are a number of amendments that I would like to propose. On page 28, paragraph 126, second bullet, first sentence, delete ‘program-delivering’ and substitute ‘program delivery’. On page 29, paragraph 130, second bullet, second sentence, delete ‘of’ after the word ‘together’. On page 39, paragraph 182, third bullet, insert ‘centre’ after ‘production’. On page 42, paragraph 187, first sentence, add ‘out-turn’ after ‘estimated’. Also delete ‘at July 1999 prices’. On page 44, paragraph 201, second bullet, delete ‘1’. Page 44, paragraph 202, first sentence, delete ‘construction’, substitute ‘construct’. Page 45, paragraph 207, first sentence, delete ‘11,590 square metres’, substitute ‘11,320 square metres’. Page 50, paragraph 233, second bullet, first sentence, delete ‘Goosens’, substitute a change of spelling for Goossens with two s’s in the middle. Page 64, paragraph 335, third bullet on page, first sentence, delete ‘first’ before ‘cost’. Page 64, paragraph 335, eighth bullet on page, delete ‘luminaries’ and substitute ‘luminaires’. That is all, Madam Chair.

**CHAIR**—Thank you. It is proposed that the submission be received, taken as read and incorporated in the transcript of evidence. Do members have any objections? There being no objection, it is so ordered. A summary statement will also be incorporated in the transcript of today's proceedings.

*The documents read as follows —*

**CHAIR**—We invite you now to make a short statement of not more than five minutes duration in response to your submission.

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**Mr Balding**—Thank you. I am pleased to present this summary statement of evidence about the ABC's proposal to consolidate its existing Sydney accommodation. For 67 years the ABC has played a pivotal and distinctive role in the Australian community. The corporation is currently preparing itself for the digital broadcasting revolution which will transform media and communications in Australia. The ABC is in the process of transforming the way it produces material for audiences. The proposal before you forms a key part of this process.

The proposal before the Parliamentary Joint Committee on Public Works is for the development of the vacant portion of the ABC's Ultimo site adjacent to its current building, adaptation of the existing Ultimo building and the consequential disposal of the majority of the ABC's Gore Hill site. The proposed development will meet the corporation's current and future needs to deliver comprehensive radio, television, online and new digital services. It will replace outdated and inadequate Gore Hill buildings and facilities with modern accommodation at Ultimo designed to maximise efficiency, output and creativity. The Ultimo project addresses the corporation's strategic needs as it moves into the digital broadcasting environment. The project will provide the ABC with the facilities required for digital production and transmission, including studios suitable for both standard definition and high definition television production, consistent with government policy. With three-quarters of Gore Hill available for sale, revenue potential for application to the ABC's digital conversion program will be maximised.

Convergence is the bringing together of different media and communication forms. For the ABC, convergence will allow content generated at a single point to be made available to audiences on radio, television, online and new digital services. The ABC is widely acknowledged to be a leader in this area. To take best advantage of the opportunities provided by convergence, the ABC is implementing a policy of co-location in all its centres. This project seeks to maximise co-location of staff and resources in Sydney. Television, radio and online staff will be accommodated in the one facility at Ultimo. This will enable effective collaboration of production across the three mediums. Efficiencies will be delivered by co-location initiatives across the ABC's Sydney operations, including news and current affairs, specialist production groups and television post-production. Co-location of all ABC audio, film, tape, document and reference archives in a single location will enhance effectiveness and make them more accessible to all ABC program makers. The integrated complex will enable development of a consolidated approach to technical support and bring together most Sydney operations on the one site, which will reduce costs in maintenance and other operational support activities.

The ABC plays a central role in Australia's media and cultural production industries, producing its own programs, participating in co-productions and commissioning programs from independent producers across a wide range of media. The ABC's ability to sustain and resource production across a range of genre and formats is crucial to its continuing contribution to Australian broadcasting. The Sydney accommodation project will facilitate this. It will also give the ABC an improved public presence with enhanced access to audiences, to ABC productions and other activities. While the ABC is developing its production capacity in other states and territories, Sydney will continue to be an important site for both local and national production.

In 1988, the committee supported an ABC proposal to develop a facility in Harris Street, Ultimo, which was completed in 1991. The 1988 proposal included construction of a separate, above-ground multistorey car park on the southern portion of the site. During the hearing, the ABC informed the committee of its intention to grant air rights over the car park to a developer to construct and manage an office building of approximately 12 storeys. Neither the car park nor the office building went ahead at that time due to the impact of changing market forces. The site was instead developed as a temporary on-grade car park for approximately 100 cars. The current proposal includes adapting approximately 10,000 square metres or 30 per cent of the existing Ultimo building and constructing approximately 24,400 square metres of gross floor area plus car parking.

The new 14-level building will incorporate: basement car parking for 250 cars, a loading dock, two television production studios, rehearsal rooms, production support areas, integrated archives and production resource centre, integrated television post-production centre and office accommodation. Adaptation of the existing building will include: incorporation of a television current affairs studio and associated support areas, co-location of daily radio and television news, co-location and of daily radio and television current affairs, consolidation of weekly television current affairs, consolidation of local and regional services and co-location of radio and television transmission. The estimated out-turn cost of the Ultimo proposal is \$109.5 million. The ABC will not be seeking additional funding from government to implement the project.

The ABC proposes to fund it by a combination of funds from its forward property capital budget, property related efficiency savings and borrowings which will be serviced by restructuring of existing property related

debt, ongoing property budget funds and non-program efficiency savings. Under present funding arrangements and levels the ABC will be able to service this proposed debt while retaining capacity to undertake other accommodation initiatives at Lanceley Place, Gore Hill, Melbourne, Perth, Brisbane and Canberra without affecting current program funding. Subject to a favourable report from the committee it is anticipated the construction will commence in mid-2000 with completion and occupancy approximately two years later, in time for the ABC's 70th anniversary. Under the proposed finance strategy, the project will be paid off within 11 years.

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If parliament approves this proposal, the ABC would then propose redevelopment of the Lanceley Place portion of the Gore Hill site through a sequence of minor works. In developing this proposal the ABC and its consultants have contacted all interested groups, including ABC staff and unions and industry organisations, and have conducted preliminary discussions with government and local authorities with statutory responsibility over the locality and services. The proposed design meets the ABC's functional brief and conforms with the technical requirements of local authorities. The proposed complex will be designed and constructed according to the building code of Australia and relevant Australian standards. The ABC believes that the complex will provide an appropriate workplace that will maximise co-location of its Sydney staff and enable it to provide services that meet its charter in the new digital broadcasting environment. The ABC believes that this proposal represents the most appropriate, timely and cost-effective solution. The ABC therefore respectfully submits the proposal for the committee's consideration and seeks its endorsement.

**CHAIR**—Thank you very much. We will now proceed to questions. I would like to start off by talking about this move in relation to the move also to digital. There is a legislative requirement for all broadcasters to commence digital transmission in Sydney from 1 January 2001. The question is how will the ABC achieve this considering that the new building will not be completed until mid-2002. It would appear to me from the submission that the move to digital has been submitted as a major reason for this change, so what will happen in that interim period? How does the ABC propose to deal with that?

**Mr Balding**—I will ask my colleague Andy Lloyd James to address that in the first instance.

**Mr Lloyd James**—Initially, digital delivery is a question of transmission only. At this stage we buy material both from overseas and from within Australia. The greater issue for us is the number of hours of HDTV produced in HDTV that it appears will be mandated by 2003. So, early up, we deal with it by transmission itself; later on we deal with it by transmission and production. If it is useful to you, Madam Chair, we can certainly ask Colin Knowles, who is a subsidiary witness here, to give you detail on that.

**CHAIR**—I think that would be useful because clearly this is a major thrust in your proposal, so I think it is important for the committee to fully understand what the interim arrangements will be.

**Mr Knowles**—With digital transmission, from 1 January 2001 all broadcasters are required to transmit in five capital cities. The requirement to do that in fact requires us to establish a transmitter site, which is quite separate from the building, from the transmission tower, and the arrangements are already in place for that, and of course to provide digital transmissions. We are, quite separate from this project, creating a transmission centre for digital transmission which will be located in the Ultimo building anyway. It is part of the Ultimo building complex. It is an exercise where we are merging some of our transmission facilities and taking up space which is already in that building. That transmission centre will shortly commence the repartitioning and so forth to allow that to happen. So that transmission centre then will take the programs from our existing studio outputs, some of which are digital, some of which are analog in sorts, and convert them into digital transmissions for transmission to the public. We will be able to present a limited amount of pure HDTV transmission, and also to up convert, so the problem is actually addressed in the sense of –

**CHAIR**—Does this mean, then, that the move to digital is really not a major problem in terms of the physical area in which you are going to be working?

**Mr Knowles**—The move to digital is very significant in terms of production capacities. With the existing facilities in Gore Hill, for example, if we were to try to install digital facilities there, we would probably have to take the whole studio complex off air for from six to 12 months because there is simply no space left in things like cable trays and so forth to do it. When colour was introduced, it was added on black and white and so forth, so it would be an absolutely major reconstruction, added to which we also have to cope with a new format for production, which is a wide-screen format, which really does change the shape of the studio.

**CHAIR**—Then what happens to production in the interim, because we seem to be talking of two different issues here. One is actually broadcasting and the other is production. Is that correct?

**Mr Knowles**—Yes.

**CHAIR**—So what will happen to production in that interim period?

**Mr Knowles**—I will answer part of that and pass it across to Andy. The issue of production is that we currently produce material in Melbourne and Sydney and in each of the states, so we are equipping our production facilities in the states with digital production standard definition equipment as part of the project. That will in fact be coming online about the same time as we commence digital transmission.

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We are re-equipping the Melbourne production facility with digital cameras and the like to do their part of the job. We will in fact be installing some digital equipment in Sydney in so far as it is possible to install it in islands which do not require us to rework the process. But the bulk of fit-out for studio particularly will occur in conjunction with the Ultimo project. We are not planning to do anything significant at all in relation to studio production ahead of that. We also have the sound stage and so forth, which will also be able to produce material, so production comes from a variety of sources.

**Mr Lloyd James**—What Colin says is absolutely right. We are looking at the potential, between 2001 and 2003, of commissioning an outside broadcast van which could be used in association with our studio space at Gore Hill but not actually involve itself with the technologies of Gore Hill itself. Again, in terms of production, some of our high quality drama and some of our high quality documentary series are produced in super 16 film, which is easily translatable to a digital format. But, as I say, the transmission is the key issue for government as of 1/1/01. The first mandated production date is 2003 for us and we are talking through with government at the moment the degree and the means by which we can achieve the target of 20 hours a week.

**CHAIR**—From the evidence that you have given, it would appear that the move to increase the digital content of programs is one of the major reasons for co-location. What drives this? Is it a legislative requirement that is driving the co-location issue, to increase the delivery through digital technology, or is it a board decision?

**Mr Lloyd James**—What is really driving it is that, with the transition of television from analog to digital broadcasting, television, radio and online services are now being delivered on the basis of the same technology. So what you make for television can be used – either as it is or in different manners or with different levels of seriousness or detail – for radio or for online services. In exactly the same way, online services can be used to bring the audience back to us, to talk directly back to the broadcaster.

When the government mandated the start of digital television, what they were doing effectively was putting a date to what the industry worldwide had recognised, which was that all of these communication forms, including telephony and computing, are being converged. The board has consistently, along with management, maintained a very forward position on the potential for the ABC to deliver very new and real value to Australians right across the nation particularly as regards reopening the potential for regional Australia not only in its capital cities but in all of the 47 offices which the ABC has around the nation.

**Senator FERGUSON**—A question was raised in my mind when you were making some alterations to your initial submission where you asked us to delete ‘at July 1999 prices’. What does this mean for the cost of the project? Was it costed at July 1999 prices and you have now managed to confine the expenditure, even though prices may go up to the same \$109.5 million, or does this mean that some changes have been made to what was proposed? I would have thought that, if the estimated out-turn cost was \$109.5 million at July 1999 prices – although you have asked us to delete it – there must have been some changes somewhere.

**Mr Balding**—It was a mistake not to have the words ‘out-turn dollars’ there. The essence of the cost as submitted to the committee has been calculated in out-turn dollars, as distinct from July 1999 dollars. So the \$109.5 million is out-turn dollars and included within that are allowances for escalation and contingency.

**Senator FERGUSON**—Mr Dempster and Mr Salter have suggested in their submission that we have an existing Ultimo building that would cost \$160 million to build and that may now be worth somewhere between \$40 million and \$70 million. Isn't there some danger that by adding an existing building at \$109.5 million – it might be more than \$109.5 million by the time you add the other bits and pieces in – in fact you might have a very overcapitalised building on that site which, if at some future date needed to be dispensed with because it is purpose built, could only be sold at a considerable loss?

**Mr Balding**—The ABC is not in the business of developing buildings for sale. You mentioned purpose-built buildings, and that is correct. I believe it is wrong to value purpose-built buildings with respect to the market value. What you may care to do is to look at the value of those buildings under an asset replacement valuation, which the ABC does. In other words, if the ABC were to move out of Ultimo or to have that Ultimo building removed, we should be looking at the cost of replacing that Ultimo building. Yes, the building that is there now cost about \$150 million. The replacement cost of that is now in the vicinity of about \$210 million. When you build purpose-built buildings and you use them for that purpose, market value has little relevance to you because you are not proposing to sell it. If you were to enter into a sale and lease-back arrangement, again the value is not the market; the value is for the length of the lease that you wish to enter into to retain occupancy of that building.



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**Senator FERGUSON**—I understand when you say that you do not actually go into the building business with the idea of eventually selling, but surely you went into some buildings at Gore Hill with the same intention in mind.

**Mr Balding**—Of not selling?

**Senator FERGUSON**—Yes.

**Mr Balding**—Management may have done that years ago, but again you need to look at the Gore Hill site with respect to the condition of the site, how the site has been maintained.

**Senator FERGUSON**—I can understand that. We have inspected the site and seen what is there. It is just that you said you are not in the habit of building buildings with the intention of selling them. I imagine the people who put in the new buildings that now exist at Gore Hill did so with exactly the same thing in mind – that they were not going to sell them at any stage in the future – but in fact it is the intention to sell part of that property, is it not?

**Mr Balding**—The value of Gore Hill is in the site itself, not in the buildings.

**Senator FERGUSON**—True. Having inspected it, I can understand that. The only other thing is –and I may answer my own question, or you may have answered it – when you talk about the value of the building at Ultimo, did the ABC ever consider a sale and lease-back arrangement of the existing Ultimo building to fund the construction of the new building?

**Mr Balding**—Not in detail. The current policy of the ABC is to own its purpose-built buildings. Recently the board requested a review of that property policy. The ABC engaged Arthur Andersen Consulting property division to undertake that review for us. Arthur Andersen confirmed that the correct policy for the ABC at this stage is to continue to own its purpose-built buildings. Basically, what they said was that there is no real economic benefit in entering into a sale and lease-back arrangement because it is just a financing structure. If you wish to receive a lot of capital for the sale of a building, then you will pay for it through a lease payment, so there is no real economic benefit there for the ABC.

**Senator FERGUSON**—I think I understand what Mr Knowles said but, following on from Madam Chair's question in relation to prerequisites for digital, in your paragraph you say that co-located radio and television transmission was a prerequisite for digital, yet I am not quite sure from Mr Knowles's answer how he got around the fact that you are going to have to transmit before you are co-located. I am sorry if I did not catch on to that as well as I should have, but I am not quite sure.

**Mr Knowles**—We will be transmitting, but in fact digitisation is far more than transmitting. The issue with digitisation is that over the past 10 years there has been a progressive tendency within the production equipment end of the business to move to digital technologies. The government decision of July 1998 was to move to a point where transmission to the public would go in digital form, which meant that the public then changed its receivers so that we then were able to deliver to the public the quality of product that we currently see in the studio to the public itself. So the transmission component is in fact only part of the equation. The rest of the equation, which is also being funded for us by government, is to complete the digitisation of our existing analog facilities at the production end of our studios so that from the point where we capture the image right through to the public we actually preserve it in a digital form. The facilities at Gore Hill at the moment, apart from the transmission centre we use for the analog service, are all analog. Most of it is 20 years plus in age. So this is an opportunity as well as a necessity for us to actually up-convert all this material to digital format, which allows us then to actually match what we are delivering to the public.

**Mr LINDSAY**—I might just make a statement to you and ask you for your opinion of the statement. I have not been to Gore Hill before. I found myself thinking I was back in 1975. Is that an accurate feeling, in your view?

**Mr Marhinin**—Yes.

**Mr LINDSAY**—Was that a yes with an exclamation mark? Gosh, it must be hard for the staff to work in those sorts of conditions. I think this morning's visit was a pretty good reason to be considering what we are considering at this particular public meeting.

I am going to go through a number of matters which are no particular order other than the order of your submission, so they may not be particularly related to one another until towards the end. I note that there was a suggestion that SBS Radio did not relocate to Ultimo from a previous PWC hearing. Can you explain why that did not happen?

**Mr Short**—At the time that the original stage 1 project was approved, SBS were to occupy the top two levels, 6 and 7, which at that time was government policy in moving towards a co-location of public broadcasters but not combining the management or any of their production or broadcasting. They were to just live in the same building. During the project, the stakeholders, I guess, in SBS made representation to various

ministers and to a number of politicians with the concern that SBS would eventually be gobbled up by the ABC if it lived in the same building. That took root, and the outcome was that SBS were allowed to not come into the building and to seek another location, which they did. They moved to Artarmon in a refurbished building of their own. At the time the building at Ultimo was structurally complete – the structure was to the top level – and we had a pretty significant question to ask of whether we finished it, knocked it down or what we did, but we continued on. So it really was a concern of SBS and their ongoing sovereignty if they lived in the same building as the ABC.

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**Mr LINDSAY**—Thinking of the taxpayer and thinking of the arguments you put to us today about the benefits of co-location, you have got to think about whether there may be some benefits of co-location of SBS and the Australian Broadcasting Corporation, or at least sharing more program material that is produced, particularly probably news. What is the ABC's current position on being closer to SBS in providing or exchanging program material in digital format?

**Mr Balding**—I will ask Andy Lloyd James to answer that.

**Mr Lloyd James**—In terms of non-news product – because Paul Williams might wish to speak to that – I have worked at both operations. I was head of television at SBS for about five years. I think there are natural ways in which the two organisations can, should and, on occasions, do share ideas with each other, but they actually have, to the benefit of the taxpayer, two very different purposes. SBS has a very limited capacity to produce in this country and has an acquisitions structure to buy specifically from non-English-speaking countries. It is its great power and I think, in terms of audience, one of its great joys. It could not do so in the absence of an ABC and, indeed, for the ABC it is valuable that it does so that the ABC can concentrate on major Australian production. The same way with news, where I would hand over to Paul: SBS's news is predominantly world and international news. It has a very, very limited capacity to produce news or current affairs in this country. The ABC, right back through its 60-plus years of history, has been absolutely centred around news and current affairs.

**Mr Williams**—There is a great deal of cooperation between the newsrooms, between SBS and ABC, because they do have such a limited capacity to gather news within Australia and, for that matter, internationally. Their source of material is agency material to a large extent and occasionally they do send their own correspondents away, but there is considerable on-the-ground cooperation between our domestic and our international correspondents. Beyond that, there has not been in the time I have been in this job – for the last five years – any deliberate attempt, other than cooperation between colleagues, to join the two newsrooms.

**Mr LINDSAY**—Is that cooperation enhanced in any way by this project we are considering today?

**Mr Lloyd James**—Not really.

**Mr Williams**—Not in a material way.

**Mr LINDSAY**—Moving on, what will happen to the buildings on the Gore Hill site if that site is sold as per the proposal, your preferred option, or is that of no concern to the ABC?

**Mr Marhinin**—The ABC at the moment has a property marketing strategy to be developed. The first stage of that is due diligence. A number of proposals have been put. As we pointed out this morning on the inspection, it is not possible to sell the individual buildings as parcels because links have been created across titles. One of the first things that will have to happen before resale is a rezoning, because at the moment the property is zoned 'Television special purposes' and unless a buyer comes along who wishes to buy it for that purpose the buyer will have to go the whole rezoning DA process with the council.

**Mr LINDSAY**—In relation to the current zoning, is there an increased awareness about the potential for a RF radiation hazard on the site and might that cause some problems in the sale of that site?

**Mr Marhinin**—The council has indicated to us that it is not in favour of selling the site for residential, for that particular reason. The council has indicated to us that its preference is to see the site redeveloped as one that generates employment for people rather than as residential. As to whether that employment generation is created through some form of retail or some form of industrial activity, I do not know.

**Mr LINDSAY**—So the RF radiation hazard will not prejudice the sale of the site. That is your evidence, is it?

**Mr Marhinin**—It is not going to cancel the sale of the site either.

**Mr LINDSAY**—Your submission says:

The project will provide the ABC with the facilities required for digital production and transmission, including studios suitable for both widescreen SDTV ... and HDTV ... production.

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Is that misleading? You say a studio suitable for SDTV and a studio suitable for HDTV, but are they not one and the same thing?

**Mr Marhinin**—It is in terms of aspect ratio. We are, as you are aware, all going to the 16 by 9 aspect ratio for conversion. In many ways that will determine the size of the studio. The ABC is yet to conclude its discussions, as I understand it, with government regarding the extent of HD facilities that we install vis-à-vis the amount of standard definition but wide-screen facilities that we will install.

**Mr LINDSAY**—So is it the ABC's intention to have SDTV-specific studios?

**Mr Marhinin**—Not if we can help it. It is a question of whether or not we can finalise our funding agreements for HD with government.

**Mr LINDSAY**—So your preferred option is to produce everything in HDTV and then standards convert?

**Mr Marhinin**—Yes.

**Mr LINDSAY**—You say that news and current affairs would be co-located in the city location. You talk about radio and television transmission being co-located as required for digital transmission, but you do not mean transmission as in transmitters; you mean transmission as in –

**Mr Marhinin**—Transmission presentation.

**Mr LINDSAY**—Okay. You talk about rationalised in-house facilities and production support services under the new proposal. Is it possible with current staff awards to have this rationalisation and this moving together of television and radio?

**Mr Marhinin**—Perhaps I could refer the first part of that to Mr Williams, who already has some initiatives to do that in terms of production and crewing.

**Mr Williams**—It comes down to the human resources rules that govern the way that we employ people. There are proposals to restructure the workplace within news and current affairs and generally in the ABC. In our own terms, in news and current affairs, the number of people that you would employ in a new studio would probably be less than in the ones that we currently occupy. We are looking at an industry trend of using single person crewing so that you use a person who is shooting and collecting sound. When that happens, you will have to retrain those people who are surplus to requirements or they are redundant.

**Mr LINDSAY**—So your answer is that current staffing arrangements will not suit how this new project will operate but you expect that you will be able to make arrangements that suit the new operations. Is that right?

**Mr Williams**—That is right. There is also a demand for a different type of person in digital, and you have to retrain and multiskill people as a first preference rather than downsize. But there is a combination of both.

**Mr LINDSAY**—Apart from Gore Hill and Ultimo, does the ABC operate any other sites in Sydney, apart from transmitter sites, for radio and television?

**Mr Marhinin**—No, we have now concentrated all of our activities.

**Mr LINDSAY**—That is fine. In relation to shared services operation, which provides accounting services functions to support the corporation established in Adelaide earlier this year, if co-location is so wonderful, why are you establishing financial accounting services in Adelaide?

**Mr Balding**—The shared services established in Adelaide were part of a re-engineering of our support process, which we undertook a couple of years ago. They are what you would commonly term the 'back office functions'. They do not have to be in Sydney. The ABC board has adopted the policy that those functions that are not necessarily required to be in Sydney will not be located in Sydney. Support services, such as accounts payable, accounts receivable and those accounting type services, can be conducted anywhere for a national corporation. Adelaide provided a cost-effective solution for us.

**Senator FERGUSON**—A very wise decision.

**Mr LINDSAY**—Thank you, Senator. You talk about a 1997 strategy, and a dot point was:

- to ultimately maximise the number of ABC staff located on one site in Sydney.

Did you mean that or did you really mean to ultimately maximise the number of functions on one site, not the number of staff?

**Mr Marhinin**—The number of functions on one site.

**Mr LINDSAY**—I thought that is what you might have meant.

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**Mr Marhinin**—Thank you for that.

**Mr LINDSAY**—You say cross-media digital production enables program making teams to produce content that can be packaged and made available in a range of output forms. Can you tell me what kind of output forms you are considering?

**Mr Lloyd James**—We are already seeing that in radio and online services. Outside news and current affairs, the predominant content of our web site is delivered by Radio National, by local and regional services, by Triple J and by the other radio networks. We are seeing early progress in building television into that as well. In due course, I think we will also be seeing, as I am sure the members of the committee will know, broadband services and data casting coming down the line at us, which of course involve radio and television online services based material.

**Mr LINDSAY**—You say that the development of local television is an important outcome of this initiative. I love the word ‘local’ because there is more to Australia than Sydney, as you understand. So, really, what is behind that is: will the financing of this within the ABC budget in any way prejudice what the ABC's proposals or forward looking plans were for regional areas of Australia? I want to know if this is going to impact on any plans that you had for regional Australia.

**Mr Balding**—From a financing point of view, no. As we have submitted in the statement of evidence, the sourcing of this project will not impact on current program budgets, so there will be no funds taken off the output areas in order for this project to go ahead.

**Mr LINDSAY**—That is good news. That is a good prelude to this next short question. You were looking at four options. What happened to the fifth option? The fifth option is relocate everything and collocate everything. I know that is a short question but it is likely to have a long answer. I began thinking that Ultimo would be an over-development of the site. It is in a very heavily populated area, it is hard to get to with vehicles and so on and staff are not happy. There are traffic jams and so on. What is the option in relation to just moving Gore Hill and Ultimo and putting them in a greenfield site somewhere and away you go?

**Mr Balding**—I think the main problem there would be the cost in walking out of Ultimo. As I explained a bit earlier, the replacement cost of Ultimo is some \$210 million. If we were to move to a greenfield site, which I think you are referring to, and establish the ABC entirely on that site as a greenfield site, it would add a significant cost to the project.

**Mr LINDSAY**—I did read in these briefing notes somewhere about IBC at Homebush. That would not be \$210 million, would it? It seemed that you rejected the IBC because you could not get quick certainty about how the council might see you and what you might be able to do with that complex. Is that right

**Mr Balding**—There were a number of issues there as to why the corporation rejected that. One was financial – it did not stack up financially when we took the lease payments into account. Secondly, we could not fit all our operations on that site. Alex, do you want to take that a bit further?

**Mr Marhinin**—When we looked at that option there were the problems with council. The other issue for consideration was that by moving it to Homebush we would have disappointed even more staff, because when we did our staff demographics very few of our staff live out there. So, whilst you rightly make the point that there are some staff concerns about moving to Ultimo, moving to Homebush would have affected double the number. In terms of finances, even Mr Mansfield in his report recommended that the ABC should retain Ultimo, and that was one of the bases of the assumption we made in the Homebush option – we would always retain Ultimo. So you are right: we never considered a total greenfield site.

**Mr LINDSAY**—But you are going to spend \$109 million. Here is an opportunity for you to get the whole of the ABC together and you never considered it.

**Mr Marhinin**—We did not consider it in that form, no.

**Mr LINDSAY**—You give evidence that the estimate of the cost excludes any GST related costs. Have you, since giving this information to the committee, looked at that, because there may be some impact there.

**Mr Balding**—In respect of GST the ABC will be revenue neutral, so GST would not have an impact on the cost of this project.

**Mr HOLLIS**—I wish to follow on from what Mr Lindsay was saying about the greenfields site and I noted what you said. Looking at the model at the side of the main table, did the actual site compel this design? Looking from here, it seems to me that site is awfully cluttered. Was that design forced by the constraints or am I misreading this and it is not cluttered?

**Mr Short**—We looked at a number of options on the site. When we looked at the facility quantum that needed to be removed from Gore Hill to this site, we were satisfied that we could accommodate all of those needs in an operationally sensible way and also achieve a degree of integration with the existing building. As you will be aware, not only did SBS not come into the building but since we have occupied the building Sydney Symphony have moved out substantially, so there is capacity in the building as a result of that. There is built-in technical capacity in the building and so this seemed a good opportunity not only to move television on to the available site but also to integrate television and radio and take up some of that capacity.

As for the form of the building, while not required to be, we are still within all of the authority guidelines for development on a site in that location. We do in fact go through the height line, which is set at 42, but there are other buildings around which have already gone through that and others that are approved to go through that. So we have met all of the requirements laid down by planners and authorities for that site and still achieved an operationally integrated and, I believe, feasible solution.

**Mr FORREST**—I think what Mr Hollis meant is that it is not pretty, basically. Frankly, it has bits hanging off it everywhere.

**Mr Short**—Whilst I have an architectural background, I would not even attempt to answer that. I will ask John to make some comments.

**Mr Richardson**—Madam Chair, I am not sure whether that is a statement or a question. I would put that in fact the addition to the building is a very proper one. What we have simply done is extend the podium formed by the Goossens Hall in a very simple way along Harris Street and we have simply put a tower emerging from the back of it set back from the street. The only modelling of the building in reality – of the addition to the building – is the lift core, which is brought out from the building so that it comes down into the main entrance area of the building. We have projected some of the office space over the studios that are below and cantilevered them over the studios below to minimise the height that we need to achieve in order to achieve the area. In fact, it is quite a simple building and it is very much in keeping with the existing design.

**Mr RIPOLL**—Mr Short, you said that you had a building restriction height but that you have gone through that and that other buildings have also gone through that. Have you actually got approval to build at that height?

**Mr Short**—We are not required to obtain formal approval but we have discussed this development with all of the relevant authorities and from meetings we have had nobody has raised a particular question about it and, in response to the evidence, which is quite clear, I do not believe any of the authorities have actually questioned it via the committee. So we do not believe there would be a problem even if we did go through the authority process. There is provision to have that considered and it would be our view that it would be approved.

**Mr HOLLIS**—I do not want to pursue it because whatever it is it would still be better than Gore Hill. However, I would hate it if, in a few years time, someone looked at it and made a comment from that building just over from it, the university building, saying, ‘What an ugly building.’ Hopefully, it will live up to expectations. Tell us a little bit about the old railway line behind it, which I understand is going to be developed, and how that will impact on this building.

**Mr Short**—The railway alignment behind the site is in the process of redevelopment through the Sydney Harbour Foreshore Authority. There are questions of ownership which are being resolved but they have obtained a DA for a development which will create a pedestrian way from the bridge, the boundary where we looked around the site right back through to the tunnel at Broadway. The ABC has attended many meetings with the project team developing that pedestrian way. The ABC supports it absolutely. We are one of the stakeholders in that and have made contributions to that line of thinking. There are a number of issues which the current scheme proposes which we have some difficulty with, and we are working through that with the project team. It is true also that the ABC has recognised the advantage of that to the ABC's overall complex and we have proposed in stage 2 to create a significant second entry into the ABC off that pedestrian walkway which will be at grade and will come in at the same level as the entry which we met in this morning and then discharge through to Harris Street. That entryway will be open to the public, to staff and to talent visitors to the ABC complex during normal business hours. Out of those hours it will be under security. However, if there is an event in one of the major studios, it will be open to allow the public to come in from the car parks adjoining or from the trains, and that will be a manned security system during those performances.

**Mr HOLLIS**—How do you respond to the criticism that is sometimes put to members of the parliament that the ABC is too Sydney-centric? I might say that this is usually put by members of parliament and others who are not residing in Sydney.

**Mr Lloyd James**—You are absolutely right; it is an issue which comes up from time to time. As I was saying when we were going around Gore Hill this morning, I think it is fair to say that in the late seventies, the eighties and possibly even the early nineties for financial reasons the ABC had perceived its pathway as being to centralise production into Victoria and New South Wales. Under Brian Johns when he became managing director of the Australian Broadcasting Corporation, they took a completely fresh look at it and made two critical decisions. The first was that digitisation itself was going to allow us to converge the ABC in a way which we have subsequently done administratively. The second was that the ABC must use all of that power to pass production responsibility back to the states, both the state capitals and the regional areas as well. It placed local and regional services – this is in an internal sense for the moment – onto the executive of the organisation, which it had not been. Indeed, Sue Howard, who is the head of local and regional services, is



here and you may wish to pursue it with Sue. It has been an absolute focus of the organisation ever since, both in terms of piloting cross-media radio-television-online production in the regions and of encouraging a rapid increase in the amount of television that is being produced, because when people talk about the ABC being Sydney-centric they tend to be talking about television. So it meant encouraging a rapid increase in the amount of television that is produced. There are a whole range of means by which it has done it. I do not know whether you would like to talk with Sue about that.

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**Mr HOLLIS**—The next question is that I would imagine that the ABC would have something like a master plan. There have been various buildings. There was Southbank in Melbourne and so on. Where does this fit into the overall scheme of things for the ABC?

**Mr Balding**—If I could address that, as I mentioned in my summary statement, when we, the ABC, undertake this project, we will also still be able to accommodate other main projects, and in particular building refurbishment works that we are carrying out throughout Australia in the bulk of our capital cities. There are two aspects. We are carrying out work in our capital cities. We have recently completed works in Hobart; we have a major refurbishment which is about midway through in respect of our Adelaide complexes at Collinswood; we are looking at some major redevelopment works for our Perth complex, our Brisbane complex and our Canberra complex. So we are not just purely looking at Sydney. In further answer to your question, Mr Hollis, in support of Mr Lloyd James's answer in support of our regionalisation efforts, our property and accommodation redevelopments are in there to ensure that we have appropriate facilities to enable more production to come out of those particular areas. With respect to a plan, back in December 1996, management put to the board and the board endorsed a major property rationalisation program which identified those properties that were surplus to our requirements or underutilised, and looked to have those properties disposed of. We are in that process now, and that is a major contribution to our digital conversion. In that proposal to the board we identified the works that we are currently carrying out, including this project that is here today. In respect of a five-year plan, there is a property five-year strategic plan for our regional radio offices as well, so we are not ignoring them. We have a structured plan in place that we progressively go through and refurbish our regional stations.

**Senator CALVERT**—This morning when I was out at Gore Hill looking at some of the old equipment out there, it took me back to one of my favourite programs, which was in black and white, called *The Inventors*. One of the favourite questions asked by one of the members of that panel was how many colours does it come in and will it work. I noticed here you are talking about cultural change. It is already partly answered, that digital broadcasting will achieve cultural change within the organisation. What effect will that have on the viewing and listening public, or are you talking about the fact that you are going to shove another 1,100 people into the centre of Sydney and that is the cultural change you are talking about? Perhaps you can expand on what cultural change you are talking about.

**Mr Lloyd James**—I think predominantly the change, which has been a change which has grown across time, is really about the way in which the organisation talks to and listens to its audiences. As I was saying earlier on, it used to be much easier to be a broadcaster because you just said, 'If you want to see or listen to program X, that is where you can see or listen to it – or you can't see or listen to it.' It was a fairly simple and monopolistic kind of way of dealing with the world. Both television and radio, and certainly, subsequently, online services, have really now got a much more sophisticated relationship with the audience. The big cultural shift is the two-way relationship, the understanding that it is no longer just our delivering; it is you delivering and delivering in different ways which different kinds of audiences can access for different purposes. So it is not just that you say we are going to make, for example, a science special on black holes in the sky. That is fine; that is a 50-minute science special on black holes in the sky. Lots of people may want to know a great deal more about that. You can give them much more detail on radio; you can give them much more detail still on online services. More and more program makers are taking up willingly this notion that a single idea can be developed in a whole range of ways, giving audiences a much greater power to explore, and also a much greater power to come back to us and say, 'Yes, but,' to argue, to explore our own libraries, our own research bases. That is the cultural change. I know it sounds like a strange phrase, but for me it is actually the key point of digitisation, that it actually democratises the broadcasting process. It does genuinely make it a relationship.

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**Senator CALVERT**—Co-location will enhance that by bringing all your archival material together, and both radio and television.

**Mr Lloyd James**—And bringing the television makers into it. Already the online people and radio people are co-located in Ultimo, and there are online people working in other parts of Australia as well. Bringing television into that means that you then no longer have separated specialist units, whether they are science units, arts units, education units, youth units, whatever. You no longer have them separated and working off

their own bases. You draw them in together. They may still maintain their own specialist skills in radio or television, but they are working on ideas that are constructed deliberately for multiple use.

**Senator CALVERT**—What effect will that have on your activities in other capital cities and regional areas?

**Mr Lloyd James**—It will be reflected right through all of those, through the co-located buildings which Russell has been talking about. As I say, the pilot work has been going on in two or three – I think that is right, but Sue Howard is better on this than I am – regional centres to provide exactly the same potential. In the past, individual regional centres have been able to provide radio and not a great deal more. In the future, each of those regional offices will be able to provide television pictures, radio sound and online services as well. Sue has been driving that hard over the last three years.

**Senator CALVERT**—So centralising your activities at Ultimo will not make any difference to contracting out ABC programs to other areas of Australia?

**Mr Lloyd James**—No. In answer to a question which was asked earlier and which I did not fully answer, there is also a major pressure on network television – that is, Channel 2 – either to move to, or to generate production in, the states outside the Sydney-Melbourne hub, which we are doing already in South Australia, as you know. We do it in Tasmania very successfully through programs like *Gardening Australia*. It is a delicate balance because you have to maintain an efficient and effective operation in Sydney and in Melbourne whilst you are doing it. One of the key ways of our doing it, I suspect, will be through assisting in the development of, or maintaining the development of, independent production operations in those states as well as in our own.

**Senator CALVERT**—The other matter I alluded to is the fact that you are bringing 1,100 people from Gore Hill to here. Car parking will be much reduced, and there will be more reliance on public transport. Have the staff made any pleas to you about changes? Is there any opposition from the point of view of staff moving into the city? Is it going to be easier for them or harder for them?

**Mr Marhinin**—It is not going to be easier for them. At the moment at Gore Hill, staff are provided with free parking on demand. Clearly, that is not possible here from a physical point of view or from a financial point of view. However, the ABC has indicated to staff and to unions that for those staff who genuinely need to bring their motor vehicles to work because of lack of public transport, because of the unavailability of it due to either early-morning starts or late-evening finishes, there will be about 135 car parks available and reserved here on site for staff working those odd hours. Beyond that, staff working normal hours when public transport is available will either have to use that or use the many car parking stations that are available nearby.

**Mr Lloyd James**—Madam Chair, may I add to the answer I gave just now. I would hate the committee to be left with the feeling that we were only looking at two regional centres. It is pilot work that is taking place in regional centres for all regional centres, and Sue tells me that there is pilot work going on now in many more than two centres. It is to cover the entire range.

**CHAIR**—Thank you for clarifying that.

**Senator CALVERT**—Getting back to car parking, are those extra car parks for managerial positions or for everybody?

**Mr Marhinin**—There will only be 10 car parks reserved for members of the ABC executive. Any other senior executives who have cars as part of their employment contract will be required to use the commercial parking nearby.

**Senator CALVERT**—I suppose there is no thought of using the car parking facilities you have in Gore Hill and having shuttle buses or something like that? I suppose it would not work.

**Mr Marhinin**—That is one option if the demand exists, but I am not sure that the ABC as an employer necessarily has a legal obligation to do that.

**Mr RIPOLL**—Could I start with the issue of synergy. You have made a fairly big issue in your evidence of co-locating and bringing things together. Of the functions that will remain at Gore Hill, how will that work in relation to the Ultimo site? How will the synergy work between those functions remaining?

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**Mr Marhinin**—The functions that are planned to remain at Gore Hill are, firstly, drama production, which traditionally has been a stand-alone, self-contained operation. Up till now it has been located at Frenchs Forest. We have now brought it back onto the Gore Hill site. The other functions that will remain at Gore Hill will be outside broadcasts, and they are also stand-alone operations. They are the heavy vehicles that go out and do the various football matches and the other outside broadcasts. The third function is that of production facilities, which are set construction and prop storage – those which are, in effect, deep storage and are not required on a day-by-day basis in Ultimo – and we believe that retaining those with the drama studios in fact enhances the synergies. Having drama studios, production facilities and outside broadcasts all remaining on one site we believe will in fact enhance the synergies that they have now. The fact that we are also providing similar

functions in Ultimo to service the immediate production needs we believe continues to maintain it even further and enhance the separation that currently exists.

**Mr RIPOLL**—Just to continue on that point, there are certain functions that you currently outsource.

**Mr Marhinin**—Yes.

**Mr RIPOLL**—Do you have future intentions to outsource any particular functions or activities that will not be at the Ultimo site?

**Mr Lloyd James**—Currently, approximately 44 per cent of the ABC's non-news and current affairs general production budget is administered by independent producers. You can expect that figure to rise and fall year on year. There are consistent discussions that take place between us and the Screen Producers Association, the Screen Directors Association and, indeed, between government and the ABC. Predominantly, that sits around drama production, and virtually all ABC drama production is actually produced by independent producers, although they may be using our facilities during the course of that. The majority of our documentary production is produced by independent producers, rarely using our facilities, but on occasion doing so. The majority of our comedy production is also made by independent producers. I would expect to see other genres be drawn into that, but whether that level gets over 50 per cent, turns into a majority or not, is something which will be balanced year on year by board policy.

**Mr RIPOLL**—If there is any future movement, will any of that be based on the actual move? I am trying to get some sort of connection. Have you in mind any outsourcing?

**Mr Lloyd James**—No.

**Mr RIPOLL**—None at all?

**Mr Lloyd James**—No.

**Mr RIPOLL**—Can you give us some explanation as to how far the other options available were explored, how extensively they were explored and what process of elimination you used to actually get your final option?

**Mr Marhinin**—Of the four options that we have outlined in the evidence, the first one was remediating and upgrading to the minimum amount the existing Gore Hill site. Whilst the expenditure was significantly lower, it certainly did not meet any of the ABC's objectives. The ABC's objectives were, as we set out, several. One is operational viability; the second was financial viability; the third one was organisational need and the organisational aim of co-location; and then meeting staff needs.

In attempting just to patch up Gore Hill, simple implementational problems arose. We pointed out in our evidence the issue of asbestos. We could not just stay there and remove asbestos without significant disruption to production. We could not achieve in any way co-location of radio and television elements while staying on the Gore Hill site because we would have to bring across people from Ultimo, which as Mr Lloyd James has pointed out may be specialist program units, and then replace them with others. We would always end up with this issue of separation.

The next element we looked at was retaining and remediating Gore Hill and selling off part of it. We pointed out in our evidence and on our walk around that many of the buildings are across titles. They do not comply with many of the current BCA codes. The only way to do that would be to sell off a significant portion of that: we identified some 46 per cent of it. We then came down to the conclusion that if we were still going to have two sites, who would remain on those two sites? Would we still maintain a radio and television split? If that were the case, then co-location in Sydney could never occur. We could not come up with any other mix that met our operational requirements.

The third option, which is the one before you, was that we all move to Ultimo. That is the one before you now. The fourth option was the one we have already discussed, which was moving to Homebush. But in all of those options, as we have said in the evidence, we made the assumption that we would retain Ultimo. We did that because it is a perfectly adequate, purposely designed building. Even Mansfield, in his report, recommended that we should keep it. The Arthur Andersen report that we commissioned regarding ownership versus leasing of property said that we should own it and maintain it.

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**Mr RIPOLL**—To give the committee a better idea of what you are describing there, how far would you say the gap is – just ballpark – in terms of the preferred option and the next best option? Is it exclusively that there is only one option, which is the option that you have chosen? Or is there a gap between that and the next best option? What would you say it was, just to give us some sort of mental picture?

**Mr Balding**—When these options first came to the board in March 1998, there was a significant gap in the criteria in respect of meeting the corporation's operational and strategic objectives when you ended up with two sites as opposed to the one site. From the financial perspective, we did a very rigorous net present value



analysis of the various options, and we ran a number of scenarios and sensitivity analyses. We sought and used external financial advice on that to check the models. Even from the financial perspective, when we just looked at the options themselves, it was quite significant in respect of the preferred site that the board ultimately endorsed.

**Mr RIPOLL**—Earlier today we discussed the employees in terms of parking, in terms of access and in terms of a range of issues such as child care. How much support have you actually got from staff in terms of the move? How did you gauge that support or non-support?

**Mr Marhinin**—I think that staff support has changed as the project has developed. I think it would be fair to say that when this initiative was first announced back in March 1998 there was a significant degree of concern. Significant questions of doubt were expressed by staff about the ABC's long-term objectives – that this was going to be an opportunity for the ABC to cut and cull. We have proven that that is not the case. As the project has developed, especially since we have come up with a more concrete model, the one before you today, many of the staff have recognised the benefits of it from a long-term point of view. Certainly we have not won the hearts and minds in terms of impact on personal lifestyles. For some there will be a positive impact, for others there will be a negative impact. We recognise that.

How have we gauged it? After a period of separation, the CPSU has come back to the table and has worked actively with us in developing the detail that is before you today. Also there is the fact that, as far as I am aware, the committee has not received a significant number of representations from staff against the project. Whether there is resignation or tacit acceptance, only time will tell.

**Mr RIPOLL**—You mentioned asbestos earlier. Do any of the buildings at the Gore Hill site still have asbestos in them or will you be taking this opportunity to get rid of it?

**Mr Marhinin**—The major building that remains at Gore Hill that has asbestos in it is the GIO studio and you saw this morning that we have already started the process where there is that new roof going over. So the asbestos removal has already commenced.

**Mr RIPOLL**—So it will be complete with the move and there will be no buildings?

**Mr Marhinin**—Yes.

**Mr RIPOLL**—In your evidence you say that there are going to be some savings made through the abolition of a canteen subsidy. Can you give us some sort of a history on that? What sort of savings are we talking about? How much impact will this have?

**Mr Balding**—I do not have the details of the subsidy, but what we are looking at doing is identifying and achieving savings in the support areas with respect to our property management and operations, property services, courier, transportation costs, cleaning and security. By consolidating onto one side, you eliminate a lot of the duplication of those support areas and we have factored those costs into the financing of this project with some \$2 million per annum in the non-program support savings.

**Mr RIPOLL**—Also in your evidence you say that there is going to be a loss of 43 staff positions as a result of the co-location. Is the co-location the reason why these staff positions will be lost, or is it the move to digital technology? What is it specifically?

**Mr Marhinin**—We indicated that that is the net benefit. We did not say the positions themselves will be lost. In fact, what we have indicated is that 14 positions in the property and support services are included as part of the financial redundancy plan. The others are the equivalent positions within post production and news and current affairs. We are saying that co-location, combined with the introduction of digital technology and automation, will allow those portfolios to gain that benefit and that those portfolios will then be able to make their decisions whether those positions stay and are reallocated to other tasks or jobs are restructured within them.

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**CHAIR**—Can I go back to the issue of staff that Mr Ripoll raised because there seemed to be a little uncertainty on your part in answering the question as to the level of dissatisfaction by the staff with this move to co-location. I notice in the Dempster and Salter submission that there was a claim that the co-location did not have widespread support. Can you tell us a little bit about the process between management and staff in terms of the plans to co-locate and how you are now communicating with staff about the proposed move?

**Mr Marhinin**—When this project was initiated in July 1998, the ABC, the CPSU and the MEAA entered into a joint memorandum of understanding which would govern how this project was developed. As a consequence of that, the ABC, the CPSU and the MEAA entered into two joint reviews. The first joint review basically focused on the impact upon television if only news and current affairs were co-located in Ultimo, what impact that would have on Gore Hill. That report, which was unanimous, said that that was not a desirable thing for the ABC to do, for a whole range of reasons. A second committee was then formed to review an earlier version of the proposal before you today from an operational perspective. That report also

was jointly endorsed and identified a number of specific operational problems, particularly related to child care and a number of other matters which we identified to management.

They were then addressed in subsequent discussions with the union during January 1999, and we believe that we addressed most of those questions. The union challenged that and wanted us to enter into a third joint review, which management did not agree to. At that stage the union claimed that there was a breach of the memorandum of understanding. As a result of that claim of the breach, we appeared before the Industrial Relations Commission, which made no comment on it and the matter was set aside. Subsequent to that we have re-entered into discussions with the CPSU about the detailed development of this project. I believe the matter that is outstanding between us is not a matter regarding the operational viability of this project or of its concept but rather the funding. I think it is the issue of the funding of this project that the staff have the greatest concerns about.

**CHAIR**—You mentioned that your discussions have been with the CPSU. Do all staff belong to that organisation and is there communication directly with staff about the proposals?

**Mr Marhinin**—Thank you for prompting me. I forgot to answer the second part of the question. We are not aware formally of the membership by staff of the CPSU. Our best guess is in the order of 30 to 50 per cent. However, there have been quite a few staff newsletters which have been circulated by hand to every desk. We have established a co-location intranet site. There was a joint union-staff survey undertaken of people's concerns, and of 2,000 staff there were only about 70 submissions. Only recently all staff were made aware of the proceedings of this committee and were encouraged to make submissions to it. As you walked around you would have noticed that we have demonstrated and displayed all the drawings on the site. So there is an active and ongoing process of communication with staff as distinct from just union and union delegates.

**CHAIR**—How do you respond to the Dempster-Salter claim that there is not broad support for this amongst the staff?

**Mr Marhinin**—The simple answer is that they have no measure by which to make that claim.

**CHAIR**—Do you have a measure? You seemed, as I said, a little hesitant about this when Mr Ripoll asked questions.

**Mr Marhinin**—My measure is that the majority of staff now support this project.

**CHAIR**—But you have got no formal way of determining that.

**Mr Marhinin**—No formal way, no.

**CHAIR**—No formal process. Okay. I have one more question before we ask Mr Forrest to ask questions. Probably it is one that should be answered by Mr Richardson or perhaps Mr Short. It goes back again to some of the staff concerns about parking issues. If you were developing this building as a normal developer and you had to get the approval of the Sydney City Council, what is the ratio of car bays for the building area that you are proposing on the Ultimo site?

**Mr Richardson**—The council requirements would permit 286 cars on the site. The ABC is proposing 250.

**Mr LINDSAY**—You said 'permit'. Did you mean 'require'?

**Mr Richardson**—Permit. In the city of Sydney you cannot have as many cars as you like. In fact, it is one car parking space maximum per 200 square metres of gross floor area.

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**CHAIR**—That is what I wanted to know. One per 200 square metres. Thank you.

**Mr Marhinin**—If I may expand on the last answer that I made, you asked me to comment on the Salter-Dempster submission. I would draw your attention to the date of that submission, which was 29 April. On 29 April none of the consultants in this room today had even been appointed, so I think it is a little bit unfair of them to make such claims that staff do not support it. On 29 April none of the concepts before you had been developed to the detail that is presented in the evidence.

**CHAIR**—I guess I was trying to find out what kind of formal processes you have to gauge the acceptability by the staff of this proposal.

**Mr Marhinin**—We have established 15 consultative workgroups which represent staff from all portfolios and cover a whole range of issues related to this project. They cover things like child care and parking through to the detailed design of each of those. The staff have contributed to those. They have seen their contributions manifest in the design and therefore have recognised that they are being heard in that regard.

**CHAIR**—I have one more question, to Mr Richardson. Rather than asking what have you done about people with a disability, have you taken people with a disability into account in the building design?

**Mr Richardson**—The building is designed in accordance with AS 1428(1) and parts of AS 1428(2), those parts that we feel would be appropriate for a building of this nature. So, yes, the building is designed for the disabled.

**Mr FORREST**—Do you mean that they comply with those codes, not parts of the codes?

**Mr Richardson**—No, that we comply with all of AS 1428(1) and part of AS 1428(2). AS 1428(2) is in fact – if you complied completely with that code – specifically for buildings for the disabled, not public buildings accessible by the disabled.

**Mr FORREST**—Madam Chair, I have a number of detailed questions about the project, but I have one generic kind of issue which is a hurdle that I have to get over first. That is the fact that there is a large number of people, all of them in rural areas, who do not have access to ABC television at all, so I do not get excited by this new idea of digital television. I still have people who cannot get any television, so I just need to get over that hurdle before I support the parliament's approval of this project. I need to know what the ABC has in mind how it is going to address this inequity. My first question is: does the ABC know how many Australians do not have access to its signal with the normal convenience that people in cities have?

**Mr Knowles**—There are probably around 10,000 people who rely exclusively on the satellite throughout the whole of Australia. The ABC provides its programs in five separate time zones via satellite for anybody who wishes to receive it. The transmission is not encrypted in any way; it is available. Those same signals actually feed the transmitters on the ground.

There is a number of communities, as you are probably well aware, who in smaller groups have chosen, because they are small communities, in fact to establish their own retransmission facilities to allow them to broadcast in towns which have probably only a few hundred people. The large majority of people who do not receive services are in exceptionally difficult locations to serve. It would almost require one transmitter per location to address the issue. If you take as an example East Gippsland, where there is quite a number of people scattered through the hills of the Australian Alps, a number of those have locally generated retransmission facilities. There are others who live in valleys. They are very picturesque but very difficult –

**Mr FORREST**—Have they paid for those themselves?

**Mr Knowles**—Yes, they have. They do pay for them themselves or the community bands together. In Western Australia, for example, there are probably 500 or 600 locations where council has actually provided those facilities. Up until recently, the government funded all of the transmitting facilities for the ABC directly and those decisions about where they were located were actually funded directly by the government generally with government only input. That process led to addressing most of the towns – in fact I think all of the towns – up to populations of around 1,000 people. There was a notional number, going back a few years, which basically had a cut-off point of this: if it cost more than about \$300 or \$400 per person, then it became a problem to actually address. With many of these locations you are talking about several thousands of dollars per person, so there was a hierarchy of going down in terms of the number of people who could be addressed.

The government and the ABC invested a large amount of money in the satellite service to provide it to all Australians, in addition to which the government recently subsidised the transition to digital transmission of those satellite receivers to the tune of \$750 per installation. To get down to the last diminishing returns, in Australia you would probably have to quadruple, if not increase tenfold, the number of transmitters to provide it to everybody on the ground. The cost of that would probably exceed the total cost of transmission to date.

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**Mr FORREST**—You mentioned Gippsland. Are you familiar with the north-west of Victoria? I can say to you that there are 3,000 people out there who do not have access to a decent signal from the ABC, despite spending huge amounts of their own money to achieve it. I want to know what the ABC intends to do about it.

**Mr Knowles**—I am aware of the problems of people in East Gippsland. None of those people – unless you can point me to something I do not already know – live in one location. They are scattered through the whole region of the Alps.

**Mr FORREST**—I am not talking about the Alps; I am talking about the flat earth. Mallee is as flat as a tack.

**Mr Knowles**—Sorry, I misunderstood. In the Mallee, there are transmitters located in Mildura, Swan Hill, Bendigo, Ballarat and so forth. I am aware that some of the top corners of the Mallee, which perhaps are on the margin of the Riverland and so forth, do not receive services. There have been some fairly extensive surveys there. We get some inputs from those areas, ones and twos, but there is no practical solution to covering people in a very sparsely populated location. The cost of a main transmitter covering a radius of 120 kilometres in places like the Mallee would be in excess of \$2 million to \$3 million per transmitter, with a running cost which is exceptionally large. In relation to new transmitters of that nature, the government has not funded the ABC to deliver any of those. The government has funded the ABC for all of the existing transmission locations, and extensions to those locations beyond very minor improvements are matters for government to consider in the budgetary context.

**Mr FORREST**—I can tell you about towns like Hopetoun, which has a population of about 900, Patchewollock with 200, Sea Lake with 1,200 and Birchip with 1,000, which do not have access to a decent signal that you would consider appropriate living here in Sydney. I want to know what the ABC intends to do

about it. If you cannot answer the question, I suggest you get somebody that can. I cannot consider approval of an amount in excess of \$100 million when there are people in Australia that do not have access to your signal. I think it is inequitable, and it is a hurdle I cannot get over in terms of giving support to your request.

**Mr Knowles**—Mr Forrest, I did answer that question just now. The government has decided that it will fund the existing transmission infrastructure of the ABC. Previously, up until recently, it simply paid that bill directly. It has not given the ABC any money for any major extensions of its service, and in fact any further extensions of the service require the ABC to make separate submissions in the budget context.

**Mr FORREST**—My understanding is that it is a new ball game now and there is a fund, and there is an opportunity for the ABC if it is intent on delivering its charter.

**Mr Knowles**—The ABC has approximately \$1 million over the next three to five years, which is intended for minor corrections and infills. The ABC is currently putting together a plan which will put forward how it will spend that money over the next few years in order to do the best it can for the highest priority areas. We are currently identifying those high priority areas based on the complaints and other information that we have on board. Beyond that, it is a case of going to government for further funding. The government up until now has taken the decision that it has already heavily subsidised the satellite service. The satellite service is the way that that gets addressed, and if the community finds that individual satellite reception is something that is too difficult then local government has stepped in and addressed it in quite a very large number of centres.

**Mr FORREST**—With regard to your \$3 million transmitter, about which you gave evidence, are there not alternatives that the ABC could consider in those circumstances?

**Mr Knowles**—Within the context of the communities you are talking about, certainly the cost would not be of that order if we were able to provide a transmitter, say, for a population of 1,000 people. It is in that context that we are considering what we can do with the \$1 million that the government has given us over five years to allow us to address those areas. We are in a transition process and the government has actually still capped what we can do with the transmission arrangements. It had not envisaged any significant extension beyond what it had actually funded.

**Mr FORREST**—In the meantime, you consider it reasonable to ask a community to have its own community fund, make an investment of \$20,000 and do it itself. Five towns at \$20,000 is a hell of a lot less than \$3 million and it is certainly a small amount of \$1 million. Why can't the ABC consider those sorts of options to deliver its charter? These people make a contribution to the GDP. They are taxpayers and they raise a very high hurdle for me in terms of representing their interests and providing them with your signal, which to your credit is what they want to watch.

**Mr Knowles**—This is not a matter which the ABC has discretion over. It is a matter of government policy and government funding. The ABC does not have discretion to rush out and spend lots of extra money on transmitters. If you took at it in population terms you would find thousands of people in Sydney who do not receive any service because of the same sort of difficulty. It is a balancing exercise that the government has, over many years, had to try to come to grips with. It is relatively easy to cover 80 to 90 per cent of the population. Getting to 95 per cent is a bit more difficult, going from 95 to 98 per cent is exceedingly difficult and going from 98 to 100 per cent is almost impossible. For example, in the United Kingdom, which is the size of Victoria, the BBC's primary service covers 99 per cent of the population. Its second service has got to about 98 per cent, despite having more transmitters in the whole of the UK than we currently have in Australia. That is the sort of order we are looking at. It is the very marginal, diminishing returns. That is why satellite is the principal option that has been chosen.

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**Mr FORREST**—I am not satisfied with any of that, Madam Chair. I have serious reservations.

**Proceedings suspended from 3.41 p.m. to 3.57 p.m.**

**CHAIR**—We will resume, with Mr Forrest in continuation.

**Mr FORREST**—I have no more questions about the project because, frankly, I just cannot morally support the parliament approving this money when people out there are going without this signal.

**Mr HOLLIS**—I would like to move to the cost estimates. I appreciate that they are confidential so I will not divulge any of the costs. An interesting question that always comes up in these hearings is the contingency cost. Can you give us an idea of the percentage of the contingency cost on this project?

**Mr Short**—There are a number of contingency provisions in the \$109.5 million. There is a provision for escalation, which is an amount of \$1.5 million, there is a design and construction contingency of \$2.5 million, and there is an Olympic contingency allowance of a quarter of a million. That gives a total for escalation and design and construction of about \$4.044 million, plus the quarter of a million for the Olympic allowance. These amounts have been calculated on the basis of our view of the construction industry over the next two years. They also take into account the delivery method which is going to be adopted for the project where the work will be progressively documented and tendered, and it is of interest that it is a percentage which is about 4.3 per cent of the total project in contingency allowances. When we did stage 1 we had 3.5 and we finished that project well within the limit of cost.

**Mr HOLLIS**—You gave the figures, not me. I wasn't going to give the figures. I was a little bit surprised, though. This is very low. With our projects, we find that contingencies are always an area of concern to us because they usually range from eight to 12 per cent, so this is very low. You say a lot of this is based on the original project, the first one there, which I think in evidence this morning you said came in \$10 million under



budget. I dare not ask you how you get your contingency so low. Nevertheless, it is very low, and if it can be achieved – and I see no reason why it can't be achieved – I think it is a credit to you people that you can get it so low. We are always concerned and constantly raise the question with witnesses who come before us who are always quoting us contingencies of between eight and 12 per cent and assure us that that is the average and that they have pared it to the bone.

**Mr Short**—I might just emphasise something there, and that is the delivery method. I think many of the projects that come before you are ones which are fully documented and go to the market, and they go to the market at a point in time to achieve a lump sum outcome. They probably go in a timing, which suits a particular department. The advantage we have with timing on this project is that it is anticyclical. We are coming in behind the Olympic projects. At this point in time there is a need for work in the structural trades in the city. There is a need for work in excavation and in all of those fabric trades because all of the Olympic projects have gone through that cycle. So we are going to pick up on that amount of available resource at exactly the right time.

The other thing is that this project is being delivered in a project management approach rather than in a lump sum approach, and that allows us to manage the scope of the work, the definition of the work, to package it to achieve the best outcome. For example, on the first project that we will do – and we have done many projects using the same delivery method – there are many ways of delivering the reinforced concrete construction. We will probably go to tender with the whole package, but if it suits us to get a better price, a better outcome, we may break it into three or four packages. So we will have a lot more dynamic management than you have in a lump sum methodology. That is what allows us to keep this down and to manage the outcome. We know where every dollar goes by using this approach.

**Mr HOLLIS**—Without being too complimentary to you, we might get you to talk to some of the other people who come before us occasionally.

**Mr Short**—You will have to hurry; I am very old.

**Senator FERGUSON**—I have one further question as a result of earlier questions, when you talked about the height of the proposed structure. I think you said that it exceeds the height limit that has been put on by the Sydney City Council but you are not bound by that height limit anyway. You virtually said that it did not really matter because a number of other buildings in the area also exceed that height limit. Have you ever asked the Sydney City Council why they bother to have a height limit?

**Mr Short**—I am not only an architect; I am also a town planner. I have great difficulty with that logic as well. I might ask John to talk to that.

**Mr Richardson**—The building heights in that area have changed over a period of time. The building height control on the ABC's site seems to us to be a little strange, given that council have already approved a building of a higher height on the site next door and UTS could proceed to build that tower at any time. Indeed, we have designed the ABC project to relate to that tower and to respect it. Council also have a height limit on the other side of the pedestrian corridor, towards the city, which is 50 – not 42, which is the height limit on the ABC site – and council have approved a building of approximately the same height as the ABC proposal on the site across the corridor, where the Carlton Crest Hotel is. Indeed, the Mercure Hotel across at Railway Square is of a similar height.

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Whilst council have set this height limit at 42, we would argue that it is perfectly reasonable for the ABC to build a building of similar height to the buildings in the surrounding area. We would add that the area of the site that we are proposing would go through that height plane is only about 11½ per cent of the site area. So it is not as if we are seeking to go through the height plane over the entire site; we are doing it in one corner of the site and we are setting it back from Harris Street to maintain a 45-degree height control plane, which council also have as a requirement along Harris Street. The tower sits within that height control plane. For all of those reasons, we believe it is a perfectly reasonable and responsible approach to the site.

**Senator FERGUSON**—Are they as flexible with their limits on car parking as they are with height?

**Mr Richardson**—Usually council will only vary their car parking requirements when they see some sort of benefit with respect to other facilities on the site. Indeed, in the city itself, the car parking constraints are considerably tougher. You can only have one car parking space per 50 square metres of site area in the city, unless you can justify additional car parking for some other reason.

**Senator FERGUSON**—Have you brought in car parking spaces at a limit lower than you are allowed because there is no room in the design to actually construct any more car parking spaces? Parking is obviously going to be bit of a problem and you are lower than the perceived limit. That is why I wondered whether it was because of restrictions of space or whether you felt that was an adequate number.

**Mr Richardson**—The number of cars has been arrived at by the ABC in its brief. However, I would say that the cost of building basement car parking is a cost way above parking cars on the ground. The deeper you go, the more expensive it becomes. So, yes, one could go to four or five or six storeys in a basement car park, but one would have to look at the considerable cost of doing that.

**CHAIR**—I thank the witnesses for coming today.

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[4.08 p.m.]

**DEMPSTER, Mr Quentin, Member, Community and Public Sector Union****THOMSON, Mr Graeme, ABC Section Secretary, Community and Public Sector Union****SALTER, Mr David, (Private capacity)****CHAIR**—Welcome. Is there anything you want to say about the capacity in which you appear, Mr Salter?**Mr Salter**—I have worked for the ABC on and off for more than 30 years. At the moment I am in private business but I retain my membership of the union and I have been related to this issue for many years.**CHAIR**—The committee has received a submission from the Community and Public Sector Union dated 14 January 2000 and from Mr Dempster and Mr Salter dated 29 April 1999. Do you wish to propose any amendment?**Mr Thomson**—No.**CHAIR**—It is proposed that the submission be received, taken as read and incorporated in the transcript of evidence. Do members have any objections? There being no objection, it is so ordered.*The document read as follows —*



**CHAIR**—I now invite you to make a short statement – we are limited in time, so please keep that to five minutes in duration – in support of your submission before we proceed to questions.

**Mr Thomson**—I would like to make a very brief introductory statement and then flick to David and to Quentin. In terms of background, the Community and Public Sector Union is the significant union at the ABC. We cover all employees at the ABC other than journalists and the high-level senior executives. We do not have 100 per cent membership but our membership is higher than the 30 to 50 per cent mentioned. Last time I did the figures about a week ago, we came in at about 65 per cent. We clearly would like to make that figure better, but that is where we stand.

I will briefly go to the background and involvement of the two people with me. David Salter has been the CPSU nominee on a number of the joint union-management committees that were established over the last couple of years. Quentin Dempster generally took on the role as the Media, Entertainment and the Arts Alliance nominee on those joint working parties as well. The three of us have come together to prepare the CPSU submission, as we are all CPSU members. That is before the committee now.

Very briefly, the basic thrust of the submission we put to you is that before authority is given for proceeding with the Ultimo project it is the CPSU's view that two things really should take place. They are, firstly, that there should be proper evaluation of what has been given a number of titles; in terms of the statement of evidence it would be option 1. We need to undertake a proper evaluation of the refurbishments and rationalisation of the Gore Hill site. It is our view that that has not taken place yet. Secondly, there should be a critical examination of the financial modelling of the proposal before we proceed with the project because we have quite genuine fears that the ABC would in fact be overgearing its loan commitment if we proceed without undertaking that examination. It is unfortunate but it has been our view that there have been a number of studies undertaken of various co-location options but the critical one would be what we believe to be a two-site co-location option. It is our view that that study was never undertaken. Without further ado, I flick over now to David Salter.

**Mr Salter**—It is the one of the comforts of our system of government that a process like this exists so that individuals and interested parties can express a position directly to their members of parliament. We are grateful for the opportunity to appear today and we are confident that our arguments will be given a fair hearing. Mr Dempster and I made a detailed submission to the committee on 29 April last year, which you have in your papers. The fundamentals of the Ultimo proposal have not changed in any substantive way since then and our remarks today are an amplification of those points. Although we appear before you under the banner of the CPSU, which is the main ABC union, on this crucial matter we are more accurately the direct representatives of the staff. This is not a traditional industrial issue. It is not about wages or conditions. It has no politics. Rather, it is about that most fundamental concern for all ABC staff: the health and wellbeing of the national broadcaster itself. In particular, it is about the prudent financial management of a corporation facing rising costs and decreasing funding in real terms.

For a period of about eight months ABC staff were directly involved in the preliminary process of consultation which refined the scheme now before you for approval. Their active input helped give the proposal much of its practical shape but, just at the most important point when the funding model was being finalised and with the comparative study of the Gore Hill site due to begin, management suddenly slammed shut that fruitful door to consultation. From that moment there was no further discussion or debate. The ABC no longer wanted to hear from the people who would actually have to work in the proposed new building and make it an effective production and transmission facility. Why? We submit that the shutters went up because the ABC realised that their Sydney accommodation scheme, if looked at closely, would fail most if not all of the basic terms of reference criteria that the Joint Committee on Public Works is charged to apply to such projects. For that reason, we now propose to present our objections to the ABC's Ultimo B scheme within the framework of this committee's own terms of reference. Some points can be dealt with very swiftly; others take a little time. It is a matter of \$160 million we are talking about here, so please bear with us.

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The first reference is simply: will the work produce revenue? The answer is no and that is the end of that story. Next is the stated purpose of the work and its suitability for that purpose. The ABC has a set of corporate objectives for co-location. We have no in principle objection to the idea of putting radio and television together but, and this is crucial, the proposed development goes only part of the way to achieving that aim. As you will have deduced from your tour this morning, significant production facilities and staff would remain at Lanceley Place at the Gore Hill site, still across the river from Ultimo. Next is the need for the work, and now we are getting down to the nitty-gritty. There is no demonstrable need for a grand, 12-storey complex at Ultimo – none whatsoever. If you look beyond its jargon and wishful thinking, the ABC submission to this committee conspicuously fails to establish any such need. But what there is an urgent need for is the upgrade and more effective configuration of the existing production facilities at Gore Hill. For example, if the Ultimo scheme were not to proceed for any reason, then that upgrade is precisely what the ABC would have to undertake to



preserve its service. We cannot stress too strongly our view that this committee should re-read the ABC proposal and separate what the corporation says it wants from what it actually needs.

Next is the current and prospective value of the work. You will have been shown working papers which set the cost of construction at around \$110 million. That is the value the ABC would expect to book for the building on its completion. What we are confident the ABC has not shown you is its own estimates of the value of the existing Ultimo building that you saw this morning, the place where the board is meeting as we speak. That complex cost around \$160 million to build. A decade later, at the ABC's own estimate, its market value is now somewhere between \$40 and \$70 million. In other words, it has already lost much more than half its construction cost. Why this rapid rate of depreciation? Because it is a purpose-built structure of no use to anyone other than the ABC. The Ultimo B proposal would, in our view, suffer exactly the same fate. Within a few years, its value – which we do not need to remind you is one of the committee's key assessment criteria – would have dropped by half.

The cost-effectiveness of the proposal is of course the very crux of our concern. The cost-effectiveness of a project of this kind is a measure that divides into two. There is cost-effective in relation to equivalent options – in other words, compared to what – and cost effective by absolute financial standards. To our minds, the ABC scheme under consideration before you fails both tests. To justify your approval, the Ultimo B proposal must establish that it is a far more cost-effective option than upgrading Gore Hill. It cannot prove that to you to your satisfaction because the ABC has declined to do any detailed development study and rationalisation plan for Gore Hill beyond some very promising initial work done back in late 1997. At that time a plan for reconfiguring the site and a partial sell-off of surplus land was estimated to cost around \$45 million and yield between \$7 million and \$12 million in revenue. But management told the board that that option did not satisfy the corporate objective of co-location. Mr Marhinin confirmed that to you before afternoon tea.

The ABC has since spent many thousands of dollars on a dilapidation survey of the site to prove how rundown it is but, despite a firm undertaking to staff, no further work has ever been done to develop a firm proposal and costing for a reconfiguration of Gore Hill. Why? You will need to ask the ABC for their reasons and no doubt you will. But this failure means the committee has no practical comparative benchmark by which to assess the cost-effectiveness of the Ultimo B proposal.

The second measure, the intrinsic cost effectiveness, is in our view where the ABC's proposal fails again. You will have noted that our list of very detailed questions on the funding model, an annexure to the CPSU's last submission to the committee, remain unanswered. They were framed with the advice of some very well-informed and eminent experts in this field. They raise a large number of key issues relating to appropriate financial procedures and principles within a government funded organisation. They remain, I stress, unanswered.

Of course we have no power or authority to require the ABC to answer those questions; you do. But one thing we already know is that the funding model fails its own requirement that the project should be self-funding. Instead it is supported by massive borrowings. These in turn are predominantly serviced by an annual repayment of around \$8 million generated from the rescheduling of an existing ABC debt. This would push the ABC's total borrowings to alarming levels in a time of savagely increased costs caused by digitisation. Nor does the board have any guarantees as to the continuing appropriation level it can expect from government. The ABC, as you all know, is still deep in its triennial funding negotiations.

In this climate we would submit that any prudent organisation would be working very hard to wind back its debt and make its gearing ratios as modest as possible. The ABC proposal before you envisages the exact opposite. The risks are plainly unacceptable and we are confident the Department of Finance and Administration would not be impressed by such high levels of exposure in a taxpayer funded organisation. Construction cost overruns, major interest rate variations, unavoidable additional expenditure in other areas, a reduction in the appropriation – any or all of these would plunge the ABC into financial crisis as it struggled to service its debts. Where would any shortfall be made up? The only possible source is the money that provides ABC services and makes programs. There would be an immediate impact on what is offered to ABC listeners and viewers. The effect would be felt most immediately in states and regions other than central New South Wales where capital works and decentralised production would have to be halted to meet the Ultimo debt.

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Those are the concerns that bring us here today. Please remember that there are no significant long-term savings yielded by the Sydney scheme. Co-location may be a worthwhile notion, but it will not bring about major efficiencies in the ABC's core function – the production and transmission of programs. Instead, the Ultimo B proposal offers only financial risk and disruption during what management and the board have elsewhere claimed to be the most crucial period in the corporation's history.

Our concern is for the continuing health of public broadcasting – a fundamental part of this nation's democratic processes. Its wellbeing is far too important to be risked for an unnecessary building project that

would satisfy nothing more than the dogma of an abstract idea. One hundred and sixty million dollars, the total cost of the scheme, is a very large pile of money for a broadcaster to invest in a depreciating asset. We urge the committee to recommend that this project be deferred until a genuinely self-funding model can be developed and until there has been a full examination and costing of the upgrade and reconfiguration of Gore Hill. Thank you very much. We are, of course, happy to answer your questions, but first Quentin may have something to add.

**CHAIR**—Before you start, can I remind you that we had five minutes scheduled for your presentation. We have the submission, so can I ask you please to be brief, otherwise there will be no time for the committee to ask questions.

**Mr Dempster**—Sure. I just wanted to make the point, Madam Chair, that we believe we are duty-bound to be here because of the developments that David Salter has just explained. When I was Director of the ABC, the board insisted that each construction project be financed separately – that is, each project had to be economically viable. The ABC would only look at the Southbank project in Melbourne for approval by the Public Works Committee when the ABC could demonstrate that it was self-funding through the sale of the old Radio Australia site at East Burwood and the sale of other Melbourne properties. You may recall, or PWC records will show, that the ABC ceased activity on the Southbank site when the Melbourne property market collapsed. The ABC advised the PWC of this, and the project could only proceed when the building plan was resubmitted on a substantially reduced scale and the financial plan enhanced when the ABC successfully negotiated an interest subsidy from the Commonwealth.

Viability of the Ultimo centre was demonstrated before the PWC through the sale of three Sydney properties and termination of leases and rental agreements. Borrowings for Ultimo A were repaid by reducing ongoing costs through the rental savings, staff reduction and other efficiencies. Total recurrent savings produced by the project were booked at \$15 million a year; that made Ultimo A economically viable.

This cannot be said of the proposal now before you; the Ultimo B proposal is not viable. Savings in this proposal are insignificant: \$2 million, Russell Balding just indicated to you, has been offered in the ABC proposal. Any proceeds from the sale of the Gore Hill site are not being applied to the Ultimo B project. They have already been designated, as we said in our submission, to the ABC's contribution to digital conversion funding. However, we do not concede that, even if the sale proceeds of Gore Hill were applied to Ultimo B, Ultimo B would then be economically viable. We need a critical evaluation of the potentially more cost-effective solution which presents itself: the consolidation and upgrade of the Gore Hill television production facility.

**CHAIR**—Thank you very much. Can I go back to a couple of issues there. One goes back to the early questions on part of the reason for this proposal and that is to meet the new demands of digital broadcasting. How do you see that, and how do you see Gore Hill being able to be equipped to meet those future demands, both in broadcasting and in program development?

**Mr Dempster**—In the agreed terms of reference that we had established with ABC senior management before the relationship broke down, we had agreed to determine what the digital requirements were, the specifications for wide-screen television production, and we were going to go through that to see whether Gore Hill could be reconfigured to provide the ABC board with a clear comparison between a reconfiguration and upgrade of Gore Hill to meet our digital future or management's preferred option of co-location in Ultimo. We did not get the opportunity to do that.

**CHAIR**—I notice that you argue that the cost of improving Gore Hill would be something like \$30 million to \$45 million cheaper than the ABC's Ultimo B proposal. How did you arrive at those figures?

**Mr Salter**—They are the ABC's figures.

**CHAIR**—So you are just taking their word for it; you have not done any independent analysis?

**Mr Salter**—We hope we can trust the national broadcaster. Yes, we have taken their figures at their own valuation all the way through this process. It is the methodology and the funding of the debt that is our central concern. If I can just cut in on the digital issue, there is nothing magical about the digital process; it is just a different technical standard for capturing pictures. If you built at Ultimo or you had to rebuild at Gore Hill, you would be facing exactly the same technical problems.

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**Mr FORREST**—Just to follow up on that, what is the source of those valuations that you refer to, the Ultimo site as well?

**Mr Salter**—The papers that have been to the board progressively as proposals – draft submissions and then proposals for endorsement. Mr Marhinin will have them all, but the first I believe was March 1998, there was a second major proposal in early February 1999 and the proposal that you have is the third version, the third iteration, of that scheme.

**Mr FORREST**—But what is the source of the valuations? The ABC's position is that because it is purpose-built the market value reflects something else. They make an assessment that its value to them is \$200 million.

**Mr Salter**—I have not noticed there is much competition for the role of national broadcaster. It is a gig that the ABC has on its own. But I think you have got two things here. On the valuation of the building, if you are asking me how come I am able to say that the ABC's own value of Ultimo A now is between \$40 million and \$70 million, that is because that was an estimate given to us in committee by Russell Balding.

**CHAIR**—I want to go back also to the staff issue. You heard the response of the Australian Broadcasting Corporation to my question about the consultation process with staff, and they did make the point that your original submission – that is, Mr Salter's and Mr Dempster's submission – was in April of last year. Have things improved since then or have you changed your view in terms of the staff response to this project where you made the claim that there was not broad spread support for this move?

**Mr Salter**—The one point I would like to make before answering that is that of course the ABC's submission was received by your committee in August and we are now meeting in early February, so the time differential between our submission and your receipt of the documentation is much shorter than the implication that was given to you before afternoon tea that almost a year has elapsed. It has not. As to the feeling of staff at Gore Hill, I would have to defer to Graeme and Quentin.

**Mr Thomson**—The CPSU has conducted meetings of members at both Gore Hill and Ultimo. At those meetings we have had very strong feedback that members do not want the ABC to proceed with the project. The feedback we got was very much along the lines of, 'We would love to work in a brand-new building.' As you must have seen from the wander around this morning, the Gore Hill site is pretty appalling and there is very strong support for moving into refurbished and renewed accommodation. So at that level I think we can fairly say there is strong support in some part for the Ultimo B project, but there would equally be strong support for a refurbished Gore Hill site as well. The feedback we have got has been very strongly along the lines that we are not quite sure yet whether or not there is a need to move entirely out of the Gore Hill site, and until such time as that study has been done we are quite frightened about the possible financial exposure the ABC would suffer if we were in fact forced to move out of the Gore Hill site. So I think a lot of our members are actually in two minds about the whole issue, but until such time as the final study is done on the Gore Hill site I think they would opt for a more cautious approach.

**CHAIR**—You say you have had meetings. Can you tell us approximately how many staff attended those meetings?

**Mr Thomson**—There has been a series of meetings, and I do not have the dates with me.

**CHAIR**—Can you get us an approximation of the numbers that might have attended those meetings?

**Mr Thomson**—It is not uncommon to have 200 at the Gore Hill meetings and 150 at our Ultimo meetings.

**CHAIR**—Out of what number of staff?

**Mr Thomson**—It is a shift work environment, which always creates a difficulty for us because at any time we only have maybe 30 to 40 per cent of staff on duty, and those meetings have always been exemption meetings which means we always allow people that are actually working on essential programs – doing shoots – to continue. In terms of the proportion of staff that come to those meetings who are in a position to leave, I think we would probably be getting 70 per cent of people that could attend those meetings along.

**Mr LINDSAY**—Mr Salter, in your evidence you talked about the current value of Ultimo. You heard the evidence the ABC gave us as to what their view was on that and why it did not concern them. Do you agree with what they said?

**Mr Salter**—I did not hear that evidence because I was earning a living. I only got here at about 20 past three. Could you precis it for me?

**Mr LINDSAY**—They said it was a purpose-built building as a broadcasting centre and it was to be expected. They looked at the value of the building in terms of what it might cost to replace it in the future, not what its current value is.

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**Mr Salter**—I think that is most probably a legitimate bookkeeping approach to the issue, but it is not the issue at hand. The issue at hand is what value is the Australian taxpayer getting for \$160 million and the risk of massive borrowings, and I think in that context you have to look realistically at what is this building worth on the market.

**Mr LINDSAY**—In your evidence you said that Lanceley Place remains across the river if the current proposal goes ahead. Do you have a solution to that remaining across the river? If the current proposal went ahead, would you like to see Lanceley Place in fact somehow or other incorporated into the current proposal?

**Mr Salter**—I think if the ABC and its consultants had been able to, they would have somehow squeezed those facilities into the Ultimo B site. They just won't go. Outside broadcasts consume significant garage space; it has to be a major concrete floor to support the weight of the trucks, and they need all kinds of access. The drama studio has to be as big as it is because of wide-screen production, and it is on land that the ABC owns. Those are practical solutions. I do not think they could be squeezed into the Ultimo site. To our mind they are some of the many good reasons not to build Ultimo.

**Mr LINDSAY**—Mr Thomson, the CPSU's submission says that the ABC proposes to maximise debt levels. What evidence do you have of that if that is the ABC's proposal?

**Mr Thomson**—I am not sure if they were my words, that they were going to maximise debt levels. They would be taking them to the maximum previous level that the ABC had taken its debt levels to before, and I have taken that from the position paper that was taken to the board meeting, which was one of the parameters that they said they would be applying.

**Mr LINDSAY**—So you are confident that that evidence that you gave in point 16 of your letter is in fact the truth of the matter?

**Mr Thomson**—To the extent that I have drawn it from ABC evidence, ABC position papers, yes.

**Mr LINDSAY**—In the joint submission you have said that it is a questionable professional practice for a statutory authority to direct repayment schedules from one property loan to fund another property development. What do you mean by that?

**Mr Thomson**—This is out of the Quentin submission?

**Mr LINDSAY**—Yes.

**Mr Thomson**—David, do you want to do that?

**Mr Salter**—These are questions and statements that were taken on advice from the very expert opinion that we sought, and I think the meaning of it is self-evident, that it is hardly prudent practice for a taxpayer funded organisation which is already carrying debt to shuffle its debts around and apply a rescheduling of a debt from one project to another to make it seem financially viable because it must, ipso facto, make the original project less financially viable and the debt blow out. There is no other way to achieve that difference.

**Mr Dempster**—That was the point I was trying to make in my remarks, Mr Lindsay, about my experience on the board with the Southbank project. It had to be demonstrated that moving ABC staff and operations from other leased and rented properties was viable, and that the borrowings would be covered by the savings from termination of those leases and rentals, and the sale of other properties. This is not the case here.

**Mr Salter**—One of the criteria that the managing director set for this project – and it was continued on in every working paper – was that the project be self-funding, not that the ABC could somehow fund the project.

**Mr LINDSAY**—Thank you. You have said that the financial analysis provided by the board is relatively unsophisticated, given the scale of the proposed development. Can you elaborate on why you think it is unsophisticated?

**Mr Dempster**—That was the advice that we had on the financial modelling then presented to the board – and you see the ABC proposal. For its financial modelling at that time, there was a net present value analysis done which seemed, to our advice, to be highly questionable, trying to persuade the board that everything stacked out against Gore Hill and in favour of Ultimo B.

**Mr LINDSAY**—You question the capacity of the ABC to meet its statutory obligations under the ABC Act in the years to come. You would have heard me ask the ABC about the implications for areas outside Sydney in the years to come, which I think is the point you were making. Did you accept the ABC's explanation in answer to my question?

**Mr Dempster**—You will notice that Russell Balding said there would be no impact – alarming words – on current programming outlays. That causes a degree of fear within me if the risks are as we describe them and as everybody in the building industry tells us in terms of construction cost risk and interest rate risk. The ABC has a finite appropriation that is still uncertain. We are still in negotiation with the federal government, coming up to the May budget, about what sort of appropriation or enhancement we are going to get not only to meet broadcasting in the digital environment but also to enhance the services to regional Australia, which everybody at the ABC wants to do. This is an uncertainty. To have such an uncertainty and such a risk through this major building project in Sydney is too unacceptable a proposition for us without, as we have insisted right from the start, a critical evaluation of potentially more cost-effective alternatives. They are the dynamics of why we are here today. After the board decided to reject our proposition, we felt we had to go the Public Works Committee. We did not want to come here, but we believe we had to.



**Mr RIPOLL**—I have two questions, one on the synergy of the sites. The ABC, in their evidence, said that there was a synergy in moving the functions to the Ultimo site. If we were to go with your option, how would that work?

**Mr Dempster**—It obviously presents problems. Madam Chair was asking earlier about staff. One of the things that impressed me about the Gore Hill site was its operational convenience, because it is one traffic light stop away from what will be the Sydney orbital. We have a 24-hour licence for helicopter operation. As a television facility it has been most efficient and very well placed – likewise with staff facilities. But we are not coming to you complaining about the dislocation of staff that comes with this; we are concerned about the financial aspects of this deal. We said in our submission that, if co-location could be cost-effectively achieved, that would provide some synergies and some benefits. There has been no objection from the staff to co-locations of ABC sites elsewhere in Australia. When we examined this in detail we saw that the financial impacts on the ABC and the viability of this project were of greater concern than the benefits of synergies that may flow from co-location.

**Mr Salter**—The claimed benefits of synergy are of course hypothetical and yet to be tested. On the other side of the equation you have the risk of borrowing enormous amounts of money and the dislocation of the service. The other thing is that the ABC's history in property generally is not spectacularly good. As a corporation it has done tremendous things in providing a broadcasting service, but it has always fallen for the trap of giantism – believing that if you build bigger you build better – whereas in fact if you build bigger and coalesce services you make them less flexible.

The Ultimo building, where you were, was meant to give a synergy of bringing the Sydney Symphony Orchestra into the building. It added \$15 million to \$20 million to the costs of that building – and the orchestra is gone. Things change. It is better to stay flexible than to build big – that is our view.

**Mr RIPOLL**—If this project goes ahead, what effect do you think this might have on outsourcing of future ABC activities?

**Mr Dempster**—We are in a bind at the moment. As you know, there has been a great debate in the ABC about outsourcing. The board have pursued outsourcing through what they call a 'contestable regime'. You heard Mr Lloyd James indicate that that would continue, but it fluctuates year to year. We are at one with the board in its belief that the ABC needs a viable in-house production capacity. The proposal before you sustains that in-house production capacity. We appreciate that point. I get back to our primary concern about the cost-effectiveness of the proposal. We believe that we can maintain the viability of our in-house production capacity to the benefit of the ABC through a reconfigured Gore Hill site if only we could do the work. Those of us who feel strongly about it will continue to argue about the levels of outsourcing, that it should be rigorous and minimal to sustain the ABC as a substantial producer of television.

**Mr FORREST**—I wonder if you could make available to the committee any suggestions you have about the use of the Gore Hill site. We understand about the Lanceley Place operation, the car park and a new helipad, but I am just a little bit unsure about reconstruction. Obviously it needs reconstruction. How will people cope with the living conditions, the work and health and safety issues out there? They have my support on that. Wouldn't the same issue about overcapitalisation arise in any purpose-built building? Wouldn't you always have this issue of its market value being less when building it for a specific user? Won't you always have that as an issue even at Gore Hill in a revamp?

**Mr Salter**—To my mind that is not so much the issue as the capacity at Gore Hill to work on a large parcel of land that the ABC already owns, to bear down on it, to study it, to make the most effective reconfiguration and upgrade of facilities you can do there, and to free up land. We happily concede that there is more land there than a modern broadcasting production facility requires and that can be freed up and turned into capital which can either be reinvested in the development of the site or whatever. But it remains flexible. We have the makings there already. It is a facility that has worked for 40 years and that has serviced the Australian public for 40 years.

The conditions that you refer to are the price that many ABC workers pay for the privilege of working in the public broadcaster. They are quite happy to pay that price and they will endure the dislocation of rebuilding. They already have on many occasions. It can be effectively reconfigured, but the work has not been done. As I said in my remarks, there was a very promising study done that Mr Marhinin showed to ABC staff almost two years ago which has never been pursued. To me it was the basis of some really effective work.

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**Mr FORREST**—One of the things that somebody said earlier – maybe Mr Thomson – was that the committee should ask the corporation the difference between what it wants and what it needs. I think it is clear that they place very high importance on this idea of all being together. The suggestion is from that that it is worth \$45 million. It seems that technology today could overcome some of the problems this location could make, and there is the fact that we can talk to each other with videoconferencing and all that sort of thing. That

is the sort of operation you envisage. When you say that Gore Hill should be consolidated, you should do away with the Ultimo site, is that what you are saying or would you still live with the two locations?

**Mr Dempster**—Yes.

**Mr Salter**—Radio and television have managed to co-exist but provide first rate services on separate sites for 40 years. It has not been a problem. One can see the merit – I do not accept it – in Mr Johns’s allegiance to this concept of co-location. However, there is nothing that is claimed as a benefit from co-location that cannot be achieved by either picking up the phone or connecting to machines by a piece of wire. We do it already. If there were such tremendous and tangible benefits from putting radio and television together, you would expect to see that all round the world, but you do not. In fact, the BBC, where they have been trying it, are already now laying aside money to break away. They have realised that the experiment did not work on Wood Lane at the television centre, and radio is thinking of going back into the West End. So it is an idea, but it is a very expensive idea.

**Mr FORREST**—Could you offer any solutions about what the priority might be in the upgrading of the Gore Hill site? Given that the development of Lanceley Place is obviously needed and necessary, what else could be done?

**Mr Salter**—At the risk of sounding like a broken record, that is the work that needs to be done. That is the work that the ABC conspicuously has failed to undertake at any significant level – to actually approach Gore Hill as a practical broadcasting centre and say, ‘How do we reconfigure and upgrade this in the most effective way?’ Instead they have spent their energy trying to prove that it is dilapidated, which we know already.

**Senator FERGUSON**—I was pleased to hear you say in your introduction there were no politics in this issue. You also said that your main concern was the general health and wellbeing of the ABC. Are you suggesting the board and ABC management do not have the same concerns about the general health and wellbeing of the ABC?

**Mr Salter**—No, not at all. I am suggesting that they are misguided and I am suggesting that they have been poorly advised. I believe they have a genuine concern. Of course they do, they are charged with that, but the board only knows what it is told. It is like, I would imagine, if you sit in cabinet and your department sends you up a submission. You have to trust it. There is no dishonour in supporting a recommendation that has come up from senior management, but at the same time those recommendations may not hold water.

**Senator FERGUSON**—Why have you continued to talk about \$160 million and another \$109 million?

**Mr Salter**—Because that is the total cost of the project if you include the cost of the borrowings and the fit-out.

**Mr Dempster**—The \$109 million does not include the fit-out.

**Senator FERGUSON**—It is \$129 million, I think.

**Mr Salter**—Yes.

**Mr Dempster**—That is the interest rate cost over the borrowing for that period.

**Senator FERGUSON**—I think you said that the ABC probably did not tell us that the value of Ultimo had gone from \$150 million in construction costs to a current value of \$40 to \$70 million, when in fact they did. They did tell us that while we were there. Don’t you believe the ABC should be able to build a purpose-built building which naturally, after it has been built, does not have the same commercial value because it has been purpose built?

**Mr Salter**—The ABC’s primary responsibility is to its audience, not to itself, and if, by building a building of \$160 million in total cost, it puts its capacity to service that audience at risk, then I think its primary obligation is to think again and see how it can use the taxpayers’ dollars better or more safely.

**Senator FERGUSON**—You keep talking about risk. Both you and Mr Dempster have done so throughout the whole of your submission. Isn’t it a fact that the ABC’s budget has to be presented to the department of finance and the government for approval and that it is able to be questioned at estimates and audited? Do you seriously think that the department of finance is going to allow something with the element of risk that you are talking about to take place within the ABC?

**Mr Dempster**—They have been put in a difficult position. If the ABC proposal gets a tick from the Public Works Committee, I think it would probably be helpful if there were some evidence from the finance department about the level of borrowings that it was being asked by the ABC to sign off on. That would be a helpful process for all of us to nail down that element of risk.

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**Senator FERGUSON**—We can put that to the ABC when they come back at the end of this session but I imagine that the budget has already been to the department of finance and that it is not something that will go after the Public Works Committee has discussed it. I imagine that has already been proposed.

**Mr FORREST**—I think it has. Is that right?

**Mr Dempster**—The ABC is in triennial funding negotiations with the government at the moment, which is part of the budgetary process. The triennial funding process establishes the quantum of the appropriation and the means for its inflationary adjustment over the period. The ABC board, as are its obligations under the act, is then entitled to go and spend the appropriation to meet the charter obligation. There is no annual budget approved by the government. There is supervision, as you say, by the parliament, Senate estimates committees and the Australian National Audit Office.

**Mr Salter**—No doubt you can put directly to the ABC the question of whether Finance has signed off on their financial modelling or not. But surely another way – to answer your original question – would be to look at it upside down: which do you think has more risk – gradually spending \$45 million to upgrade an existing facility or going out and borrowing for a \$106 million facility?

**Senator FERGUSON**—In their submission this morning, when the ABC were asked questions particularly about the move into convergence and digital television, they said they had until 2003, I think, to provide a certain service. If we were to defer this project and then take on board further submissions, who knows when this project might then come again before the Public Works Committee, given it has already taken two years to get to this stage? That might make it difficult for them to fulfil their obligations.

**Mr Dempster**—We got into this argument with the board when we were asking for more time to do the work. We tried to hone it down to about six weeks to do this critical evaluation of the upgrade. We cannot start construction until much later in the year. The Olympics in Sydney are an impediment to that although one of the witnesses said that it was an advantage to the ABC to start construction post the Olympics. We acknowledge that but this work could be quickly done and the ABC proposal hopefully amended accordingly. I do not think, with what is at stake in this project, that we should be concerned about having another look at it if you are persuaded that there is merit in our argument about the risks to the Commonwealth and to the ABC.

**Senator FERGUSON**—We can put that question to the ABC when they come back.

**Mr HOLLIS**—This project would not have reached this stage without a fairly good input from Finance and a good going over by Finance but that is still a question that we can put to the ABC when they come back, as Senator Ferguson said. You have been talking about Gore Hill and this gradual upgrading. Mr Thomson, as a trade union official, you must be appalled by the situation. How can you allow your staff to work in the conditions? Governments of whatever political persuasion make much of occupational health and safety. We make much about fire regulations and we make much about all sorts of conditions. As to what I saw this morning, given my many years of involvement in the trade union movement, if I were still an organiser I would have the people out of there quick smart.

You are coming before us as a trade union official and there is an argument about Gore Hill. No-one is talking about rapid building there; all you are talking about is a gradual rebuilding at Gore Hill. So as a trade union official you are going to try and persuade staff to work in conditions which by any stretch of the imagination are appalling – even my Liberal colleagues on the committee were appalled. I tell you what: it takes a lot to make some of my Liberal colleagues appalled at conditions that workers work in, but they were all appalled there this morning.

**Mr Thomson**—I think the point David Salter made earlier is that a lot of our members do treat it as a privilege to work for the national broadcaster –

**Mr HOLLIS**—Yes, but there are privileges and privileges, for God's sake.

**Mr Thomson**—I have got to admit I am with you there. We are not at all happy about the working environment our members are placed in. We would be very happy to see either the Ultimo B project completed and our members placed in proper accommodation or moving into a properly refurbished and restored Gore Hill site. We do not want to see our members forced to work in an environment where there is a possibility of lumps of asbestos landing on their heads. We clearly do not want to do that. What our members keep on saying, though, is that we also want to make sure that we can work for an organisation that has money left over to make programs. It is a difficult call. Our members want to work in the television and film industry, particularly for the national broadcaster. They want the buildings refurbished. But that does not then drive us into a single conclusion that we need to move to Ultimo B. There is another alternative, and that is the possible refurbishment and restoration of the site.

**Mr HOLLIS**—What time span would you place on this possible refurbishment? You must have an idea.

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**Mr Thomson**—We would like to see it done over a couple of years. I do not have the expertise that is behind me.

**Mr HOLLIS**—A couple of years?

**Mr Thomson**—A couple. There have been repeated calls by the CPSU for building upgrades. We have constantly been involved in disputes with the ABC over asbestos.

**Mr HOLLIS**—But be realistic. If you are talking about upgrading the facilities there, if you are talking about moving out of studios, closing down certain studios which we were told this morning could not be closed down for three weeks, three months or three years, do you think that with the complex there at Gore Hill in a couple of years that place could be totally refurbished? No way! And in the meantime would ABC keep producing the service they are producing now or would you move them out of there? To do that in a couple of years you would have to clear that site of all the tat that is there in the building, you would have to refurbish it – you would have to put the bulldozer through it in many respects. You are not talking about two years; you are talking about years and years.

**Mr Thomson**—The point I would like to make is that we are not outright opposed to the management proposal. It is a pretty simple point I would like to make: to the extent that a study is done that does look at a proper refurbishment, restoration and rationalisation of the site to allow the partial sale of part of the property, if that study is undertaken and reveals that it is not possible to refurbish and fix up the site then I can say that I will be here arguing that our members be moved into Ultimo B. But the fundamental problem we have got is that that study has never been done.

**CHAIR**—Thank you very much.

[5.04 p.m.]

**AMOS, Mr Geoff**, General Manager, Olympic Roads and Transport Authority

**PRENDERGAST, Ms Margaret Joan**, Manager, Operations Planning, Olympic Roads and Transport Authority

**CHAIR**—The committee has received a submission from the Olympic Coordination Authority dated 14 January 2000. Do you wish to propose any amendment?

**Mr Amos**—No.

**CHAIR**—Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

*The document read as follows —*

**CHAIR**—I invite you to make a short statement. There is a time limit of five minutes on that statement in support of your submission before we proceed to questions.

**Mr Amos**—Thank you. The Olympic Games in Sydney in September of this year will place unprecedented demand on our road and transport system. Harris Street, in Ultimo, will form one of the many key links to support that transport system. As you may be aware, Darling Harbour is one of the key venues for the Olympics in Sydney. There are some four Olympic venues where competition will be undertaken in Darling Harbour. ORTA's role is to deliver transport to many clients who will travel to those venues. Our clients include members of the Olympic family, who will travel in either sedan type cars or coaches; athletes, who will travel predominantly in buses; media, who will travel in buses; and work force, who will travel in buses. It is our estimation that Harris Street, at the location of this development, will carry a volume of some 8,500 vehicles per day specifically for the Olympic need.

We released a number of public documents late last year wherein we stated that, to support the Olympic transport system, a number of roads in Sydney would be dedicated as Olympic routes. On some of those Olympic routes, we would dedicate Olympic lanes which would only be available to traffic carrying an Olympic accreditation. On some other roads we would install extensive, time period clearway restrictions – that is, preventing people from stopping or parking at the kerbside. It is our intention at games time to install a clearway on Harris Street, in Ultimo, and from Allen Street to George Street from 11 September 2000 to 6 October 2000. The kerbside lane of Harris Street, travelling in an easterly direction between Allen Street and George Street, will also be nominated as an Olympic lane – that is, it will be restricted to only those vehicles that carry an Olympic accreditation. We would be very concerned, if this development proceeded, that construction vehicles or vehicles associated with the construction of this development would impede the flow of Olympic transport.

**VICE-CHAIR (Mr Hollis)**—I take it you are engaged in discussions with the ABC on these proposals.

**Mr Amos**—Yes, we are.

**VICE-CHAIR**—And the discussions are going well?

**Mr Amos**—I understand that the discussions have gone well and that there has been some agreement that they would agree with our proposal that there be no construction activity either on Harris Street or Ultimo Road for the period that we have requested, that is, 11 September to 6 October.



**Mr LINDSAY**—The ABC's comments back to us was that it was their proposal to restrict construction during the Olympic period. Those words might mean suspend or they might mean scale down. Do you have any indication what they mean?

**Mr Amos**—No, I do not, and you are correct – the definition of restrict can be taken in many ways. From our point of view, we would prefer an arrangement that did not create the generation of additional traffic on that section of the road network. That would lead me to a conclusion that construction should cease for the period of the Olympic Games.

**Mr LINDSAY**—You gave evidence that the Olympics may generate 8,500 vehicles per day. What is the current vehicle count on Harris Street?

**Mr Amos**—I do not have that information available to me at the moment. I would be happy to take the question on notice and provide the committee with that information.

**Mr LINDSAY**—Thank you.

**Mr FORREST**—There does not seem to be anybody else to ask about traffic access onto the site, so I will ask you guys because you obviously know a little bit about the way roads operate. There is an entrance off Harris Street – in and out – very close to Thomas Street, which, at my estimate, will interfere with traffic lights on what is obviously an already congested intersection with a lot of pedestrian traffic. There is also another service access off Ultimo Road down at the back which requires some adjustment to curb and channel alignment, and so forth. Does your authority have any concerns about these matters?

**Mr Amos**—I do not have the plan in front of me which you have and I have not reviewed the operation of the development to that extent. My authority's interest relates predominantly to the Olympic period and how transport operates. In my previous statement, I said I would prefer that activity cease during the period of the games. If that were to occur, the location of the driveways would be of no consequence to my authority.

**Mr FORREST**—My other questions have been asked, thank you.

**Senator FERGUSON**—In relation to your request about having no activity taking place during the period of the Olympics, have you spoken to the ABC about that?

**Mr Amos**—I have not, but I understand my staff have.